Kassa Nova Bank JSC (SB ForteBank JSC) (from 1 February 2021 Freedom Finance Kazakhstan Bank JSC)

Separate financial statements

for 2020
together with independent auditor's report

CONTENTS

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Independent auditor's report

To the Shareholders and Board of Directors of "Bank Freedom Finance Kazakhstan" JSC

Opinion

We have audited the separate financial statements of "Bank Kassa Nova" JSC (hereinafter, the "Bank"), which comprise the separate statement of financial position as at 31 December 2020, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Emphasis of matter

We draw attention to *Note 1* "Principal activities" to the separate financial statements, which discloses that on 1 February 2021 the Bank changed its legal name from "Bank Kassa Nova" JSC to "Bank Freedom Finance Kazakhstan" JSC. Our opinion is not modified in respect of this matter.

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Responsibilities of management and the Board of Directors for the separate financial statements

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

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.
The Board of Directors is responsible for the overseeing of the Bank's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Olga Khegay Auditor	Rustamzhan Sattarov General Director Ernst & Young LLP
Audit qualification certificate No. МФ-0000286 dated 25 September 2015	State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

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

26 April 2021

Separate statement of financial position

as at 31 December 2020

(in thousands of tenge)

	Notes	*2020*	*2019*
Assets			
Cash and cash equivalents	5	**47.782.215**	33.448.522
Amounts due from financial institutions	6	**857.825**	776.208
Loans to customers	7	**411.444**	68.124.327
Investment securities	8	**27.187.514**	3.785.045
Property and equipment	9	**4.369.243**	6.457.813
Intangible assets	10	**1.161.940**	1.156.938
Investments in subsidiaries		**3.000**	3.000
Current corporate income tax assets	12	**126.025**	–
Other assets	11	**745.827**	2.961.626
Total assets		**82.645.033**	116.713.479
Liabilities			
Financial instruments at fair value through profit or loss		**–**	9.626
Amounts due to financial institutions	13	**2.380.381**	9.111.519
Amounts due to customers	14	**50.818.928**	85.807.142
Obligations under repurchase agreements	15	**7.940.553**	–
Current corporate income tax liabilities	12	**–**	208.388
Deferred corporate income tax liabilities	12	**574.923**	1.277.039
Subordinated debt	16	**3.392.737**	3.303.255
Lease liabilities		**128.118**	226.456
Other liabilities	17	**180.739**	614.052
Total liabilities		**65.416.379**	100.557.477
Equity			
Share capital	18	**9.356.140**	9.356.140
Revaluation reserve for property and equipment	18	**340.075**	761.249
Retained earnings		**7.532.439**	6.038.613
Total equity		**17.228.654**	16.156.002
Total equity and liabilities		**82.645.033**	116.713.479

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

G.A. Akhmetova — Acting Chairperson of the Management Board

R.T. Ergazinov — Acting Chief Accountant

26 April 2021

Separate statement of comprehensive income

for the year ended 31 December 2020

(in thousands of tenge)

	Notes	*2020*	*2019*
Interest income calculated using effective interest rate	19	**10.637.722**	13.802.072
Interest expense	19	**(5.215.796)**	(7.321.798)
Net interest income		**5.421.926**	6.480.274
Credit loss expense	20	**(2.302.797)**	(1.628.539)
Net interest income after credit loss expense		**3.119.129**	4.851.735
Net fee and commission income	21	**758.678**	1.403.912
Net income /(expenses) on transactions with financial instruments at fair value through profit or loss		**(51.611)**	70.612
Net gains/(losses) from foreign currencies			
- dealing		**973.275**	668.830
- translation differences		**(159.258)**	(147.324)
Gain from government grant		**–**	84.061
Gain/(loss) on derecognition of financial assets measured at amortised cost		**197.482**	(26.666)
Other income		**72.189**	97.652
Non-interest income		**1.790.755**	2.151.077
Personnel expenses	22	**(1.932.604)**	(2.475.864)
Administrative and other operating expenses	22	**(2.559.308)**	(1.862.603)
Other expense		**(85.760)**	(106.196)
Non-interest expense		**(4.577.672)**	(4.444.663)
Net gain on disposal of assets and liabilities held for sale, net	31	**1.462.005**	–
Profit before corporate income tax expense		**1.794.217**	2.558.149
Corporate income tax expense	12	**(314.662)**	(557.137)
Profit for the year		**1.479.555**	2.001.012
Other comprehensive income			
Other comprehensive income/(loss) not to be reclassified to profit or loss in the subsequent periods			
Revaluation of property and equipment	26	**(508.627)**	–
Corporate income tax relating to components of comprehensive income		**101.724**	–
Other comprehensive income/ (loss) to be reclassified to profit or loss in the subsequent periods			
Net change in fair value of debt instruments at fair value through other comprehensive income		**–**	2.561
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		**–**	(179)
Other comprehensive (loss)/income for the year, net of corporate income tax		**(406.903)**	2.382
Total comprehensive income for the year		**1.072.652**	2.003.394
Basic and diluted earnings per share (in tenge)	23	**158,14**	213,87

The accompanying notes on pages 5 to 86 are an integral part of these separate financial statements.

Separate statement of changes in equity

for the year ended 31 December 2020

(in thousands of tenge)

	Notes	*Share capital*	*Revaluation reserve for property and equipment*	*Fair value reserve*	*Retained earnings*	*Total equity*
As at 31 December 2018		9.356.140	772.815	(2.382)	4.026.035	14.152.608
Profit for the year		–	–	–	2.001.012	2.001.012
Other comprehensive loss for the year		–	–	2.382	–	2.382
Total comprehensive income for the year		–	–	2.382	2.001.012	2.003.394
Amortisation of property and equipment revaluation reserve		–	(11.566)	–	11.566	–
At 31 December 2019		9.356.140	761.249	–	6.038.613	16.156.002
Profit for the year		**–**	**–**	**–**	**1.479.555**	**1.479.555**
Other comprehensive loss for the year		**–**	**(406.903)**	**–**	**–**	**(406.903)**
Total comprehensive income for the year		**–**	**(406.903)**	**–**	**1.479.555**	**1.072.652**
Amortisation of property and equipment revaluation reserve		**–**	**(14.271)**	**–**	**14.271**	**–**
At 31 December 2020		**9.356.140**	**340.075**	**–**	**7.532.439**	**17.228.654**

Separate statement of cash flows

for the year ended 31 December 2020

(in thousands of tenge)

	Notes	2020	2019
Cash flows from operating activities			
Interest received		**11.520.659**	12.850.531
Interest paid		**(5.340.719)**	(7.352.344)
Fees and commissions received		**1.615.700**	2.493.399
Fees and commissions paid		**(834.313)**	(1.093.527)
Net realised income on transactions with financial instruments at fair value through profit or loss		**973.275**	80.238
Net (losses) /gains from foreign currency:		**(61.237)**	668.830
Other income received		**69.461**	79.711
Personnel expenses paid		**(2.365.384)**	(2.301.981)
Administrative and other operating expenses paid		**(1.368.475)**	(1.469.945)
Cash flows from operating activities before changes in operating assets and liabilities		**4.208.967**	3.954.912
Net changes in operating assets and liabilities			
Amounts due from financial institutions		**(40.907)**	(222.839)
Loans to customers		**64.723.623**	5.264.216
Other assets		**3.499.637**	27.739
Amounts due to financial institutions		**(6.939.545)**	(1.739.015)
Amounts due to customers		**(38.226.882)**	(14.499.729)
Obligations under repurchase agreements		**7.940.553**	–
Other liabilities		**(25.375)**	(40.874)
Net cash flows from/(used in) operating activities before corporate income tax		**35.140.071**	(7.255.590)
Corporate income tax paid		**(1.250.131)**	(64.687)
Net cash from/(used in) operating activities		**33.889.940**	(7.320.277)
Cash flows from investing activities			
Purchase of property and equipment		**(54.453)**	(141.292)
Purchase of intangibles assets		**(31.858)**	(108.361)
Proceeds from sale of property and equipment		**534.528**	–
Purchase of investment securities at fair value through other comprehensive income		**(1.599.634)**	(2.300.000)
Redemption of investment securities at fair value through other comprehensive income		**1.679.956**	3.987.000
Acquisition of investment securities at amortised cost		**(27.087.509)**	(3.780.143)
Repayment of investment securities at amortised cost		**4.353.781**	–
Net cash used in investing activities		**(22.205.189)**	(2.342.796)
Cash flows from financing activities			
Repayment of lease liabilities		**(99.770)**	(100.260)
Net cash used in financing activities		**(99.770)**	(100.260)
Effect of exchange rate changes on cash and cash equivalents		**2.762.267**	(135.292)
Effect of expected credit losses on cash and cash equivalents	20	**(13.555)**	2.940
Net increase in cash and cash equivalents		**14.333.693**	(9.895.685)
Cash and cash equivalents as at 1 January		**33.448.522**	43.344.207
Cash and cash equivalents as at 31 December	5	**47.782.215**	33.448.522
Non-cash transactions			
Repayment of loans to customers by repossessing collateral	11	**1.364.943**	352.199

(in thousands of tenge)

1. Principal activities

These separate financial statements comprises the financial statements of Kassa Nova Bank Joint Stock Company (SB ForteBank JSC) (the "Bank").

The Bank was registered on 31 July 2009 under the laws of the Republic of Kazakhstan. The Bank operates under a general banking license No. 1.1.260 issued by the Agency for Regulation and Supervision of Financial Markets and Financial Organisations of the Republic of Kazakhstan on 10 June 2011. The Bank's activities are regulated by the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market.

The Bank accepts deposits from the public and extends credit, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers.

As at 31 December 2020 the Bank's branch network comprises 8 branches located in the Republic of Kazakhstan (31 December 2019: 8 branches).

Registered address of the Bank's head office: Republic of Kazakhstan, Nur-Sultan, 10 Kunayev str.

The Bank is a member of the Kazakhstan Deposit Insurance Fund ("KDIF"). The primary goal of the KDIF is to protect interests of depositors in the event of forcible liquidation of a member-bank. As at 31 December 2020, depositors can receive limited insurance coverage for deposits up to a maximum of KZT 15 million per deposit, depending on the amount of the deposit and currency (as at 31 December 2019: KZT 15 million).

Starting from November 2015 the Bank is a member of Kazakhstan Stock Exchange foreign exchange market ("KASE").

On 31 May 2018, the Bank established a subsidiary OUSA Nova Limited Liability Partnership ("OUSA Nova LLP") in accordance with the NBRK permission to establish a subsidiary by the Bank No. 17 dated 2 May 2018. The principal activities of OUSA Nova LLP are the acquisition of doubtful and bad assets of the parent bank, sublease of real estate taken onto the books of the Bank.

On 29 July 2020, a contract for the purchase and sale of 100% of the ordinary shares of Kassa Nova Bank JSC was signed between ForteBank JSC and the investment company Freedom Finance JSC. On 25 December 2020, the transaction was closed by re-registering 100% of the Bank's ordinary shares in the Central Securities Depository JSC.

On 25 December 2020, a contract for the purchase and sale of the Bank's shares owned by ForteBank JSC in the amount of 100% of the issued share capital of the Bank was registered with the authorised body between ForteBank JSC and Freedom Finance JSC. On 1 February 2021, the name of the Bank was changed and a certificate of state re-registration of the legal entity as Freedom Finance Kazakhstan Bank JSC was received.

As at 31 December 2020, the sole shareholder of the Bank, which owns 100% of outstanding shares is Freedom Finance JSC (the "Parent") (as at 31 December 2019: ForteBank JSC)

The Bank is under the practical control of Mr. T.R. Turlov, who is the ultimate controlling party and has the power to direct the Bank's activities at its sole discretion and on its own account (31 December 2019: the Bank was under the practical control of Mr. B.Zh. Utemuratov).

2. Basis of preparation

General provisions

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

The separate financial statements have been prepared under the cost convention except as disclosed in the accounting policies below. For example, land, buildings within property and equipment, securities at fair value through other comprehensive income were measured at fair value.

These separate financial statements are presented in thousands of Kazakh tenge ("tenge" or "KZT"), unless otherwise is stated.

(in thousands of tenge)

2. Basis of preparation (continued)

Impact of the COVID-19 pandemic

Due to the rapid spread of the COVID-19 pandemic in 2020, many governments, including the Government of the Republic of Kazakhstan, have taken various measures to control the outbreak, including imposition of travel restrictions, lockdown, closing of businesses and other institutions, and ban for travel in and out of certain regions. These measures have had an impact on the global supply chain, demand for goods and services, as well as the level of business activity in general. It is expected that both the pandemic itself and related public health and social measures can affect the activities of companies from various industries. Since March 2020, there has been significant volatility in the stock, currency and commodity markets, including decline in oil prices and depreciation of tenge against the US dollar and euro.

In 2020, the Government and the National Bank of the Republic of Kazakhstan took support measures to prevent a significant deterioration in economic indicators as a result of the COVID-19 outbreak. These measures include, among other things, concessional loans for entities operating in affected industries and affected individuals, credit holidays, and exemptions from certain regulatory restrictions to support the financial sector and its ability to provide resources and help customers avoid liquidity deficit as a result of measures for containment of COVID-19. The Bank continues to assess the impact of the pandemic and changes in economic conditions on its operations, financial position and financial results. To the extent that information was available as at 31 December 2020, the Bank has reflected revised estimates of expected future cash flows in its ECL measurement (Note 7).

3. Summary of significant accounting policies

Changes in accounting policies

The accounting policies adopted in the preparation of the annual separate financial statements for the year ended 31 December 2020 are consistent with the accounting policies applied in the previous reporting year, with the exception of the adopted new versions of the standards set out below effective as of 1 January 2020. The Bank has not early adopted any other standard, clarifications or amendment that has been issued but is not yet effective.

In 2020, certain amendments to the standards that did not have an impact on the Bank's separate financial statements were applied for the first time:

Amendments to IFRS 3: Definition of a Business

The amendments to IFRS 3 clarify that, to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. At that, it also clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Bank's separate financial statements, but may be applicable in the future if the Bank conducts a business combination transaction.

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

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

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments propose a new definition of materiality, according to which "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".

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

Amendments to IAS 1 and IAS 8: Definition of Material (continued)

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

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. Revision of this document had no impact on the separate financial statements of the Bank.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

The amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The Bank has not applied the amendment in the separate financial statements.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Measurement of fair value

The Bank measures financial instruments carried at FVPL and FVOCI and non-financial assets such as investment property, at fair value at each reporting date.

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

- In the principal market for the asset or liability

  or

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

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Financial assets and liabilities

Initial recognition

Date of recognition

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

Initial measurement

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

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- FVOCI;
- FVPL.

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

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

Amounts due from banks and other financial institutions, loans to customers, investments securities at amortised cost

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

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

The details of these conditions are outlined below.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement (continued)

Business model assessment

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

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

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

The SPPI test

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

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

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

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

Debt instruments at FVOCI

The Bank measures debt instruments at FVOCI when both of the following conditions are met:

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

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement (continued)

Debt instruments at FVOCI (continued)

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

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

Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

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

Performance guarantees

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

Reclassification of financial assets and liabilities

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBRK and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Repurchase and reverse repurchase agreements and securities lending

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

Derivative financial instruments

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

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

Borrowings

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

Lease

i. Bank as a lessee

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

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Lease (continued)

i. Bank as a lessee (continued)

Right-of-use assets (continued)

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5 thousand). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

ii. Operating – Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the separate statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

iii. Finance – Bank as a lessor

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recorded within the initial amount of lease receivables.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Offsetting of financial instruments

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

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

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the separate statement of financial position.

Renegotiated loans

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

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

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

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

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

Derecognition of financial assets and liabilities

Financial assets

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

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

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

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

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

Write-off

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

Financial liabilities

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

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

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Republic of Kazakhstan also has various operating taxes, that are assessed on the Bank's activities. These taxes are included as a component of other operating expenses.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Property and equipment

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

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

Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and constructions	25-65
Furniture and office equipment	5-25
Computer hardware	5-10
Vehicles	10
Leasehold improvements	2-3

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

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

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 1 to 45 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Provisions

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

Retirement and other employee benefit obligations

The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. In addition, the Bank has no significant post-employment benefits.

Share capital

Share capital

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

Dividends

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

Contingencies

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

Recognition of income and expenses

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

Interest and similar revenue and expense

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

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Revenue and expense recognition (continued)

Interest and similar revenue and expense (continued)

The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

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

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

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

Fee and commission income

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

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

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

Fee income from providing transaction services

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

Foreign currency translation

The separate financial statements are presented in thousands of tenge, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the separate statement of comprehensive income as net gains/(losses) from foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Foreign currency translation (continued)

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBRK exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official NBRK exchange rates at 31 December 2020 and 31 December 2019, were 420.91 tenge and 382.59 tenge to 1 US dollar, respectively.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

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

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

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

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Bank is currently in the process of assessing the impact of adopting IFRS 17 on its separate financial statements.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

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

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

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

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. This amendment is not expected to have significcant impact on the Bank's separate financial statements.

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

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

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

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

The Bank will apply IBOR reform Phase 2 from 1 January 2021.

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the separate financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the separate statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 26.

(in thousands of tenge)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Expected credit losses

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

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

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax 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 the Republic of Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Bank is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

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

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

(in thousands of tenge)

5. Cash and cash equivalents

Cash and cash equivalents comprised the following:

	31 December 2020	*31 December 2019*
Cash on hand	**4.205.124**	4.198.884
Cash on current accounts with the NBRK	**8.346.006**	17.477.932
Cash on current bank accounts, other banks	**2.822.432**	1.768.130
Accounts receivable under reverse repurchase agreements with contractual maturity of 90 days or less	**9.205.698**	7.501.994
Time deposits with NBRK with contractual maturity of 90 days or less	**23.216.822**	2.500.573
Time deposits with other banks with contractual maturity of 90 days or less	**7.090**	8.274
Cash and cash equivalents before ECL allowance	**47.803.172**	33.455.787
ECL allowance	**(20.957)**	(7.265)
Cash and cash equivalents	**47.782.215**	33.448.522

As at 31 December 2020 and 2019, the Bank entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are the government bonds with the total fair value of KZT 9,215,775 thousand as at 31 December 2020 (31 December 2019: KZT 7,731,958 thousand).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (national currency cash and amounts on current accounts with NBRK) equal or in excess of the average minimum requirements. As at 31 December 2020, minimum reserve requirements of the Bank amount to KZT 916,694 thousand (31 December 2019: KZT 970,663 thousand).

(in thousands of tenge)

5. Cash and cash equivalents (continued)

Concentration of cash and cash equivalents

As at 31 December 2020 and 31 December 2019, the Bank has accounts with one bank which balances exceeded 10% of total cash and cash equivalents. The aggregate balances of amounts due from this counterparty as at 31 December 2020 and 2019 were KZT 31,562,828 thousand and KZT 19,978,505 thousand, respectively.

All balances of cash and cash equivalents are allocated to Stage 1 for ECL measurement purpose. An analysis of changes in the ECL allowances during the year is, as follows:

ECL allowance as at 1 January 2020	(7.265)
Net change in the allowance for the year (Note 20)	**(13.555)**
Foreign exchange adjustments	**(137)**
ECL allowance as at 31 December 2020	**(20.957)**
ECL allowance as at 1 January 2019	(10.220)
Net change in the allowance for the year (Note 20)	2.940
Foreign exchange adjustments	15
ECL allowance as at 31 December 2019	(7.265)

6. Amounts due from financial institutions

Amounts due from financial institutions comprise:

	31 December 2020	*31 December 2019*
Funds provided as collateral	**859.127**	777.279
Amounts due from financial institutions before ECL allowance	**859.127**	777.279
ECL allowance	**(1.302)**	(1.071)
Amounts due from financial institutions	**857.825**	776.208

As at 31 December 2020, funds provided as collateral included a security deposit of a participant of MasterCard system in the amount of KZT 198,829 thousand (as at 31 December 2019: KZT 270,849 thousand) and a security deposit of a participant of Visa International system in the amount of KZT 145,298 thousand (31 December 2019: KZT 131,430 thousand) and deposit placed as collateral of the Bank's liabilities to the KASE in the amount of KZT 415,000 thousand (as at 31 December 2019: KZT 375,000 thousand).

All balances with financial institutions are allocated to Stage 1 for ECL measurement purposes. An analysis of changes in the ECL allowances during the year is, as follows:

	2020	*2019*
ECL allowance as at 1 January	**(1.071)**	(140)
Net change in the allowance for the year (Note 20)	**(209)**	(932)
Foreign exchange adjustments	**(22)**	1
At 31 December	**(1.302)**	(1.071)

(in thousands of tenge)

7. Loans to customers

As at 31 December 2020 loans to customers comprise:

	31 December 2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Individually significant loans					
Loans issued to small and medium-sized businesses	250.833	–	–	–	250.833
Mortgages	–	–	–	–	–
Consumer loans	–	–	–	–	–
Other loans secured by collateral	–	–	–	–	–
Total individually significant loans	250.833	–	–	–	250.833
Individually insignificant					
Loans issued to small and medium-sized businesses	106	–	303	–	409
Mortgages	16.043	–	–	–	16.043
Consumer loans	–	–	–	–	–
Car loans	–	–	–	–	–
Credit cards	100.260	3.378	54.621	–	158.259
Other loans secured by collateral	70.574	–	–	–	70.574
Total individually insignificant loans	186.983	3.378	54.924	–	245.285
Loans to customers before ECL allowance	437.816	3.378	54.924	–	496.118
				–	
ECL allowance	(28.356)	(1.669)	(54.649)	–	(84.674)
Loans to customers	409.460	1.709	275	–	411.444

As at 31 December 2019 loans to customers comprise:

	31 December 2019				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Individually significant loans					
Loans issued to small and medium-sized businesses	12.551.517	1.589.738	3.650.370	–	17.791.625
Mortgages	–	–	51.304	–	51.304
Consumer loans	–	–	59.041	–	59.041
Other loans secured by collateral	1.274.987	50.291	921.772	86.493	2.333.543
Total individually significant loans	13.826.504	1.640.029	4.682.487	86.493	20.235.513
Individually insignificant					
Loans issued to small and medium-sized businesses	8.735.885	482.813	1.400.305	–	10.619.003
Mortgages	1.420.772	166.814	197.539	766.002	2.551.127
Consumer loans	1.968.343	80.727	648.223	–	2.697.293
Car loans	65.209	1.840	–	–	67.049
Credit cards	387.010	4.422	85.703	–	477.135
Other loans secured by collateral	29.375.420	963.113	4.058.274	804.756	35.201.563
Total individually insignificant loans	41.952.639	1.699.729	6.390.044	1.570.758	51.613.170
Loans to customers before ECL allowance	55.779.143	3.339.758	11.072.531	1.657.251	71.848.683
ECL allowance	(246.263)	(50.365)	(3.427.474)	(254)	(3.724.356)
Loans to customers	55.532.880	3.289.393	7.645.057	1.656.997	68.124.327

During 2020, as part of the purchase and sale transaction of 100% share in the Bank by Freedom Finance JSC, loans to customers with the net book value of KZT 47,521,139 thousand were purchased by ForteBank JSC (Note 31).

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually significant loans

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

	31 December 2020			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually significant loans issued to small and medium-sized businesses				
- not overdue	**250.833**	**–**	**250.833**	**0,0%**
Stage 1 loans	**250.833**	**–**	**250.833**	**0,0%**
Total individually significant loans issued to small and medium-sized businesses	**250.833**	**–**	**250.833**	**0,0%**

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

	31 December 2019			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually significant loans issued to small and medium-sized businesses				
- not overdue	12.257.867	(2.137)	12.255.730	0,0%
- overdue for less than 30 days	293.650	–	293.650	0,0%
Stage 1 loans	12.551.517	(2.137)	12.549.380	0,0%
Stage 2 and Stage 3 loans				
- not overdue	1.683.901	(201.140)	1.482.761	11,9%
- overdue for less than 30 days	509.267	–	509.267	0,0%
- overdue for less than 90 days	822.305	–	822.305	0,0%
- overdue for 90 days to 180 days	55.621	–	55.621	0,0%
- overdue for 180 days to 360 days	51.284	(51.284)	–	100,0%
- overdue for more than 360 days	2.117.730	(1.583.917)	533.813	74,8%
Stage 2 and Stage 3 loans	5.240.108	(1.836.341)	3.403.767	35,0%
Total individually significant loans issued to small and medium-sized businesses	17.791.625	(1.838.478)	15.953.147	10,3%

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually significant loans (continued)

	31 December 2019			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually significant mortgage loans				
Stage 2 and Stage 3 loans				
- overdue for 180 days to 360 days	51.304	–	51.304	0,0%
Stage 2 and Stage 3 loans	51.304	–	51.304	0,0%
Total individually significant mortgage loans	51.304	–	51.304	0,0%

	31 December 2019			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually significant consumer loans				
Stage 2 and Stage 3 loans				
- overdue for more than 360 days	59.041	(59.041)	–	100,0%
Stage 2 and Stage 3 loans	59.041	(59.041)	–	100,0%
Total individually significant consumer loans	59.041	(59.041)	–	100,0%

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually significant loans (continued)

	31 December 2019			
	Loans before ECL allowance	*ECL allowance*	*Loans less ECL allowance*	*ECL allowance to gross loans before ECL allowance, (%)*
Individually significant other loans secured by collateral				
- not overdue	930.797	(423)	930.374	0,0%
- overdue for less than 30 days	344.190	(1.517)	342.673	0,4%
Stage 1 loans	1.274.987	(1.940)	1.273.047	0,2%
Stage 2 and Stage 3 loans				
- not overdue	375.386	–	375.386	0,0%
- overdue for less than 30 days	140.887	–	140.887	0,0%
- overdue for less than 90 days	–	–	–	–
- overdue for 90 days to 180 days	57.745	–	57.745	0,0%
- overdue for 180 days to 360 days	398.045	(8.908)	389.137	2,2%
- overdue for more than 360 days	–	–	–	–
Stage 2 and Stage 3 loans	972.063	(8.908)	963.155	0,9%
POCI	86.493	(241)	86.252	0,3%
Total individually significant other loans secured by collateral	2.333.543	(11.089)	2.322.454	0,5%

An analysis of changes in gross carrying value and corresponding ECL allowance

Analysis of movements in ECL allowance of loans that are individually significant for the year ended 31 December 2020 are as follows:

Individually significant loans issued to small and medium-sized businesses	*2020*				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2020	12.551.517	1.589.738	3.650.370	–	17.791.625
New assets originated or purchased	**3.340.155**	**–**	**–**	**18.116**	**3.358.271**
Assets derecognised or repaid (excluding write-offs)	**(10.424.599)**	**(1.066.477)**	**(7.451.802)**	**(17.366)**	**(18.960.244)**
Transfers to Stage 1	**928.315**	**(785.965)**	**(142.350)**	**–**	**–**
Transfers to Stage 2	**(4.426.824)**	**5.574.588**	**(1.147.764)**	**–**	**–**
Transfers to Stage 3	**(1.745.714)**	**(5.447.230)**	**7.192.944**	**–**	**–**
Net change in accrued interest	**167.684**	**66.604**	**413.734**	**942**	**648.964**
Changes to contractual cash flows due to modifications not resulting in derecognition	**200**	**8.526**	**(52.470)**	**(11)**	**(43.755)**
Transfers between the levels as a result of changes in materiality of loans	**(102.233)**	**269**	**20.227**	**–**	**(81.737)**
Amounts written off	**(37.668)**	**(1.117)**	**(2.509.301)**	**(1.681)**	**(2.549.767)**
Effect from changes in exchange rates	**–**	**61.064**	**26.412**	**–**	**87.476**
At 31 December 2020	**250.833**	**–**	**–**	**–**	**250.833**

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually significant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually significant loans issued to small and medium-sized businesses			***2020***		
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2020	(2.137)	(1)	(1.836.340)	–	(1.838.478)
New assets originated or purchased	**(4.426)**	**–**	**–**	**–**	**(4.426)**
Assets derecognised or repaid (excluding write-offs)	**2.140**	**20**	**2.187.193**	**–**	**2.189.353**
Transfers to Stage 1	**(16.982)**	**16.982**	**–**	**–**	**–**
Transfers to Stage 2	**8**	**(201.148)**	**201.140**	**–**	**–**
Transfers to Stage 3	**–**	**196.976**	**(196.976)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	**(16.465)**	**(13.763)**	**(2.628.598)**	**(1.681)**	**(2.660.507)**
Transfers between the levels as a result of changes in materiality of loans	**115**	**–**	**8.405**	**–**	**8.520**
Unwinding of discount (recognised in interest income)	**–**	**–**	**(244.126)**	**–**	**(244.126)**
Amounts written off	**37.747**	**934**	**2.509.302**	**1.681**	**2.549.664**
Effect from changes in exchange rates	**–**	**–**	**–**	**–**	**–**
ECL at 31 December 2020	**–**	**–**	**–**	**–**	**–**

Individually significant Mortgages			***2020***		
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2020	–	–	51.304	–	51.304
Assets derecognised or repaid (excluding write-offs)	**–**	**–**	**(47.513)**	**–**	**(47.513)**
Net change in accrued interest	**–**	**–**	**4.663**	**–**	**4.663**
Amounts written off	**–**	**–**	**(8.454)**	**–**	**(8.454)**
At 31 December 2020	**–**	**–**	**–**	**–**	**–**

Individually significant Mortgages			***2020***		
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2020	–	–	–	–	–
Assets derecognised or repaid (excluding write-offs)	**–**	**–**	**653**	**–**	**653**
Impact on period end ECL of changes to inputs used for ECL calculations	**–**	**–**	**(9.106)**	**–**	**(9.106)**
Unwinding of discount (recognised in interest income)	**–**	**–**	**(1)**	**–**	**(1)**
Amounts written off	**–**	**–**	**8.454**	**–**	**8.454**
ECL at 31 December 2020	**–**	**–**	**–**	**–**	**–**

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually significant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually significant Consumer loans	***2020*** *Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2020	–	–	59.041	–	59.041
Assets derecognised or repaid (excluding write-offs)	–	–	**(15.904)**	–	**(15.904)**
Net change in accrued interest	–	–	**9.718**	–	**9.718**
Amounts written off	–	–	**(59.561)**	–	**(59.561)**
Effect from changes in exchange rates	–	–	**6.706**	–	**6.706**
At 31 December 2020	–	–	–	–	–

Individually significant Consumer loans	***2020*** *Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2020	–	–	(59.041)	–	(59.041)
Assets derecognised or repaid (excluding write-offs)	–	–	**73.711**	–	**73.711**
Impact on period end ECL of changes to inputs used for ECL calculations during the period	–	–	**(59.205)**	–	**(59.205)**
Unwinding of discount (recognised in interest income)	–	–	**(8.357)**	–	**(8.357)**
Amounts written off	–	–	**59.561**	–	**59.561**
Effect from changes in exchange rates	–	–	**(6.669)**	–	**(6.669)**
ECL at 31 December 2020	–	–	–	–	–

Individually significant other loans secured by collateral	***2020*** *Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2020	1.274.987	50.291	921.772	86.493	2.333.543
New assets originated or purchased	–	–	–	–	–
Assets derecognised or repaid (excluding write-offs)	**(946.373)**	**(55.035)**	**(1.435.054)**	**(41.320)**	**(2.477.782)**
Transfers to Stage 1	**363.019**	**(308.172)**	**(54.847)**	–	–
Transfers to Stage 2	**(672.096)**	**780.148**	**(108.052)**	–	–
Transfers to Stage 3	**(53.651)**	**(379.953)**	**433.604**	–	–
Net change in accrued interest	**(472)**	**12.378**	**143.726**	**3.420**	**159.052**
Changes to contractual cash flows due to modifications not resulting in derecognition	**(321)**	–	**9.809**	**(3.063)**	**6.425**
Transfer between the levels as a result of changes in materiality of loans	**44.026**	**(99.657)**	**337.550**	**(45.530)**	**236.389**
Amounts written off	**(9.031)**	–	**(283.876)**	–	**(292.907)**
Effect from changes in exchange rates	**(88)**	–	**35.368**	–	**35.280**
At 31 December 2020	–	–	–	–	–

7. Loans to customers (continued)

Quality of individually significant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually significant other ***2020***

(in thousands of tenge)

loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2020	(1.940)	–	(8.910)	(240)	(11.090)
New assets originated or purchased	**–**	**–**	**–**	**–**	**–**
Assets derecognised or repaid (excluding write-offs)	**1.810**	**–**	**168.910**	**10**	**170.730**
Transfers to Stage 1	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 3	**138**	**–**	**(138)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	**(9.039)**	**–**	**(371.162)**	**230**	**(379.971)**
Transfers between the levels as a result of changes in materiality of loans	**–**	**–**	**(49.735)**	**–**	**(49.735)**
Unwinding of discount (recognised in interest income)	**–**	**–**	**(17.183)**	**–**	**(17.183)**
Amounts written off	**9.031**	**–**	**283.876**	**–**	**292.907**
Effect from changes in exchange rates	**–**	**–**	**(5.658)**	**–**	**(5.658)**
ECL at 31 December 2020	**–**	**–**	**–**	**–**	**–**

Analysis of movements in ECL allowance of loans that are individually significant for the year ended 31 December 2019 are as follows:

Individually significant loans issued to small and medium-sized businesses			***2019***		
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2019	16.391.246	2.121.067	4.479.168	–	22.991.481
New assets originated or purchased	11.982.128	–	–	–	11.982.128
Assets derecognised or repaid (excluding write-offs)	(14.685.549)	(602.381)	(1.108.737)	–	(16.396.667)
Transfers to Stage 1	1.897.657	(334.256)	(1.563.401)	–	–
Transfers to Stage 2	(1.876.058)	2.563.473	(687.415)	–	–
Transfers to Stage 3	–	(2.156.774)	2.156.774	–	–
Net change in accrued interest	26.532	8.091	402.863	–	437.486
Changes to contractual cash flows due to modifications not resulting in derecognition	–	(6.138)	(20.695)	–	(26.833)
Transfers between the levels as a result of changes in materiality of loans	(1.184.437)	798	(8.630)	–	(1.192.269)
Effect from changes in exchange rates	(2)	(4.142)	443	–	(3.701)
At 31 December 2019	12.551.517	1.589.738	3.650.370	–	17.791.625

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually significant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually significant loans issued to small and medium-sized businesses	***2019*** *Stage 1*	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2019	(9.936)	(77)	(893.925)	–	(903.938)
New assets originated or purchased	(2.994)	–	–	–	(2.994)
Assets derecognised or repaid (excluding write-offs)	192	53	74.268	–	74.513
Transfers to Stage 2	7.389	(7.389)	–	–	–
Transfers to Stage 3	–	7.389	(7.389)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	3.143	(1.019)	(819.879)	–	(817.755)
Transfers between the levels as a result of changes in materiality of loans	69	–	(8.963)	–	(8.894)
Unwinding of discount	–	–	(180.425)	–	(180.425)
Effect from changes in exchange rates	–	1.042	(27)	–	1.015
ECL at 31 December 2019	(2.137)	(1)	(1.836.340)	–	(1.838.478)

Individually significant Mortgages	***2019*** *Stage 1*	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2019	56.203	–	57.372	–	113.575
Assets derecognised or repaid (excluding write-offs)	(8.900)	–	(15.587)	–	(24.487)
Net change in accrued interest	(83)	–	1.142	–	1.059
Transfers between the levels as a result of changes in materiality of loans	(47.220)	–	8.377	–	(38.843)
At 31 December 2019	–	–	51.304	–	51.304

Individually significant Mortgages	***2019*** *Stage 1*	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2019	–	–	(11.348)	–	(11.348)
Assets derecognised or repaid (excluding write-offs)	–	–	3.694	–	3.694
Impact on period end ECL of changes to inputs used for ECL calculations during the period	–	–	7.654	–	7.654
ECL at 31 December 2019	–	–	–	–	–

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually significant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually significant Consumer loans	***2019*** Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2019	–	–	119.366	–	119.366
Assets derecognised or repaid (excluding write-offs)	–	–	(67.320)	–	(67.320)
Net change in accrued interest	–	–	7.231	–	7.231
Effect from changes in exchange rates	–	–	(236)	–	(236)
At 31 December 2019	–	–	59.041	–	59.041

Individually significant Consumer loans	***2019*** Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January 2019	–	–	(119.346)	–	(119.346)
Assets derecognised or repaid (excluding write-offs)	–	–	67.292	–	67.292
Impact on period end ECL of changes to inputs used for ECL calculations during the period	–	–	549	–	549
Unwinding of discount	–	–	(7.600)	–	(7.600)
Effect from changes in exchange rates	–	–	64	–	64
ECL at 31 December 2019	–	–	(59.041)	–	(59.041)

Individually significant credit cards	***2019*** Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2019	–	–	411	–	411
Amounts written off	–	–	(411)	–	(411)
At 31 December 2019	–	–	–	–	–

Individually significant credit cards	***2019*** Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January 2019	–	–	–	–	–
Impact on period end ECL of changes to inputs used for ECL calculations during the period	–	–	(411)	–	(411)
Unwinding of discount	–	–	–	–	–
Amounts written off	–	–	411	–	411
ECL at 31 December 2019	–	–	–	–	–

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually significant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually significant other loans secured by collateral	***2019***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2019	1.886.124	115.716	807.299	150.846	2.959.985
New assets originated or purchased	2.406.089	–	–	–	2.406.089
Assets derecognised or repaid (excluding write-offs)	(2.102.222)	(21.316)	(197.764)	(26.969)	(2.348.271)
Transfers to Stage 1	137.499	(50.167)	(87.332)	–	–
Transfers to Stage 2	(335.531)	387.261	(51.730)	–	–
Transfers to Stage 3	–	(390.918)	390.918	–	–
Net change in accrued interest	28.409	7.905	(3.204)	(1.278)	31.832
Changes to contractual cash flows due to modifications not resulting in derecognition	(1.828)	–	(35.581)	(265)	(37.674)
Transfers between the levels as a result of changes in materiality of loans	(742.608)	1.810	155.884	(35.842)	(620.756)
Recoveries	–	–	–	–	–
Amounts written off	–	–	(54.910)	–	(54.910)
Effect from changes in exchange rates	(945)	–	(1.808)	1	(2.752)
At 31 December 2019	1.274.987	50.291	921.772	86.493	2.333.543

Individually significant other loans secured by collateral	***2019***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2019	–	–	–	(32)	(32)
New assets originated or purchased	(750)	–	–	–	(750)
Assets derecognised or repaid (excluding write-offs)	26	–	24.995	52	25.073
Transfers to Stage 2	251	(251)	–	–	–
Transfers to Stage 3	–	251	(251)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(1.387)	–	(88.689)	(260)	(90.336)
Transfers between the levels as a result of changes in materiality of loans	(252)	–	–	–	(252)
Unwinding of discount	–	–	(337)	–	(337)
Amounts written off	–	–	54.910	–	54.910
Effect from changes in exchange rates	172	–	462	–	634
ECL at 31 December 2019	(1.940)	–	(8.910)	(240)	(11.090)

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans

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

	31 December 2020			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually insignificant loans issued to small and medium-sized businesses				
- not overdue	106	(21)	85	19,8%
Stage 1 loans	**106**	**(21)**	**85**	**19,8%**
Stage 2 and Stage 3 loans				
- overdue for more than 360 days	303	(303)	–	100,0%
Stage 2 and Stage 3 loans	**303**	**(303)**	**–**	**100,0%**
Total individually insignificant loans issued to small and medium-sized businesses	**409**	**(324)**	**85**	**79,2%**

	31 December 2020			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually insignificant mortgage loans				
- not overdue	16.043	(258)	15.785	1,6%
Stage 1 loans	**16.043**	**(258)**	**15.785**	**1,6%**
Total individually insignificant mortgage loans	**16.043**	**(258)**	**15.785**	**1,6%**

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2020			
	Loans before ECL allowance	*ECL allowance*	*Loans less ECL allowance*	*ECL allowance to gross loans before ECL allowance, (%)*
Individually insignificant credit cards				
- not overdue	**100.260**	**(28.077)**	**72.183**	**28,0%**
Stage 1 loans	**100.260**	**(28.077)**	**72.183**	**28,0%**
Stage 2 and Stage 3 loans				
- not overdue	**2.005**	**(2.005)**	**–**	**100,0%**
- overdue for less than 90 days	**5.179**	**(3.470)**	**1.709**	**67,0%**
- overdue for 90 days to 360 days	**8.538**	**(8.538)**	**–**	**100,0%**
- overdue for 180 days to 360 days	**14.982**	**(14.938)**	**44**	**99,7%**
- overdue for more than 360 days	**27.295**	**(27.064)**	**231**	**99,2%**
Stage 2 and Stage 3 loans	**57.999**	**(56.015)**	**1.984**	**96,6%**
Total individually insignificant credit cards	**158.259**	**(84.092)**	**74.167**	**53,1%**

	31 December 2020			
	Loans before ECL allowance	*ECL allowance*	*Loans less ECL allowance*	*ECL allowance to gross loans before ECL allowance, (%)*
Individually insignificant other loans secured by collateral				
- not overdue	**70.574**	**–**	**70.574**	**0,0%**
Stage 1 loans	**70.574**	**–**	**70.574**	**0,0%**
Total individually insignificant other loans secured by collateral	**70.574**	**–**	**70.574**	**0,0%**

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually insignificant loans issued to small and medium-sized businesses				
- not overdue	8.258.145	(4.042)	8.254.103	0,0%
- overdue for less than 30 days	477.740	(6.367)	471.373	1,3%
Stage 1 loans	8.735.885	(10.409)	8.725.476	0,1%
Stage 2 and Stage 3 loans				
- not overdue	364.155	(1.448)	362.707	0,4%
- overdue for less than 30 days	124.942	(62)	124.880	0,0%
- overdue for less than 90 days	739.329	(22.074)	717.255	3,0%
- overdue for 90 days to 360 days	84.150	(228)	83.922	0,3%
- overdue for 180 days to 360 days	375.063	(41.285)	333.778	11,0%
- overdue for more than 360 days	195.479	(111.075)	84.404	56,8%
Stage 2 and Stage 3 loans	1.883.118	(176.172)	1.706.946	9,4%
POCI	–	–	–	–
Total individually insignificant loans issued to small and medium-sized businesses	10.619.003	(186.581)	10.432.422	1,8%

	31 December 2019			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually insignificant mortgage loans				
- not overdue	1.417.344	(220)	1.417.124	0,0%
- overdue for less than 30 days	3.428	(84)	3.344	2,5%
Stage 1 loans	1.420.772	(304)	1.420.468	0,0%
Stage 2 and Stage 3 loans				
- not overdue	154.837	–	154.837	0,0%
- overdue for less than 30 days	581	–	581	0,0%
- overdue for less than 90 days	42.260	–	42.260	0,0%
- overdue for 90 days to 360 days	66.681	(15.396)	51.285	23,1%
- overdue for 180 days to 360 days	53.797	(9.747)	44.050	18,1%
- overdue for more than 360 days	46.197	(31.897)	14.300	69,0%
Stage 2 and Stage 3 loans	364.353	(57.040)	307.313	15,7%
POCI	766.002	–	766.002	0,0%
Total individually insignificant mortgage loans	2.551.127	(57.344)	2.493.783	2,2%

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2019			
	Loans	***ECL***	***Loans***	***ECL***

(in thousands of tenge)

	before ECL allowance	*allowance*	*less ECL allowance*	*allowance to gross loans before ECL allowance, (%)*
Individually insignificant consumer loans				
- not overdue	1.798.292	(145.890)	1.652.402	8,1%
- overdue for less than 30 days	170.051	(69.279)	100.772	40,7%
Stage 1 loans	1.968.343	(215.169)	1.753.174	10,9%
Stage 2 and Stage 3 loans				
- not overdue	295	(295)	–	100,0%
- overdue for less than 30 days	1.879	(834)	1.045	44,4%
- overdue for less than 90 days	136.782	(97.952)	38.830	71,6%
- overdue for 90 days to 360 days	170.050	(170.050)	–	100,0%
- overdue for 180 days to 360 days	251.667	(251.667)	–	100,0%
- overdue for more than 360 days	168.277	(168.277)	–	100,0%
Stage 2 and Stage 3 loans	728.950	(689.075)	39.875	94,5%
POCI	–	–	–	–
Total individually insignificant consumer loans	2.697.293	(904.244)	1.793.049	33,5%

	31 December 2019			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually insignificant car loans				
- not overdue	65.209	–	65.209	0,0%
- overdue for less than 30 days	–	–	–	–
Stage 1 loans	65.209	–	65.209	0,0%
Stage 2 and Stage 3 loans				
- not overdue	–	–	–	–
- overdue for less than 30 days	–	–	–	–
- overdue for less than 90 days	1.840	–	1.840	0,0%
- overdue for 90 days to 360 days	–	–	–	–
- overdue for 180 days to 360 days	–	–	–	–
- overdue for more than 360 days	–	–	–	–
Stage 2 and Stage 3 loans	1.840	–	1.840	0,0%
POCI	–	–	–	–
Total individually insignificant car loans	67.049	–	67.049	0,0%

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2019			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually insignificant credit cards				
- not overdue	386.593	(9.672)	376.921	2,5%
- overdue for less than 30 days	417	(11)	406	2,6%
Stage 1 loans	387.010	(9.683)	377.327	2,5%
Stage 2 and Stage 3 loans				
- not overdue	67	(67)	–	100,0%
- overdue for less than 30 days	–	–	–	–
- overdue for less than 90 days	8.594	(4.465)	4.129	52,0%
- overdue for 90 days to 360 days	8.272	(8.272)	–	100,0%
- overdue for 180 days to 360 days	7.651	(7.093)	558	92,7%
- overdue for more than 360 days	65.541	(63.915)	1.626	97,5%
Stage 2 and Stage 3 loans	90.125	(83.812)	6.313	93,0%
POCI	–	–	–	–
Total individually insignificant credit cards	477.135	(93.495)	383.640	19,6%

	31 December 2019			
	Loans before ECL allowance	***ECL allowance***	***Loans less ECL allowance***	***ECL allowance to gross loans before ECL allowance, (%)***
Individually insignificant other loans secured by collateral				
- not overdue	27.818.295	(4.486)	27.813.809	0,0%
- overdue for less than 30 days	1.557.125	(2.135)	1.554.990	0,1%
Stage 1 loans	29.375.420	(6.621)	29.368.799	0,0%
Stage 2 and Stage 3 loans				
- not overdue	430.809	(5.214)	425.595	1,2%
- overdue for less than 30 days	111.046	–	111.046	0,0%
- overdue for less than 90 days	1.809.443	(1.333)	1.808.110	0,1%
- overdue for 90 days to 360 days	589.157	(6.043)	583.114	1,0%
- overdue for 180 days to 360 days	708.771	(34.037)	674.734	4,8%
- overdue for more than 360 days	1.372.161	(520.823)	851.338	38,0%
Stage 2 and Stage 3 loans	5.021.387	(567.450)	4.453.937	11,3%
POCI	804.756	(13)	804.743	0,0%
Total individually insignificant other loans secured by collateral	35.201.563	(574.084)	34.627.479	1,6%

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance

Analysis of movements in gross carrying amount and appropriate ECL allowance of loans that are individually insignificant for the year ended 31 December 2020 are as follows:

Individually insignificant loans issued to small and medium-sized businesses	***2020***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2020	8.735.885	482.813	1.400.305	–	10.619.003
New assets originated or purchased	**4.491.143**	**–**	**–**	**–**	**4.491.143**
Assets derecognised or repaid (excluding write-offs)	**(11.382.359)**	**(549.468)**	**(2.992.003)**	**–**	**(14.923.830)**
Transfers to Stage 1	**819.102**	**(618.975)**	**(200.127)**	**–**	**–**
Transfers to Stage 2	**(2.197.935)**	**2.757.842**	**(559.907)**	**–**	**–**
Transfers to Stage 3	**(562.360)**	**(2.091.161)**	**2.653.521**	**–**	**–**
Net change in accrued interest	**50.369**	**25.278**	**180.519**	**–**	**256.166**
Changes to contractual cash flows due to modifications not resulting in derecognition	**(26)**	**113**	**(26.382)**	**–**	**(26.295)**
Transfers between the levels as a result of changes in materiality of loans	**102.233**	**(269)**	**(20.227)**	**–**	**81.737**
Amounts written off	**(55.939)**	**(6.173)**	**(435.396)**	**–**	**(497.508)**
Effect from changes in exchange rates	**(7)**	**–**	**–**	**–**	**(7)**
At 31 December 2020	**106**	**–**	**303**	**–**	**409**

Individually insignificant loans issued to small and medium-sized businesses	***2020***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2020	(10.409)	(4.495)	(171.677)	–	(186.581)
New assets originated or purchased	**(2.789)**	**–**	**–**	**–**	**(2.789)**
Assets derecognised or repaid (excluding write-offs)	**5.431**	**2.237**	**290.844**	**–**	**298.512**
Transfers to Stage 1	**(4.839)**	**1.176**	**3.663**	**–**	**–**
Transfers to Stage 2	**12.663**	**(17.223)**	**4.560**	**–**	**–**
Transfers to Stage 3	**556**	**26.900**	**(27.456)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	**(56.459)**	**(14.770)**	**(490.601)**	**–**	**(561.830)**
Transfers between the levels as a result of changes in materiality of loans	**(115)**	**–**	**(8.405)**	**–**	**(8.520)**
Unwinding of discount (recognised in interest income)	**–**	**–**	**(36.624)**	**–**	**(36.624)**
Amounts written off	**55.940**	**6.175**	**435.393**	**–**	**497.508**
Effect from changes in exchange rates	**–**	**–**	**–**	**–**	**–**
ECL at 31 December 2020	**(21)**	**–**	**(303)**	**–**	**(324)**

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually insignificant Mortgages			*2020*		
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2020	1.420.772	166.814	197.539	766.002	2.551.127
New assets originated or purchased	**138**	**–**	**–**	**–**	**138**
Assets derecognised or repaid (excluding write-offs)	**(1.350.922)**	**(106.541)**	**(224.515)**	**(553.014)**	**(2.234.992)**
Transfers to Stage 1	**122.291**	**(69.885)**	**(52.406)**	**–**	**–**
Transfers to Stage 2	**(108.927)**	**139.181**	**(30.254)**	**–**	**–**
Transfers to Stage 3	**(35.458)**	**(127.010)**	**162.468**	**–**	**–**
Net change in accrued interest	**1.882**	**762**	**19.583**	**17.287**	**39.514**
Changes to contractual cash flows due to modifications not resulting in derecognition	**92**	**58**	**(4.380)**	**2.288**	**(1.942)**
Amounts written off	**(33.825)**	**(3.379)**	**(68.531)**	**(232.563)**	**(338.298)**
Effect from changes in exchange rates	**–**	**–**	**496**	**–**	**496**
At 31 December 2020	**16.043**	**–**	**–**	**–**	**16.043**

Individually insignificant Mortgages			*2020*		
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2020	(304)	–	(57.040)	–	(57.344)
New assets originated or purchased	**(32)**	**–**	**–**	**–**	**(32)**
Assets derecognised or repaid (excluding write-offs)	**1.613**	**–**	**66.207**	**96**	**67.916**
Transfers to Stage 1	**(201)**	**–**	**201**	**–**	**–**
Transfers to Stage 2	**63**	**(63)**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**120**	**(120)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	**(35.222)**	**(3.436)**	**(72.041)**	**(232.659)**	**(343.358)**
Unwinding of discount (recognised in interest income)	**–**	**–**	**(5.258)**	**–**	**(5.258)**
Amounts written off	**33.825**	**3.379**	**68.531**	**232.563**	**338.298**
Effect from changes in exchange rates	**–**	**–**	**(480)**	**–**	**(480)**
ECL at 31 December 2020	**(258)**	**–**	**–**	**–**	**(258)**

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually insignificant Consumer loans	***2020*** Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2020	1.968.343	80.727	648.223	–	2.697.293
New assets originated or purchased	**449.213**	**–**	**–**	**–**	**449.213**
Assets derecognised or repaid (excluding write-offs)	**(1.881.183)**	**(107.339)**	**(156.385)**	**–**	**(2.144.907)**
Transfers to Stage 1	**201.845**	**(150.521)**	**(51.324)**	**–**	**–**
Transfers to Stage 2	**(567.557)**	**582.418**	**(14.861)**	**–**	**–**
Transfers to Stage 3	**(27.500)**	**(380.492)**	**407.992**	**–**	**–**
Net change in accrued interest	**4.243**	**10.224**	**48.811**	**–**	**63.278**
Changes to contractual cash flows due to modifications not resulting in derecognition	**73**	**(55)**	**(3.379)**	**–**	**(3.361)**
Amounts written off	**(147.477)**	**(34.962)**	**(879.077)**	**–**	**(1.061.516)**
At 31 December 2020	**–**	**–**	**–**	**–**	**–**

Individually insignificant Consumer loans	***2020*** Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January 2020	(215.169)	(40.853)	(648.222)	–	(904.244)
New assets originated or purchased	**(44.921)**	**–**	**–**	**–**	**(44.921)**
Assets derecognised or repaid (excluding write-offs)	**152.881**	**57.003**	**–**	**–**	**209.884**
Transfers to Stage 1	**(101.913)**	**62.597**	**39.316**	**–**	**–**
Transfers to Stage 2	**161.668**	**(172.824)**	**11.156**	**–**	**–**
Transfers to Stage 3	**19.786**	**179.180**	**(198.966)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	**(119.260)**	**(120.133)**	**(23.198)**	**–**	**(262.591)**
Unwinding of discount (recognised in interest income)	**–**	**–**	**(59.166)**	**–**	**(59.166)**
Recoveries	**–**	**–**	**–**	**–**	**–**
Amounts written off	**146.928**	**35.030**	**879.080**	**–**	**1.061.038**
ECL at 31 December 2020	**–**	**–**	**–**	**–**	**–**

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually insignificant car loans	*Stage 1*	*Stage 2*	*2020* *Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2020	65.209	1.840	–	–	67.049
New assets originated or purchased	**–**	**–**	**–**	**–**	**–**
Assets derecognised or repaid (excluding write-offs)	**(51.140)**	**(148)**	**(16.237)**	**–**	**(67.525)**
Transfers to Stage 1	**1.692**	**–**	**(1.692)**	**–**	**–**
Transfers to Stage 2	**(16.375)**	**16.375**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**(18.023)**	**18.023**	**–**	**–**
Net change in accrued interest	**725**	**(44)**	**388**	**–**	**1.069**
Changes to contractual cash flows due to modifications not resulting in derecognition	**8**	**–**	**(238)**	**–**	**(230)**
Write-off	**(119)**	**–**	**(244)**	**–**	**(363)**
At 31 December 2020	**–**	**–**	**–**	**–**	**–**

Individually insignificant car loans	*Stage 1*	*Stage 2*	*2020* *Stage 3*	*POCI*	*Total*
ECL at 1 January 2020	–	–	–	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	**(119)**	**–**	**(244)**	**–**	**(363)**
Write-off	**119**	**–**	**244**	**–**	**363**
ECL at 31 December 2020	**–**	**–**	**–**	**–**	**–**

Individually insignificant credit cards	*Stage 1*	*Stage 2*	*2020* *Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2020	387.010	4.422	85.703	–	477.135
New assets originated or purchased	**316.985**	**–**	**–**	**–**	**316.985**
Assets derecognised or repaid (excluding write-offs)	**(610.144)**	**(2.840)**	**(10.273)**	**–**	**(623.257)**
Transfers to Stage 1	**22.411**	**(14.412)**	**(7.999)**	**–**	**–**
Transfers to Stage 2	**(47.459)**	**48.024**	**(565)**	**–**	**–**
Transfers to Stage 3	**(7.487)**	**(30.343)**	**37.830**	**–**	**–**
Net change in accrued interest	**44.461**	**367**	**8.634**	**–**	**53.462**
Changes to contractual cash flows due to modifications not resulting in derecognition	**–**	**–**	**(34)**	**–**	**(34)**
Amounts written off	**(5.678)**	**(1.840)**	**(58.675)**	**–**	**(66.193)**
Effect from changes in exchange rates	**161**	**–**	**–**	**–**	**161**
At 31 December 2020	**100.260**	**3.378**	**54.621**	**–**	**158.259**

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually insignificant credit cards			*2020*		
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2020	(9.683)	(515)	(83.297)	–	(93.495)
New assets originated or purchased	**(81.415)**	**–**	**–**	**–**	**(81.415)**
Assets derecognised or repaid (excluding write-offs)	**148.389**	**748**	**9.465**	**–**	**158.602**
Transfers to Stage 1	**(11.942)**	**4.347**	**7.595**	**–**	**–**
Transfers to Stage 2	**10.211**	**(10.641)**	**430**	**–**	**–**
Transfers to Stage 3	**1.071**	**11.920**	**(12.991)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	**(90.369)**	**(9.368)**	**(23.630)**	**–**	**(123.367)**
Unwinding of discount (recognised in interest income)	**–**	**–**	**(10.593)**	**–**	**(10.593)**
Amounts written off	**5.678**	**1.840**	**58.675**	**–**	**66.193**
Effect from changes in exchange rates	**(17)**	**–**	**–**	**–**	**(17)**
ECL at 31 December 2020	**(28.077)**	**(1.669)**	**(54.346)**	**–**	**(84.092)**

Individually insignificant other loans secured by collateral			*2020*		
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2020	29.375.420	963.113	4.058.274	804.756	35.201.563
New assets originated or purchased	**2.529.406**	**–**	**–**	**–**	**2.529.406**
Assets derecognised or repaid (excluding write-offs)	**(28.024.369)**	**(1.323.440)**	**(6.696.938)**	**(643.036)**	**(36.687.783)**
Transfers to Stage 1	**4.468.075**	**(2.849.842)**	**(1.618.233)**	**–**	**–**
Transfers to Stage 2	**(7.783.631)**	**9.198.875**	**(1.415.244)**	**–**	**–**
Transfers to Stage 3	**(446.845)**	**(6.159.108)**	**6.605.953**	**–**	**–**
Net change in accrued interest	**52.243**	**79.411**	**684.128**	**4.206**	**819.988**
Changes to contractual cash flows due to modifications not resulting in derecognition	**(351)**	**2.079**	**(80.495)**	**2.162**	**(76.605)**
Transfers between the levels as a result of changes in materiality of loans	**(44.026)**	**99.657**	**(337.550)**	**45.530**	**(236.389)**
Amounts written off	**(55.348)**	**(10.745)**	**(1.221.843)**	**(213.618)**	**(1.501.554)**
Effect from changes in exchange rates	**–**	**–**	**21.948**	**–**	**21.948**
At 31 December 2020	**70.574**	**–**	**–**	**–**	**70.574**

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually insignificant other loans secured by collateral	***2020***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2020	(6.621)	(4.502)	(562.948)	(13)	(574.084)
New assets originated or purchased	**(3.859)**	**–**	**–**	**–**	**(3.859)**
Assets derecognised or repaid (excluding write-offs)	**1.210**	**92**	**694.893**	**1.367**	**697.562**
Transfers to Stage 1	**(143)**	**104**	**39**	**–**	**–**
Transfers to Stage 2	**4.290**	**(11.305)**	**7.015**	**–**	**–**
Transfers to Stage 3	**119**	**13.472**	**(13.591)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	**(50.344)**	**(8.606)**	**(1.285.103)**	**(214.972)**	**(1.559.025)**
Transfers between the levels as a result of changes in materiality of loans	**–**	**–**	**49.735**	**–**	**49.735**
Unwinding of discount (recognised in interest income)	**–**	**–**	**(96.606)**	**–**	**(96.606)**
Amounts written off	**55.348**	**10.745**	**1.221.844**	**213.618**	**1.501.555**
Effect from changes in exchange rates	**–**	**–**	**(15.278)**	**–**	**(15.278)**
ECL at 31 December 2020	**–**	**–**	**–**	**–**	**–**

Analysis of movements in ECL allowance of loans that are individually insignificant for the year ended 31 December 2019 are as follows:

Individually insignificant loans issued to small and medium-sized businesses	***2019***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2019	9.516.962	179.011	1.128.604	–	10.824.577
New assets originated or purchased	6.464.691	–	–	–	6.464.691
Assets derecognised or repaid (excluding write-offs)	(7.286.799)	(183.183)	(502.939)	–	(7.972.921)
Transfers to Stage 1	384.007	(196.894)	(187.113)	–	–
Transfers to Stage 2	(1.577.462)	1.905.046	(327.584)	–	–
Transfers to Stage 3	–	(1.226.090)	1.226.090	–	–
Net change in accrued interest	58.226	5.724	66.408	–	130.358
Changes to contractual cash flows due to modifications not resulting in derecognition	(8.126)	–	(6.748)	–	(14.874)
Transfers between the levels as a result of changes in materiality of loans	1.184.437	(798)	8.630	–	1.192.269
Amounts written off	–	–	(5.043)	–	(5.043)
Effect from changes in exchange rates	(51)	(3)	–	–	(54)
At 31 December 2019	8.735.885	482.813	1.400.305	–	10.619.003

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually insignificant loans issued to small and medium-sized businesses	***2019***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2019	(4.764)	(306)	(96.107)	–	(101.177)
New assets originated or purchased	(14.552)	–	–	–	(14.552)
Assets derecognised or repaid (excluding write-offs)	3.309	1.428	11.021	–	15.758
Transfers to Stage 1	(2.640)	2.640	–	–	–
Transfers to Stage 2	10.581	(10.581)	–	–	–
Transfers to Stage 3	–	11.448	(11.448)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(2.288)	(9.124)	(70.980)	–	(82.392)
Transfers between the levels as a result of changes in materiality of loans	(69)	–	8.963	–	8.894
Unwinding of discount	–	–	(18.169)	–	(18.169)
Amounts written off	–	–	5.043	–	5.043
Effect from changes in exchange rates	14	–	–	–	14
ECL at 31 December 2019	(10.409)	(4.495)	(171.677)	–	(186.581)

Individually insignificant Mortgages	***2019***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2019	2.008.466	160.687	444.733	842.617	3.456.503
New assets originated or purchased	11.216	–	–	49.589	60.805
Assets derecognised or repaid (excluding write-offs)	(624.346)	(62.164)	(132.072)	(137.223)	(955.805)
Transfers to Stage 1	172.879	(69.982)	(102.897)	–	–
Transfers to Stage 2	(192.489)	317.364	(124.875)	–	–
Transfers to Stage 3	–	(179.121)	179.121	–	–
Net change in accrued interest	1.253	31	5.474	8.855	15.613
Changes to contractual cash flows due to modifications not resulting in derecognition	(3.383)	–	224	2.164	(995)
Transfers between the levels as a result of changes in materiality of loans	47.220	–	(8.377)	–	38.843
Amounts written off	–	–	(63.685)	–	(63.685)
Recoveries	–	–	–	–	–
Effect from changes in exchange rates	(44)	(1)	(107)	–	(152)
At 31 December 2019	1.420.772	166.814	197.539	766.002	2.551.127

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually insignificant Mortgages	***2019*** Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January 2019	(2.120)	(4.994)	(74.799)	(10)	(81.923)
New assets originated or purchased	–	–	–	(175)	(175)
Assets derecognised or repaid (excluding write-offs)	704	83	2.744	4	3.535
Transfers to Stage 1	(584)	34	550	–	–
Transfers to Stage 2	641	(641)	–	–	–
Transfers to Stage 3	–	5.605	(5.605)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	1.046	(87)	(38.247)	181	(37.107)
Unwinding of discount	–	–	(5.430)	–	(5.430)
Amounts written off	–	–	63.685	–	63.685
Effect from changes in exchange rates	9	–	62	–	71
ECL at 31 December 2019	(304)	–	(57.040)	–	(57.344)

Individually insignificant Consumer loans	***2019*** Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2019	3.412.668	52.058	607.182	–	4.071.908
New assets originated or purchased	600.626	–	–	–	600.626
Assets derecognised or repaid (excluding write-offs)	(1.599.351)	(20.763)	(94.404)	–	(1.714.518)
Transfers to Stage 1	158.571	(119.335)	(39.236)	–	–
Transfers to Stage 2	(686.349)	716.230	(29.881)	–	–
Transfers to Stage 3	–	(551.729)	551.729	–	–
Net change in accrued interest	82.523	4.279	41.417	–	128.219
Changes to contractual cash flows due to modifications not resulting in derecognition	(344)	(13)	(500)	–	(857)
Transfers between the levels as a result of changes in materiality of loans	–	–	2.135	–	2.135
Amounts written off	–	–	(390.220)	–	(390.220)
Effect from changes in exchange rates	(1)	–	1	–	–
At 31 December 2019	1.968.343	80.727	648.223	–	2.697.293

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually insignificant Consumer loans	***Stage 1***	***Stage 2***	***2019*** ***Stage 3***	***POCI***	***Total***
ECL at 1 January 2019	(336.424)	(29.047)	(487.466)	–	(852.937)
New assets originated or purchased	(39.891)	–	–	–	(39.891)
Assets derecognised or repaid (excluding write-offs)	132.256	10.015	22.303	–	164.574
Transfers to Stage 1	(109.356)	73.596	35.760	–	–
Transfers to Stage 2	155.705	(162.638)	6.933	–	–
Transfers to Stage 3	–	219.562	(219.562)	–	–
Changes to contractual cash flows due to modifications not resulting in derecognition	(17.459)	(152.341)	(299.746)	–	(469.546)
Unwinding of discount	–	–	(94.529)	–	(94.529)
Recoveries	–	–	(2.135)	–	(2.135)
Amounts written off	–	–	390.220	–	390.220
At 31 December 2019	(215.169)	(40.853)	(648.222)	–	(904.244)

Individually insignificant car loans	***Stage 1***	***Stage 2***	***2019*** ***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2019	24.528	–	–	–	24.528
New assets originated or purchased	52.651	–	–	–	52.651
Assets derecognised or repaid (excluding write-offs)	(10.478)	–	(47)	–	(10.525)
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	(1.887)	3.727	(1.840)	–	–
Transfers to Stage 3	–	(1.887)	1.887	–	–
Net change in accrued interest	395	–	–	–	395
At 31 December 2019	65.209	1.840	–	–	67.049

Individually insignificant car loans	***Stage 1***	***Stage 2***	***2019*** ***Stage 3***	***POCI***	***Total***
ECL at 1 January 2019	(2)	–	–	–	(2)
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	2	–	–	–	2
ECL at 31 December 2019	–	–	–	–	–

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually insignificant credit cards	***2019*** Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2019	529.505	12.796	93.253	–	635.554
New assets originated or purchased	239.445	–	–	–	239.445
Assets derecognised or repaid (excluding write-offs)	(362.265)	(6.914)	(24.407)	–	(393.586)
Transfers to Stage 1	10.977	(6.786)	(4.191)	–	–
Transfers to Stage 2	(33.074)	34.525	(1.451)	–	–
Transfers to Stage 3	–	(29.648)	29.648	–	–
Net change in accrued interest	2.308	450	8.764	–	11.522
Changes to contractual cash flows due to modifications not resulting in derecognition	119	–	–	–	119
Amounts written off	–	–	(15.913)	–	(15.913)
Effect from changes in exchange rates	(5)	(1)	–	–	(6)
At 31 December 2019	387.010	4.422	85.703	–	477.135

Individually insignificant credit cards	***2019*** Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2019	(10.930)	(4.005)	(86.755)	–	(101.690)
New assets originated or purchased	(9.102)	–	–	–	(9.102)
Assets derecognised or repaid (excluding write-offs)	13.437	2.238	22.750	–	38.425
Transfers to Stage 1	(6.104)	2.215	3.889	–	–
Transfers to Stage 2	2.759	(3.642)	883	–	–
Transfers to Stage 3	–	5.657	(5.657)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	260	(2.978)	(13.777)	–	(16.495)
Transfers between the levels as a result of changes in materiality of loans	(5)	–	–	–	(5)
Unwinding of discount	–	–	(20.543)	–	(20.543)
Amounts written off	–	–	15.913	–	15.913
Effect from changes in exchange rates	2	–	–	–	2
ECL at 31 December 2019	(9.683)	(515)	(83.297)	–	(93.495)

(in thousands of tenge)

7. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance (continued)

Individually insignificant other loans secured by collateral	***2019*** Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2019	26.870.609	648.461	3.298.844	986.857	31.804.771
New assets originated or purchased	18.191.618	–	–	17.377	18.208.995
Assets derecognised or repaid (excluding write-offs)	(13.682.079)	(429.923)	(1.463.856)	(235.915)	(15.811.773)
Transfers to Stage 1	1.660.161	(837.292)	(822.869)	–	–
Transfers to Stage 2	(4.620.388)	5.326.295	(705.907)	–	–
Transfers to Stage 3	–	(3.754.844)	3.754.844	–	–
Net change in accrued interest	213.026	12.406	269.317	599	495.348
Changes to contractual cash flows due to modifications not resulting in derecognition	(142)	(176)	(6.307)	(4)	(6.629)
Transfers between the levels as a result of changes in materiality of loans	742.608	(1.810)	(155.884)	35.842	620.756
Amounts written off	–	–	(108.054)	–	(108.054)
Effect from changes in exchange rates	7	(4)	(1.854)	–	(1.851)
At 31 December 2019	29.375.420	963.113	4.058.274	804.756	35.201.563

Individually insignificant other loans secured by collateral	***2019*** Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January 2019	(3.838)	(4.304)	(217.323)	(361)	(225.826)
New assets originated or purchased	(11.703)	–	–	–	(11.703)
Assets derecognised or repaid (excluding write-offs)	2.656	500	41.650	98	44.904
Transfers to Stage 1	(18.087)	816	17.271	–	–
Transfers to Stage 2	3.334	(4.164)	830	–	–
Transfers to Stage 3	–	8.065	(8.065)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	20.767	(5.416)	(461.449)	250	(445.848)
Transfers between the levels as a result of changes in materiality of loans	252	–	–	–	252
Unwinding of discount	–	–	(44.376)	–	(44.376)
Amounts written off	–	–	108.054	–	108.054
Effect from changes in exchange rates	(2)	1	460	–	459
ECL at 31 December 2019	(6.621)	(4.502)	(562.948)	(13)	(574.084)

(in thousands of tenge)

7. Loans to customers (continued)

Analysis of collateral and other enhancements

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 small and medium-sized businesses lending, collateral for real and movable property, inventories and cash;
- for retail lending, collateral of residential properties, cars.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December would have been higher by:

	31 December 2020	*31 December 2019*
Car loans	–	3.042.659
Loans issued to small and medium-sized businesses	–	191.803
Consumer loans	–	–
Mortgages	–	–
Credit cards	**274**	2.407
Other loans secured by collateral	–	4.408.189
	274	7.645.058

Collateral withdrawn

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use. The carrying value of the assets repossessed during the period and held as at the reporting date is as follows:

	2020	*2019*
Buildings and land	–	1.696.831
Total repossessed assets	–	1.696.831

Concentration of loans to customers

As at 31 December 2020 the Bank had ten major borrowers, which accounted for 72% (31 December 2019: 8%) of the total gross loan portfolio before ECL allowance. As at 31 December 2020, the total aggregate amount of these loans was KZT 358,083 thousand (as at 31 December 2019: KZT 5,690,484 thousand). An allowance of KZT 14,421 thousand was recognised against these loans as at 31 December 2020 (as at 31 December 2019: KZT 1,076,021 thousand).

(in thousands of tenge)

7. Loans to customers (continued)

Concentration of loans to customers (continued)

Below is the structure of loan portfolio by industries:

	31 December 2020		*31 December 2019*	
	Amount	*%*	*Amount*	*%*
Individuals	**245.179**	**49,42%**	43.345.908	60,33%
Trade of consumer goods	**250.939**	**50,58%**	8.952.934	12,46%
Services	**–**	**–**	6.049.526	8,42%
Real estate transactions and rent	**–**	**–**	5.240.497	7,29%
Industrial constructions	**–**	**–**	1.966.673	2,74%
Medicine, science and education	**–**	**–**	1.248.787	1,74%
Financial services	**–**	**–**	1.128.957	1,57%
Transport and logistics services	**–**	**–**	958.895	1,33%
Production and sale of cars, machinery and equipment	**–**	**–**	903.853	1,26%
Extraction and processing of mineral resources, metal and chemical industry	**–**	**–**	726.254	1,01%
Civil engineering	**–**	**–**	681.931	0,95%
Agriculture	**–**	**–**	274.040	0,38%
Manufacturing sector	**–**	**–**	228.184	0,32%
Telecommunication	**–**	**–**	130.296	0,18%
Other	**–**	**–**	11.948	0,02%
	496.118	**100,00%**	71.848.683	100,00%
ECL allowance	**(84.674)**		(3.724.356)	
	411.444		68.124.327	

Provision for impairment of loans

In 2020, the Bank has introduced certain changes to the process for assessing expected credit losses due to the ongoing COVID-19 pandemic. In particular, the Bank revised the indicators of a significant increase in credit risk and did not automatically conclude that there was a significant increase in credit risk following the loan modification as a result of government support measures. The Bank also updated forward-looking information, including forecasts of macroeconomic indicators. The Bank applied additional adjustments to the probability of default on credit cards in Phase 1 to adequately reflect the uncertainty associated with the spread of the COVID-19 pandemic, resulting in an increase in credit loss expense of KZT 25,470 thousand for the year ended 31 December 2020.

Restructured and modified loans

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

During 2020, the Bank modified the terms of certain retail and corporate loans, including the provision of credit holidays, as part of implementation of measures introduced by the government in connection with the consequences of the COVID-19 pandemic. The Bank assessed these modifications as insignificant.

(in thousands of tenge)

7. Loans to customers (continued)

Restructured and modified loans (continued)

The table below shows Stage 2, Stage 3 and POCI assets, the terms of which were revised during the period and which as a result are recorded as restructured, reflecting the relevant modification losses incurred by the Bank.

	2020	*2019*
Loans modified during the period		
Amortised cost before modification	**50.171.554**	5.397.281
Net loss from modification of loans to customers that does not result in derecognition	**(145.472)**	(87.862)

Below is the information on loans to customers that were granted deferred payments due to quarantine announcement in view of the COVID-19 pandemic for up to three months:

	For the year ended 31 December 2020
Loans modified during the period	
Amortised cost before modification	39.302.108
Net loss from modification that does not result in derecognition	(107.296)

8. Investment securities

Investment securities comprise:

	31 December 2020	*31 December 2019*
Debt securities at amortised cost		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**19.237.267**	3.793.622
Coupon bonds of the Sovereign Welfare Fund Samruk-Kazyna Joint Stock Company	**8.041.359**	–
ECL allowance	**(91.112)**	(8.577)
Investment securities	**27.187.514**	3.785.045

An analysis of changes in the ECL allowance in relation to investment securities at amortised cost for the years ended 31 December 2020 and 2019 is as follows:

Debt securities at amortised cost	*2020*	*2019*
ECL allowance as at 1 January	**(8.577)**	–
Net change in the allowance for the year (Note 20)	**(81.614)**	(8.545)
Foreign exchange adjustments	**(921)**	(32)
At 31 December	**(91.112)**	(8.577)

(in thousands of tenge)

8. Investment securities (continued)

As at 31 December 2020 and 2019, investment securities are allocated to Stage 1 for ECL measurement purposes.

9. Property and equipment

Movement in property and equipment is presented as follows:

	Land	***Buildings and constructions***	***Furniture and office equipment***	***Computer equipment***	***Vehicles***	***Leasehold improvement***	***Right-of-use assets***	***Total***
Revalued amount/ cost								
As at 31 December 2018	484.983	5.357.665	959.558	617.174	25.533	15.600	–	7.460.513
Additions	–	–	30.031	71.016	–	9.600	543.824	654.471
Disposals	–	–	(13.894)	(4.670)	–	(440)	(276.467)	(295.471)
At 31 December 2019	484.983	5.357.665	975.695	683.520	25.533	24.760	267.357	7.819.513
Additions	**1.829**	**–**	**11.037**	**76.271**	**–**	**3.539**	**–**	**92.676**
Disposals	**(12.444)**	**(576.406)**	**(43.450)**	**(7.797)**	**–**	**(13.303)**	**(23.773)**	**(677.173)**
Effect of revaluation	**(87.507)**	**(1.550.306)**	**–**	**–**	**–**	**–**	**–**	**(1.637.813)**
At 31 December 2020	**386.861**	**3.230.953**	**943.282**	**751.994**	**25.533**	**14.996**	**243.584**	**5.597.203**
Accumulated depreciation								
As at 31 December 2018	–	(239.512)	(458.601)	(384.917)	(2.341)	(7.282)	–	(1.092.653)
Accrual	–	(85.794)	(98.012)	(50.319)	(2.554)	(4.563)	(91.998)	(333.240)
Disposals	–	–	12.609	4.593	–	440	46.551	64.193
At 31 December 2019	–	(325.306)	(544.004)	(430.643)	(4.895)	(11.405)	(45.447)	(1.361.700)
Accrual	**–**	**(80.020)**	**(92.852)**	**(57.385)**	**(2.553)**	**(7.715)**	**(86.878)**	**(327.403)**
Disposals	**–**	**65.105**	**29.846**	**7.277**	**–**	**11.999**	**6.695**	**120.922**
Effect of revaluation	**–**	**340.221**	**–**	**–**	**–**	**–**	**–**	**340.221**
At 31 December 2020	**–**	**–**	**(607.010)**	**(480.751)**	**(7.448)**	**(7.121)**	**(125.630)**	**(1.227.960)**
Net book value								
As at 31 December 2018	484.983	5.118.153	500.957	232.257	23.192	8.318	–	6.367.860
At 31 December 2019	484.983	5.032.359	431.691	252.877	20.638	13.355	221.910	6.457.813
At 31 December 2020	**386.861**	**3.230.953**	**336.272**	**271.243**	**18.085**	**7.875**	**117.954**	**4.369.243**

The Bank used independent appraiser services to determine the fair value of land, buildings and constructions that are in ownership of the Bank in December of 2020. The fair value was determined using the market and income approaches. More details about the fair value of land, buildings and constructions are disclosed in Note 26.

If the land, buildings and constructions were accounted for at historical cost, their net book value would be at 31 December:

	2020	***2019***
Cost	**4.137.927**	5.007.157
Accumulated depreciation	**(549.332)**	(490.132)
Net book value	**3.588.595**	4.517.025

In 2020, as part of the change of the Bank's shareholder, the Bank transferred buildings and land to ForteBank JSC with a total carrying value of KZT 830,110 thousand (Note 31). Cost of fully depreciated assets that are in use by the Bank as at 31 December 2020 amounts to KZT 486,455 thousand (as at 31 December 2019: KZT 419,748 thousand). **Right-of-use assets are represented by the right to use premises.**

(in thousands of tenge)

10. Intangible assets

The movements in intangible assets were as follows:

	Computer software	*Licenses*	*Total*
Cost			
As at 31 December 2018	1.665.291	208	1.665.499
Additions	102.753	–	102.753
Disposals	(3.550)	–	(3.550)
At 31 December 2019	1.764.494	208	1.764.702
Additions	**76.208**	**–**	**76.208**
At 31 December 2020	**1.840.702**	**208**	**1.840.910**
Accumulated depreciation			
As at 31 December 2018	(543.661)	(208)	(543.869)
Accrual	(63.895)	–	(63.895)
At 31 December 2019	(607.556)	(208)	(607.764)
Accrual	**(71.206)**	**–**	**(71.206)**
At 31 December 2020	**(678.762)**	**(208)**	**(678.970)**
Net book value			
As at 31 December 2018	1.121.630	–	1.121.630
At 31 December 2019	1.156.938	–	1.156.938
At 31 December 2020	**1.161.940**	**–**	**1.161.940**

11. Other assets

Other assets comprise:

	31 December 2020	*31 December 2019*
Other receivables	**549.913**	535.190
ECL allowance	**(10.886)**	(33.841)
Other financial assets	**539.027**	501.349
Inventories	**–**	1.713.650
Prepaid expenses	**142.057**	485.264
Taxes prepaid other than corporate income tax	**45.009**	140.116
Prepayment for property and equipment and intangible assets	**–**	77.950
Other	**19.734**	43.297
Total other non-financial assets	**206.800**	2.460.277
Other assets	**745.827**	2.961.626

As at 31 December 2019, included in inventory is collateralised property received by the Bank for repayment of loans to customers in the total amount of KZT 1,696,831 thousand. In 2020, as part of the transaction on the change of the Bank's shareholder, the Bank carried out the transfer of seized collateral to ForteBank JSC (Note 31).

(in thousands of tenge)

11. Other assets (continued)

In 2020, the Bank took possession of collateral against repayment of borrowers' debts in the amount of KZT 1,364,943 thousand (in 2019: KZT 352,199 thousand) and sold the repossessed collateral with a total carrying amount of KZT 3,004,905 thousand (in 2019: KZT 577,693 thousand), including those sold without installment payment in the amount of KZT 2,804,385 thousand (in 2019: KZT 10,485 thousand), property with a carrying amount of KZT 200,520 thousand sold on installment payment terms (in 2019: KZT 533,768 thousand), and returned the repossessed collateral to borrowers with a carrying amount of KZT 13,113 thousand as part of the program to refinance mortgage loans to customers (in 2019: KZT 33,440 thousand). In 2020, the Bank conducted an analysis for impairment of inventory and recognised a loss in the amount of KZT 43,756 thousand (2019: KZT 38,575 thousand) *(Note 22).*

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2020 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2020	(1.812)	–	(32.029)	(33.841)
Net change in the allowance for the year (Note 20)	**1.258**	**(21)**	**21.186**	**22.423**
Foreign exchange adjustments	**532**	**–**	**–**	**532**
ECL allowance as at 31 December 2020	**(22)**	**(21)**	**(10.843)**	**(10.886)**

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2019 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2019	(12.578)	–	–	(12.578)
Transfers to Stage 3	10.724	–	(10.724)	–
Net change in the allowance for the year (Note 20)	–	–	(21.305)	(21.305)
Foreign exchange adjustments	42	–	–	42
ECL allowance as at 31 December 2019	(1.812)	–	(32.029)	(33.841)

12. Taxation

The corporate income tax expenses comprise:

	2020	*2019*
Current corporate income tax expense	**915.054**	401.346
Deferred corporate income tax charge/ (benefit) — origination and reversal of temporary differences	**(600.392)**	155.791
Corporate income tax expense	**314.662**	557.137

The Republic of Kazakhstan was only one tax jurisdiction in which the Bank's income is taxable. In accordance with tax legislation the applied corporate income tax rate is 20% in 2020 and 2019.

The reconciliation between the corporate income tax expense in the accompanying separate financial statements and profit before corporate income tax multiplied by the statutory tax rate for the periods ended 31 December is as follows:

(in thousands of tenge)

12. Taxation (continued)

	2020	***2019***
Profit before corporate income tax expense	**1.794.217**	2.558.149
Statutory tax rate	**20%**	20%
Theoretical corporate income tax expense at the statutory rate	**358.843**	511.630
Non-deductible interest expenses on preferred shares	**16.000**	16.000
Other differences	**(60.181)**	29.507
Corporate income tax expense	**314.662**	557.137

As at 31 December 2020, current corporate income tax assets are KZT 126,025 thousand. As at 31 December 2019, current corporate income tax liabilities are KZT 208,388 thousand.

Deferred corporate income tax assets and liabilities, and their movement for respective years comprised the following at 31 December:

	2018	***Impact of adopting IFRS 16***	***Origination and reversal of temporary differences within profit or loss***	***2019***	***Origination and reversal of temporary differences within profit or loss***	***Origination and reversal of temporary differences within other comprehensive income***	***2020***
Tax effect of deductible temporary differences							
Loans to customers	148.647	–	(44.548)	104.099	**(104.099)**	**–**	**–**
Tax losses carried forward	148.484	–	(148.484)	–	**–**	**–**	**–**
Other assets	25.054	–	6.626	31.680	**(7.417)**	**–**	**24.263**
Amounts due to financial institutions	80	–	(67)	13	**(13)**	**–**	**–**
Lease liabilities	–	55.293	(10.002)	45.291	**(19.667)**	**–**	**25.624**
Other liabilities	54.144	–	37.163	91.307	**(86.214)**	**–**	**5.093**
Deferred tax assets	376.409	55.293	(159.312)	272.390	**(217.410)**	**–**	**54.980**
Tax effect of taxable temporary differences							
Loans to customers	–	–	–	–	**(1.078)**	**–**	**(1.078)**
Property and equipment and intangible assets	(562.110)	–	(26.638)	(588.748)	**221.453**	**101.724**	**(265.571)**
Right-of-use assets	–	(55.293)	30.054	(25.239)	**1.648**	**–**	**(23.591)**
Amounts due to financial institutions	(584.058)	–	(9.267)	(593.325)	**593.325**	**–**	**–**
Subordinated debt	(351.489)	–	9.372	(342.117)	**2.454**	**–**	**(339.663)**
Deferred tax liabilities	(1.497.657)	(55.293)	3.521	(1.549.429)	**817.802**	**101.724**	**(629.903)**
Deferred corporate income tax liabilities	(1.121.248)	–	(155.791)	(1.277.039)	**600.392**	**101.724**	**(574.923)**

In accordance with the effective tax legislation of the Republic of Kazakhstan, tax losses are carried forward for a period of ten years.

(in thousands of tenge)

13. Amounts due to financial institutions

Amounts due to financial institutions comprise:

	31 December 2020	***31 December 2019***
Loans and deposits from governmental organisations	**2.380.381**	7.933.858
Loans from international financial institutions	**–**	1.177.661
Amounts due to financial institutions	**2.380.381**	9.111.519

As at 31 December 2019, loans and deposits from public institutions are represented by loans from Entrepreneurship Development Fund "Damu" JSC ("Damu") in the amount of KZT 5,715,225 thousand as part of the state support for small- and medium-sized businesses by the banking sector, as well as deposits received from Kazakhstan Sustainability Fund JSC ("KSF") in the amount of KZT 2,212,633 thousand as part of the state program for refinancing mortgage loans to customers. The loans received from Damu were repaid ahead of schedule in 2020.

In December 2020, in accordance with the terms of the purchase and sale of the Bank's shares, the deposit placed under the loan refinancing program with a nominal value of KZT 3,258,126 thousand was transferred to ForteBank JSC (Note 31). The carrying value of the attracted deposit at the date of the transfer was KZT 327,424 thousand.

As at 31 December 2019, loans from international financial institutions were represented by loans received from the European Bank for Reconstruction and Development. The loans were repaid in 2020 in accordance with the contractual terms.

(in thousands of tenge)

14. Amounts due to customers

The amounts due to customers include the following:

	31 December 2020	*31 December 2019*
Current accounts and demand deposits		
- Retail customers	**1.786.624**	2.435.282
- Corporate customers	**11.880.807**	16.462.908
Time deposits		
- Retail customers	**24.793.642**	33.629.202
- Corporate customers	**11.091.896**	30.225.503
Guarantee deposits		
- Retail customers	**474.284**	1.659.251
- Corporate customers	**791.675**	1.394.996
	50.818.928	85.807.142
Held as security against loans to customers	**380.454**	1.441.500
Held as security against guarantees (Note 24)	**885.505**	1.612.747

Below is the breakdown of due to customers by industry sectors:

	31 December 2020		*31 December 2019*	
	Amount	*%*	*Amount*	*%*
Individuals	**27.054.550**	**53,2%**	37.723.735	44,0%
Production	**3.859.380**	**7,6%**	2.853.421	3,3%
Trade	**3.158.725**	**6,2%**	2.897.089	3,4%
Professional services	**2.838.094**	**5,6%**	2.757.236	3,2%
Construction	**2.490.809**	**4,9%**	4.401.961	5,1%
Financial services	**2.315.733**	**4,6%**	3.266.757	3,8%
Property	**1.404.397**	**2,8%**	1.260.626	1,5%
Communication and information	**894.614**	**1,8%**	1.119.107	1,3%
Lease	**843.551**	**1,7%**	6.361.162	7,4%
Education	**467.926**	**0,9%**	1.772.274	2,1%
Transportation	**457.622**	**0,9%**	2.811.617	3,3%
Non-commercial entities	**347.248**	**0,7%**	915.066	1,1%
Medical services	**274.605**	**0,5%**	172.904	0,2%
Agriculture	**188.733**	**0,4%**	310.290	0,4%
Asset management	**174.097**	**0,3%**	120.737	0,1%
Mining industry	**77.677**	**0,2%**	6.144.578	7,2%
Insurance	**41.704**	**0,1%**	3.655.804	4,3%
Electrical power	**21.194**	**0,0%**	919.085	1,1%
Other	**3.908.269**	**7,7%**	6.343.693	7,4%
Amounts due to customers	**50.818.928**	**100,0%**	85.807.142	100,0%

As at 31 December 2020 the Bank had ten major clients, which accounted for 17% of the gross balance of current accounts and deposits of clients (as at 31 December 2019: 26%). The total aggregate amount due to such customers as at 31 December 2020 was KZT 8,436,554 thousand (31 December 2019: KZT 22,395,695 thousand).

In accordance with the Kazakh Civil Code, the Bank is obliged to repay such deposits upon demand of a depositor. According to the current conditions for accepting deposits, in cases where the term deposit is returned to the depositor upon request before the expiration of the term, the deposit interest is paid for the actual period of placing the deposit.

15. Obligations under repurchase agreements

As at 31 December 2020, the Bank entered into repurchase agreements at the Kazakhstan Stock Exchange. The subject of repurchase agreements are treasury bills of the Ministry of Finance of the Republic of Kazakhstan with the general fair value of KZT 7,951,291 thousand as at 31 December 2020.

16. Subordinated debt

(in thousands of tenge)

Subordinated loans consisted of the following:

	31 December 2020	*31 December 2019*
Long-term loans	**2.352.737**	2.263.255
Debt component of preferred shares	**1.040.000**	1.040.000
Subordinated debt	**3.392.737**	3.303.255

Details on long-term subordinated loans received are provided below:

Creditor	*Borrowing currency*	*The nominal interest rate*	*Date of issue*	*Maturity*	*31 December 2020*	*31 December 2019*
Freedom Holding Corp. / Global Development LLP	Tenge	7,00%	20 June 2011	24 July 2033	**853.333**	837.009
Freedom Holding Corp. / Maglink Limited	US dollar	3,00%	28 June 2011	20 June 2033	**417.437**	364.364
Freedom Holding Corp. / Global Development LLP	Tenge	7,00%	23 June 2011	24 July 2033	**30.023**	29.448
Freedom Holding Corp. / Global Development LLP	Tenge	7,00%	29 August 2016	24 July 2033	**1.051.944**	1.032.434
					2.352.737	2.263.255

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

In accordance with IAS 32, if the non-redeemable preferred share establishes a contractual right to a dividend, it contains a financial liability in respect of the dividends, whereby the net present value of the obligation to distribute dividends is shown as a liability and the balance of the issue proceeds as equity. In 2020 and 2019, the dividend expense on preferred shares amounted to KZT 80,000 thousand and was classified as interest expense in accordance with IAS 32.

The fair value of modified loans at initial recognition was determined by the Bank using market interest rates of 10.77% per annum for the loan in US dollars and 14.28% for loans denominated in tenge.

On 20 December 2020, Freedom Holding Corp. and the original creditors Global Development LLP and Maglink Limited signed agreements on the assignment of claims under subordinated loan agreements. The rights of claim under the subordinated loan agreements were transferred from the original creditor to the new creditor on the date of receipt of the value of the rights paid by the new creditor to the bank account of the original creditor on 22 December 2020.

(in thousands of tenge)

17. Other liabilities

Other liabilities comprise:

	31 December 2020	*31 December 2019*
Payables to suppliers	**84.089**	74.332
Other financial liabilities	**48.370**	55.655
Other financial liabilities	**132.459**	129.987
Fees and commissions of future periods on issued guarantees	**13.172**	13.255
Accrued expenses on premiums	**12.291**	443.279
Accrued expenses for unused vacations	**8.650**	19.964
Other taxes payable other than corporate income tax	**1.806**	7.343
Other non-financial liabilities	**12.361**	224
Other non-financial liabilities	**48.280**	484.065
Other liabilities	**180.739**	614.052

18. Equity

As at 31 December 2020 and 2019, the Bank has 13,500,000 authorised ordinary shares. As at 31 December 2020 and 2019 outstanding ordinary shares in the amount of 9,356,140 pieces were fully paid by the Shareholder at the price of placement of KZT 1 thousand per one ordinary share.

There were no dividends declared or paid on common shares during 2020 and 2019.

The carrying amount of one ordinary share calculated in accordance with the methodology indicated in the Listing Rules of Kazakhstan Stock Exchange as at 31 December 2020 and 2019 is presented below:

	31 December 2020			*31 December 2019*		
Type of shares	*Number of outstanding shares*	*Net assets (thousands of tenge)*	*Book value per share (tenge)*	*Number of outstanding shares*	*Net assets (thousands of tenge)*	*Book value per share (tenge)*
Ordinary	**9.356.140**	**16.066.714**	**1.717,24**	9.356.140	14.999.064	1.603,13

Revaluation reserve for property and equipment

The revaluation reserve for property and equipment is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

As at 31 December 2020, the Bank's property and equipment revaluation reserve is KZT 340,075 thousand (as at 31 December 2019: KZT 761,249 thousand).

(in thousands of tenge)

19. Interest income and interest expense

Interest income and interest expense comprise:

	2020	*2019*
Interest income calculated using effective interest rate		
Loans to customers	**9.606.012**	13.312.631
Cash and cash equivalents	**568.918**	302.991
Investment securities		
- Measured at FVOCI	**280.872**	84.284
- Measured at amortised cost	**80.322**	28.418
Amounts due from financial institutions	**2.149**	5.682
Other assets	**99.449**	68.066
Interest income	**10.637.722**	13.802.072
Interest expense calculated using effective interest rate		
Amounts due to customers	**(4.274.493)**	(6.069.985)
Amounts due to financial institutions	**(461.760)**	(844.207)
Subordinated debt	**(379.316)**	(369.566)
Commitment under repurchase agreements	**(82.582)**	–
Other interest expense	**(405)**	(3.447)
	(5.198.556)	(7.287.205)
Lease liabilities	**(17.240)**	(34.593)
Interest expense	**(5.215.796)**	(7.321.798)
Net interest income	**5.421.926**	6.480.274

In 2020, interest income on loans to customer comprises a loss from modification that does not result in derecognition in the amount of KZT 145,797 thousand (2019: KZT 87,862 thousand) *(Note 7)*.

20. Credit loss expense

Loan loss expenses on financial instruments for the year period ended 31 December 2020 comprises the following:

	Notes	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	5	**(13.555)**	**–**	**–**	**–**	**(13.555)**
Amounts due from financial institutions	6	**(209)**	**–**	**–**	**–**	**(209)**
Loans to customers at amortised cost	7	**(201.245)**	**(109.976)**	**(1.471.012)**	**(447.609)**	**(2.229.842)**
Debt securities at amortised cost	8	**(81.614)**	**–**	**–**	**–**	**(81.614)**
Other financial assets	11	**1.258**	**(21)**	**21.186**	**–**	**22.423**
Total credit loss expense		**(295.365)**	**(109.997)**	**(1.449.826)**	**(447.609)**	**(2.302.797)**

Loan loss expenses on financial instruments for the year period ended 31 December 2019 comprises the following:

	Notes	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	5	2.940	–	–	–	2.940
Amounts due from financial institutions	6	(932)	–	–	–	(932)
Loans to customers at amortised cost	7	77.672	(156.648)	(1.522.050)	150	(1.600.876)
Debt securities at amortised cost	8	(8.545)	–	–	–	(8.545)
Debt securities at FVOCI		179	–	–	–	179
Other financial assets	11	–	–	(21.305)	–	(21.305)
Total credit loss expense		71.314	(156.648)	(1.543.355)	150	(1.628.539)

21. Net fee and commission income

Net fee and commission income comprises:

	2020	*2019*
Payment cards	**534.775**	789.708
Settlements operations	**355.789**	409.230
Cash transactions	**313.222**	783.876

(in thousands of tenge)

Guarantees issued	**196.502**	296.474
Opening and maintenance of customer accounts	**85.575**	87.322
Foreign currency transactions	**63.304**	65.706
Other	**46.325**	65.123
Fee and commission income	**1.595.492**	2.497.439
Transactions on customers card accounts	**(740.588)**	(974.970)
Settlements operations	**(68.041)**	(78.630)
Securities operations	**(9.914)**	(4.330)
Foreign currency transactions	**(7.403)**	–
Other	**(10.868)**	(35.597)
Fee and commission expense	**(836.814)**	(1.093.527)
Net fee and commission income	**758.678**	1.403.912

22. Personnel and administrative and other operating expenses

Personnel and administrative and other operating expenses comprise:

	2020	*2019*
Salaries and bonuses	**1.758.479**	2.290.861
Social security costs	**174.125**	185.003
Personnel expenses	**1.932.604**	2.475.864
Loss from revaluation of property and equipment	**788.965**	–
Depreciation and amortisation (Notes 9, 10)	**398.609**	397.135
Technical support and software	**330.068**	227.214
Taxes other than corporate income tax	**255.175**	214.304
Expenses for professional services	**140.381**	130.847
Membership fees	**136.739**	152.472
Security	**101.365**	98.638
Communication and information services	**67.579**	69.155
Rent expenses	**49.795**	62.632
Utilities	**49.777**	51.488
Inventory impairment (Note 11)	**43.756**	38.575
Advertising and marketing services	**41.757**	98.032
Repair and maintenance	**31.735**	69.131
Plastic cards issuance expenses	**12.271**	28.177
Office supplies	**11.132**	15.540
Transportation	**4.508**	4.654
Business trip expenses	**3.966**	27.577
Loss on disposal of property and equipment	**3.892**	–
Representation	**1.335**	2.883
Fines and penalties	**359**	1.389
Charity	**–**	3.575
Other	**86.144**	169.185
Administrative and other operating expenses	**2.559.308**	1.862.603

(in thousands of tenge)

23. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of participating shares outstanding during the period.

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

	2020	***2019***
Net profit for the year attributable to the shareholder of the Bank	**1.479.555**	2.001.012
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**9.356.140**	9.356.140
Basic and diluted earnings per share (in tenge)	**158,14**	213,87

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

24. Commitments and contingencies

Operating environment

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

The economy of the Republic of Kazakhstan is negatively affected by the decline in oil prices and the depreciation of the tenge against the US dollar and euro. The tenge interest rates remained high. These factors result in a reduced access to capital, a higher cost of capital, and increase in uncertainty regarding economic growth, which could negatively affect the Bank's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

As COVID-19 outbreak continues, there remains uncertainty about further development of the pandemic and its duration, as well as the extent of possible economic recovery in the near term. The government continues to take various measures, and their influence continues to develop. Therefore, the Bank's management continuously assesses the increased risks, as well as the consequences of the pandemic and the measures taken by the government.

Legal

The Bank is subject to various potential legal proceedings related to business operations. The Bank believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or results of operations of the Bank.

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its separate financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these separate financial statements for any of the above described contingent liabilities.

Taxation

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Discrepancies in the interpretation of Kazakhstan laws and regulations of the Bank and Kazakhstan authorised bodies may result in additional charge of taxes, fines and penalties.

(in thousands of tenge)

24. Commitments and contingencies (continued)

Taxation (continued)

Kazakh legislation and tax practices are are continually evolving and are therefore subject to varying interpretations and frequent changes that may be retroactive. In certain cases, in order to determine the tax base, tax legislation refers to the provisions of IFRS, whereas the interpretation of the respective provisions of IFRS by the Kazakh tax authorities may differ from accounting policies, judgements and estimates applied by the management in preparation of these separate financial statements, which may result in additional tax liabilities for the Bank. The tax authorities may perform a retrospective tax audit during five years after the ending of the tax year.

The Bank's management believes that its interpretations of the relevant legislation are acceptable and the Bank's tax position is justified.

Commitments and contingencies

The Bank's commitments and contingencies comprised the following:

	31 December 2020	*31 December 2019*
Credit related commitments		
Guarantees issued	**2.404.913**	6.084.259
Undrawn loan facilities	**117.200**	2.705.380
	2.522.113	8.789.639
Capital expenditure commitments	**–**	16.711
Commitments and contingencies (before deducting collateral)	**2.522.113**	8.806.350
Less amounts due to customers held as security against guarantees (Note 14)	**(885.505)**	(1.612.747)
Commitments and contingencies	**1.636.608**	7.193.603

The total amount of contractual commitments on undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The loan commitment agreements stipulate the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavourable to the Bank arise, including deterioration of the borrower's financial condition.

25. Risk management

Introduction

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

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

(in thousands of tenge)

25. Risk management (continued)

Risk management structure

Board of Directors

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

Management Board

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. Moreover the Head of Risk Management Department is responsible for the overall risk management and ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Risk Committees

Credit, market and liquidity risks, both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee ("ALCO"). For improving the efficiency of decision-making process, the Bank has established a hierarchy of credit committees depending on the type and amount of risk exposure.

Credit risk department

Both external and internal risk factors are identified and managed throughout the Bank. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

Bank Treasury

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

Internal audit

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

Risk measurement and reporting systems

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

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

(in thousands of tenge)

25. Risk management (continued)

Risk management structure (continued)

Risk measurement and reporting systems (continued)

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committees, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

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

A daily briefing is given to the Management Board and all other relevant employees of the Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in foreign currencies, credit risks, and exposures arising from forecast transactions.

The Bank actively uses collateral to reduce its credit risk.

Excessive risk concentration

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

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

Credit risk

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

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Credit-related commitments risks

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

The maximum exposure to credit risk for the components of the separate statement of financial position, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

(in thousands of tenge)

25. Risk management (continued)

Credit risk (continued)

Credit-related commitments risks (continued)

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 7.

Impairment assessment

The Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD — The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD — The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD — The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

(in thousands of tenge)

25. Risk management (continued)

Credit risk (continued)

Impairment assessment (continued)

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL.

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

Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.

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

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 60 days past due on its contractual payments.

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

- death of the borrower (co-borrower).
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection;
- The debt was restructured due to deterioration of financial condition of the borrower once or more over the last 12 months with due account for the criteria for credit quality cure;
- Decision of the authorised body to assign a default status to a financial asset.

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

Treasury and interbank relationships

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's Risk Management Group analyses publicly available information such as external ratings of international rating agencies, which serve as the basis for certain ECL.

(in thousands of tenge)

25. Risk management (continued)

Credit risk (continued)

Retail lending

Retail lending includes unsecured loans to individuals, credit cards, overdrafts and loans secured by real estate. Evaluation of unsecured products is carried out using an automated scoring system based on qualitative and quantitative indicators. The main indicators used in the models are as follows: length of employment at the last job, credit history, frequency of pension contributions, education, marital status, as well as the ratio of the amount of the contribution on the expected loan to the average monthly income of the client. Evaluation of products secured by real estate is carried out by determining the level of solvency and the ratio of the loan to the collateral value of the collateral.

Exposure at default

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

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

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

(in thousands of tenge)

25. Risk management (continued)

Credit risk (continued)

Loss given default

For lending to small and medium-sized businesses, LGD values are assessed at least monthly by account managers and reviewed and approved by the Risk Management Group.

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

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

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

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

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Grouping financial assets measured on a collective basis

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

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

- All Stage 3 assets, regardless of the class of financial assets
- The treasury and interbank relationships (such as amounts due from banks, cash equivalents and debt investment securities at amortised cost and FVOCI)
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring
- Financial assets whose gross carrying value at the reporting date exceeds 0.2% of the Bank's equity, but not less than KZT 50 million

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

- Financial assets that are not subject to individual assessment

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

(in thousands of tenge)

25. Risk management (continued)

Credit risk (continued)

Forward-looking information and multiple economic scenarios

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

- GDP growth
- Volume of production of oil and gas condensate
- Base rates of the NBRK
- Oil price
- Inflation

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the separate financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Bank obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. NBRK and international financial institutions). Experts of the Bank's Risk Management Department determine the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

Key drivers	***2021***
Price of Brent crude oil (Brent ICE), USD	20,0
GDP index, %	99,4
Volume of production of oil and gas condensate, million tons	90,0
Inflation rate, %	10,4
USD/KZT exchange rate	509,0

Grace period and concessional financing

Support for individuals following imposition of the state of emergency

According to the Decree of the President of the Republic of Kazakhstan No. 285 dated 15 March 2020 and in accordance with the Procedure for suspension of payments of principal amounts and interest approved by the Order of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market No. 167 dated 6 March 2020, in order to ensure socio-economic stability following the imposition of the state of emergency in the country from 16 March to 15 June 2020, for individuals whose financial condition deteriorated, payments under bank loan agreements were suspended by granting a grace period for paying the principal amount and interest.

Deferred and unpaid payments of principal and interest in grace period from 16 March 2020 to 15 June 2020 (inclusive) were as follows:

- on unsecured loans of individual borrowers, the interest accrued on the outstanding balance within the grace period spread until the end of the term of the contract. To maintain the debt burden and prevent an increase in the monthly payment, the loan term is extended for the corresponding period;
- for secured loans of individuals, the interest accrued on the outstanding balance within the grace period is spread over the remaining term of the loan without increasing the term of the loan;
- on loans with overdue debts as at 16 March 2020, the amount of overdue principal, overdue interest and interest accrued on overdue principal were transferred to the accounts of urgent loan debt and spread until the end of the loan term, while the decision to grant deferral on loans with a delay of more than 90 days to borrowers who are not socially vulnerable, recipients of targeted social aid, registered unemployed, was made by the authorised body of the Bank individually for each loan.

(in thousands of tenge)

25. Risk management (continued)

Credit risk (continued)

Grace period and concessional financing (continued)

<u>*Support for individuals following imposition of the state of emergency (continued)*</u>

The Bank did not charge any commissions or other fees for consideration of the application for granting a grace period.

1. The grace period was granted on the basis of the borrower's application (in any form containing the reason for the suspension of payments) and submitted to the Bank by any available means in the period from 16 March to 15 June 2020 (inclusive). At that, it was not required to receive an application from borrowers belonging to socially vulnerable segments of the population, recipients of targeted social aid, and registered unemployed, but with the information and consent of the borrower in accessible ways, without the requirement of supporting documents;
2. Granting of the grace period was carried out:
   a) without receiving and attaching expert opinions to the credit file;
   b) without signing additional agreements with borrowers and without applying commission and other payments to borrowers. Additional agreements with a new repayment schedule were signed with borrowers and participants of the transaction after cancellation of the emergency when the borrower applied to the Bank's branch.

<u>*Support for legal entities following imposition of the state of emergency*</u>

In accordance with the Order of the Chairman of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market No. 167 dated 26 March 2020 On Approval of the Procedure for suspension of payments of principal amounts and interest on loans of the population, small- and medium-sized businesses affected by imposition of the state of emergency (taking into account amendments and additions No. 193 dated 17 April 2020 and No. 223 dated 26 May 2020), the grace period for repayment of the principal and interest under bank loan agreements was provided for payments for the period from 16 March 2020 to 15 June 2020, with the allocation of deferred payments for future periods.

In accordance with the Order of the Chairman of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market No. 251 dated 15 June 2020 On additional measures to support small- and medium-sized businesses (subject to amendments and additions No. 311 dated 3 August 2020), the grace period for repayment of the principal amount under bank loan agreements was provided for payments falling for the period from 15 June 2020 to 1 October 2020 (but not less than 3 months, unless otherwise specified in the borrower's application), the grace period for repayment of interest under bank loan agreements was provided for payments falling for the period from 15 June 2020 to 1 October 2020, with the allocation of deferred payments for future periods.

The table below shows the gross carrying amount and the corresponding ECL by Stages for loans that are subject to grace period provided under government programs:

	Stage 1	***Stage 2***	***Stage 3***	***Total***
Grace period				
Credit cards				
Gross carrying amount	2.477	–	–	**2.477**
ECL	559	–	–	**559**

Market risk

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

(in thousands of tenge)

25. Risk management (continued)

Market risk (continued)

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

Overall authority for market risk is vested in the ALCO. Market risk limits are approved by the ALCO based on recommendations of the Risk Management Department's Market Risk Management Division and subsequently agreed by the Board of Directors.

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

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Profit rate gap analysis

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

Currency risk

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

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

(in thousands of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The currency position of the Bank as at 31 December 2020 is presented below:

	Tenge	*US dollar*	*Russian ruble*	*Euro*	*Chinese yuan*	*Total*
Assets						
Cash and cash equivalents	34.345.368	11.944.410	201.877	1.280.929	9.631	47.782.215
Amounts due from financial institutions	413.992	443.833	–	–	–	857.825
Loans to customers	410.701	743	–	–	–	411.444
Investment securities	27.187.514	–	–	–	–	27.187.514
Other monetary assets	539.027	–	–	–	–	539.027
Total assets	62.896.602	12.388.986	201.877	1.280.929	9.631	76.778.025
Amounts due to financial institutions	2.380.381	–	–	–	–	2.380.381
Amounts due to customers	38.098.257	11.561.083	42.900	1.116.681	7	50.818.928
Obligations under repurchase agreements	7.940.553	–	–	–	–	7.940.553
Subordinated debt	2.975.300	417.437	–	–	–	3.392.737
Other monetary liabilities	132.319	54	–	86	–	132.459
Total liabilities	51.526.810	11.978.574	42.900	1.116.767	7	64.665.058
Position on foreign currencies dealing	–	–	–	–	–	–
Net position	11.369.792	410.412	158.977	164.162	9.624	12.112.967

(in thousands of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The currency position of the Bank as at 31 December 2019 is presented below:

	Tenge	*US dollar*	*Russian ruble*	*Euro*	*Chinese yuan*	*Total*
Assets						
Cash and cash equivalents	12.681.954	19.754.007	226.777	773.805	11.979	33.448.522
Amounts due from financial institutions	374.145	402.063	–	–	–	776.208
Loans to customers	66.965.480	1.158.731	–	116	–	68.124.327
Investment securities	–	3.785.045	–	–	–	3.785.045
Other monetary assets	501.186	163	–	–	–	501.349
Total assets	80.522.765	25.100.009	226.777	773.921	11.979	106.635.451
Amounts due to financial institutions	9.111.519	–	–	–	–	9.111.519
Amounts due to customers	54.996.070	29.957.929	66.835	786.266	42	85.807.142
Subordinated debt	2.938.891	364.364	–	–	–	3.303.255
Other monetary liabilities	125.766	139	4.005	77	–	129.987
Total liabilities	67.172.246	30.322.432	70.840	786.343	42	98.351.903
Position on foreign currencies dealing	–	5.738.850	–	–	–	5.738.850
Net position	13.350.519	516.427	155.937	(12.422)	11.937	14.022.398

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

	2020		*2019*	
Currency	*Increase in currency rate in %*	*Effect on profit before tax*	*Increase in currency rate in %*	*Effect on profit before tax*
US dollar	**14,00%**	**57.458**	12,00%	61.971
Euro	**14,00%**	**22.983**	12,00%	(1.491)
Russian ruble	**15,00%**	**23.847**	12,00%	18.712

	2020		*2019*	
Currency	*Decrease in currency rate in %*	*Effect on profit before tax*	*Decrease in currency rate in %*	*Effect on profit before tax*
US dollar	**(11,00%)**	**(45.145)**	(9,00%)	(46.478)
Euro	**(11,00%)**	**(18.058)**	(9,00%)	1.118
Russian ruble	**(15,00%)**	**(23.847)**	(12,00%)	(18.712)

(in thousands of tenge)

25. Risk management (continued)

Operational risk

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

Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and / or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity risk management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but

can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all

cash flow obligations as they become due. Liquidity risk management policy is reviewed and approved by the Board of Directors.

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

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

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

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more unfavourable market conditions is performed by the Treasury. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a monthly basis. Decisions on liquidity management are made by the ALCO and implemented by the Treasury.

(in thousands of tenge)

25. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2020 and 2019, based on contractual undiscounted payments. Repayments, which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	31 December 2020					
Financial liabilities	***On demand***	***Less than 3 months***	***3 months to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to financial institutions	**–**	**59.781**	**178.549**	**953.975**	**5.518.932**	**6.711.237**
Amounts due to customers	**17.016.490**	**7.696.912**	**20.309.385**	**10.386.871**	**14.198**	**55.423.856**
Subordinated debt	**15**	**19.141**	**162.577**	**834.139**	**5.770.802**	**6.786.674**
Other financial liabilities	**71.581**	**–**	**60.764**	**114**	**–**	**132.459**
Total undiscounted financial liabilities	**17.088.086**	**7.775.834**	**20.711.275**	**12.175.099**	**11.303.932**	**69.054.226**

	31 December 2019					
Financial liabilities	***On demand***	***Less than 3 months***	***3 months to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to financial institutions	39.806	585.315	6.242.025	1.355.561	7.096.125	15.318.832
Amounts due to customers	24.850.353	7.971.644	38.847.179	21.400.322	–	93.069.498
Subordinated debt	5.739	58.998	180.045	925.730	6.053.146	7.223.658
Other financial liabilities	17.002	357	112.363	265	–	129.987
Total undiscounted financial liabilities	24.912.900	8.616.314	45.381.612	23.681.878	13.149.271	115.741.975

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

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

(in thousands of tenge)

26. Fair value measurement

Fair value measurement procedures

For the purpose of significant assets evaluation, such as real estate, external appraisers are engaged. The Group's Managing Board decides is external appraisers should be engaged. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years.

At each reporting date, the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Bank, in conjunction with the Bank's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On a periodic basis, the Bank and the Bank's external appraisers present the valuation results to the Audit Committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value hierarchy

		Fair value measurement using			
31 December 2020	***Date of valuation***	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant non-observable inputs (Level 3)***	***Total***
Assets measured at fair value					
Property and equipment – land and buildings	31 December 2020	–	–	**3.617.814**	**3.617.814**
Assets with disclosed fair value					
Cash and cash equivalents	31 December 2020	**4.205.124**	**43.577.091**	–	**47.782.215**
Amounts due from financial institutions	31 December 2020	–	**857.825**	–	**857.825**
Loans to customers	31 December 2020	–	–	**404.748**	**404.748**
Investment securities at amortised cost	31 December 2020	**19.331.341**	**8.058.056**	–	**27.389.398**
Other financial assets	31 December 2020	–	–	**545.956**	**545.956**
Liabilities whose fair value is disclosed:					
Amounts due to banks and other financial institutions	31 December 2020	–	–	**2.773.829**	**2.773.829**
Amounts due to customers	31 December 2020	–	**51.055.596**	–	**51.055.596**
Obligations under repurchase agreements	31 December 2020	–	**7.951.291**	–	**7.951.291**
Subordinated debt	31 December 2020	–	**3.684.128**	–	**3.684.128**
Lease liabilities	31 December 2020	–	**128.118**	–	**128.118**
Other financial liabilities	31 December 2020	–	–	**132.459**	**132.459**

(in thousands of tenge)

26. Fair value measurement (continued)

Fair value hierarchy (continued)

		Fair value measurement using			
31 December 2019	***Date of valuation***	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant non-observable inputs (Level 3)***	***Total***
Assets measured at fair value					
Property and equipment – land and buildings	12 October 2016	–	5.517.342	–	5.517.342
Debt securities at FVOCI	31 December 2019	9.626	–	–	9.626
Assets with disclosed fair value					
Cash and cash equivalents	31 December 2019	4.198.884	29.249.638	–	33.448.522
Amounts due from other banks and other financial institutions	31 December 2019	–	776.208	–	776.208
Loans to customers	31 December 2019	–	–	76.825.946	76.825.946
Investment securities at amortised cost	31 December 2019	3.837.476	–	–	3.837.476
Other financial assets	31 December 2019	–	–	476.449	476.449
Liabilities whose fair value is disclosed:					
Amounts due to banks and other financial institutions	31 December 2019	–	9.028.965	–	9.028.965
Amounts due to customers	31 December 2019	–	86.224.948	–	86.224.948
Subordinated debt	31 December 2019	–	3.660.095	–	3.660.095
Lease liabilities	31 December 2019	–	226.456	–	226.456
Other financial liabilities	31 December 2019	–	–	129.987	129.987

During 2020 and 2019, there was no movement between levels of the hierarchy model of the fair value for financial assets and liabilities shown at fair value.

(in thousands of tenge)

26. Fair value measurement (continued)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the separate statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2020			31 December 2019		
	Carrying amount	Fair value	Unrecognised gain/(loss)	Carrying amount	Fair value	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	**47.782.215**	**47.782.215**	**–**	33.448.522	33.448.522	–
Amounts due from financial institutions	**857.825**	**857.825**	**–**	776.208	776.208	–
Loans to customers	**411.444**	**404.748**	**(6.696)**	68.124.327	76.825.946	8.701.619
Investment securities measured at amortised cost	**27.187.514**	**27.389.398**	**201.884**	3.785.045	3.837.476	52.431
Other financial assets	**539.027**	**545.956**	**6.929**	501.349	475.734	(25.615)
Financial liabilities						
Amounts due to financial institutions	**2.380.381**	**1.957.063**	**423.318**	9.111.519	9.028.965	82.554
Amounts due to customers	**50.818.928**	**51.055.596**	**(236.668)**	85.807.142	86.224.948	(417.806)
Obligations under repurchase agreements	**7.940.553**	**7.951.291**	**(10.738)**	–	–	–
Subordinated debt	**3.392.737**	**3.684.128**	**(291.391)**	3.303.255	3.660.095	(356.840)
Lease liabilities	**128.118**	**128.118**	**–**	226.456	226.456	–
Other financial liabilities	**132.459**	**132.459**	**–**	129.987	129.987	–
Total unrecognised change in unrealised fair value			**86.638**			8.036.343

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the separate financial statements and those items that are not measured at fair value in the separate statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates their carrying value

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

(in thousands of tenge)

26. Fair value measurement (continued)

Valuation techniques and assumptions (continued)

Financial assets and financial liabilities carried at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer funds, amounts due from other banks and other financial institutions, amounts due to banks and other financial institutions, subordinated loans, 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.

Property and equipment – land and buildings

The fair value of land and buildings owned by the Bank is based on valuations performed by an accredited independent valuer. The fair value of the Bank's land and buildings was determined by using market comparable and income approaches.

Description of significant unobservable inputs for the assessment:

Significant unobservable inputs used to estimate the fair value of property and equipment classified in Level 3 of the fair value hierarchy, together with the quantitative sensitivity analysis as at 31 December 2020, are as follows:

Significant non-observable inputs	**Range (weighted average value)**	**Fair value sensitivity to inputs**
Average rental rate (adjusted for banking strengthening)	3,510-9,945 (6,728) tenge/sqm	Increase/(decrease) in the average rental rate by 30% will result in an increase/(decrease) in the fair value by KZT 606,423 thousand.
Weighing approach	50/50 %	Increase/(decrease) in weighting of results by 10% will result in an increase/(decrease) in the fair value by KZT 149,283 thousand.

(in thousands of tenge)

27. Maturity analysis of assets and liabilities

The table below shows the expected maturity profile of assets and liabilities as at 31 December 2020 and 2019. See Note 24 for the Bank's contractual undiscounted repayment obligations.

	31 December 2020			*31 December 2019*		
	Less than 12 months	*Over 12 months*	*Total*	*Less than 12 months*	*Over 12 months*	*Total*
Assets						
Cash and cash equivalents	**47.782.215**	**–**	**47.782.215**	33.448.522	–	33.448.522
Amounts due from financial institutions	**857.825**	**–**	**857.825**	776.208	–	776.208
Loans to customers	**370.351**	**41.093**	**411.444**	10.983.406	57.140.921	68.124.327
Investment securities at amortised cost	**1.175.747**	**26.011.767**	**27.187.514**	29.364	3.755.681	3.785.045
Property and equipment	**–**	**4.369.243**	**4.369.243**	–	6.457.813	6.457.813
Intangible assets	**–**	**1.161.940**	**1.161.940**	–	1.156.938	1.156.938
Investments in subsidiaries	**–**	**3.000**	**3.000**	–	3.000	3.000
Current corporate income tax assets	**126.025**	**–**	**126.025**	–	–	–
Other assets	**445.061**	**300.766**	**745.827**	2.644.768	316.858	2.961.626
Total assets	**50.757.224**	**31.887.809**	**82.645.033**	47.882.268	68.831.211	116.713.479
Liabilities						
Financial instruments at fair value through profit or loss	**–**	**–**	**–**	9.626	–	9.626
Amounts due to financial institutions	**14.369**	**2.366.012**	**2.380.381**	6.254.414	2.857.105	9.111.519
Amounts due to customers	**42.902.771**	**7.916.157**	**50.818.928**	70.624.900	15.182.242	85.807.142
Obligations under repurchase agreements	**7.940.553**	**–**	**7.940.553**	–	–	–
Subordinated debt	**88.934**	**3.303.803**	**3.392.737**	88.360	3.214.895	3.303.255
Current corporate income tax liabilities	**–**	**–**	**–**	208.388	–	208.388
Deferred corporate income tax liabilities	**–**	**574.923**	**574.923**	–	1.277.039	1.277.039
Lease liabilities	**88.555**	**39.563**	**128.118**	96.492	129.964	226.456
Other liabilities	**180.739**	**–**	**180.739**	614.052	–	614.052
Total liabilities	**51.215.921**	**14.200.458**	**65.416.379**	77.896.232	22.661.245	100.557.477
Net position	**(458.697)**	**17.687.351**	**17.228.654**	(30.013.964)	46.169.966	16.156.002

The Bank's capability to repay its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time. As at 31 December 2020, the Bank has a negative liquidity gap of KZT 455,716 thousand within a year (as at 31 December 2019: KZT 30,009,204 thousand).

Repayments which are subject to notice are treated in the table above as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's history of retention of amounts due to customers.

(in thousands of tenge)

28. Related party disclosures

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Bank's related parties comprise counterparties that are the Bank's shareholders, and members of the Board of Directors and Managing Board. Other related parties comprise: companies with which the Bank has significant shareholders in common; companies in which a substantial interest in the voting power is owned, directly or indirectly, by shareholders of the Bank or by individuals which have significant influence over the Bank, or anyone expected to influence, or be influenced by, that person in their dealings with the Bank.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

Balance of related party transactions as at 31 December 2020 and 2019 is presented below:

	31 December 2020		
	Parent	*Key management personnel*	*Other related parties*
Assets			
Other assets	**5.548**	**–**	**–**
Liabilities			
Amounts due to customers	**222.097**	**86.524**	**1.434.497**
Subordinated debt	**1.040.000**	**–**	**2.352.737**

	31 December 2019		
	Parent	*Key management personnel*	*Other related parties*
Assets			
Amounts due from financial institutions	849.567	–	–
Loans to customers before ECL allowance	–	5.180	57.733
ECL allowance	–	(105)	(71)
Loans to customers	–	5.075	57.662
Liabilities			
Amounts due to customers	–	223.497	1.983.912
Subordinated debt	–	–	1.040.000

In 2020, as part of the transaction on the change the Bank's shareholder, the Bank transferred a group of assets and related liabilities to ForteBank JSC (Note 31).

(in thousands of tenge)

28. Related party disclosures (continued)

The income and expense items on transactions with related parties for the years ended 31 December 2020 and 2019 were as follows:

	31 December 2020			*31 December 2019*		
	Parent	***Key management personnel***	***Other related parties***	***Parent***	***Key management personnel***	***Other related parties***
Interest income on loans to customers	**–**	**279**	**5.777**	–	721	9.100
Credit loss expense	**–**	**–**	**(276)**	–	(105)	(71)
Interest expense on amounts due to financial institutions	**–**	**–**	**–**	(47.597)	–	–
Interest expense on amounts due to customers	**(169)**	**(3.642)**	**(44.600)**	–	(4.184)	(95.867)
Interest expense on subordinated debt	**(1.555)**	**–**	**(109.310)**	–	–	(80.000)
Net fee and commission (expense)/income	**(39.473)**	**727**	**6.062**	(49.925)	724	12.735
Net gains from transactions in foreign currencies	**–**	**1.759**	**24.081**	–	256	114.480
Other operating (expense)/income	**(59.063)**	**–**	**(313.496)**	880	–	(5.195)

As at 31 December 2020 and 2019, interest rates and maturity dates on transactions with related parties are as follows:

	31 December 2020			*31 December 2019*		
	Parent	***Key management personnel***	***Other related parties***	***Parent***	***Key management personnel***	***Other related parties***
Loans to customers						
Maturity	**–**	**–**	**–**	–	2022	2020-2028
Annual interest rate in tenge	**–**	**–**	**–**	–	13,80%	13,90%
Amounts due to customers						
Maturity	**2020**	**2021-2023**	**2021-2023**	–	2020-2022	2020-2021
Annual interest rate in tenge	**4,31%**	**7,07%**	**1,98%**	–	7,10%	6,0%
Annual interest rate in USD /EUR	**–**	**0,80%**	**0,01%**	–	1,80%	0,4%
Subordinated debt						
Maturity	**Permanent**	**–**	**2033**	–	–	2033
Annual interest rate in tenge	**8,00%**	**–**	**6,16%**	–	–	8,00%

Below is information on compensation to 7 members of key management personnel at 31 December (in 2019: 8 members) of key management personnel:

	2020	***2019***
Salaries and other short-term benefits	**140.946**	529.153
Social security costs	**13.001**	21.166
Total	**153.947**	550.319

(in thousands of tenge)

29. Changes in liabilities arising from financing activities

Subordinated debt	***2020***	***2019***
Carrying amount at 1 January	**3.303.255**	3.244.190
Foreign exchange adjustments	**36.210**	(1.518)
Other	**53.272**	60.583
Carrying amount as at 31 December	**3.392.737**	3.303.255

"Other" represents the effect of accrued, but not yet paid interest. The Bank classifies interest paid as cash flows from operating activities.

30. Capital adequacy

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 norms established by the NBRK in supervising the Bank.

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

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

Under the current capital requirements set by the NBRK banks have to maintain:

- a ratio of basic 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 and (k1.1);
- 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);
- a ratio of statutory 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 and (k2).

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.

As at 31 December 2020 and 2019 the Bank's capital adequacy ratio, calculated in accordance with the requirements of the NBRK was as follows:

	31 December 2020	***31 December 2019***
Tier 1 capital	**16.694.777**	15.201.485
Tier 2 capital	**–**	2.214.895
Deduction of the positive difference with regulatory reserves	**–**	–
Total statutory capital	**16.694.777**	17.416.380
Risk-weighted statutory assets, contingent liabilities, operational and market risk	**16.747.916**	88.565.360
Capital adequacy ratio k1-1 (at least 5.5%)	**99,7%**	16,9%
Capital adequacy ratio k1-2 (at least 6.5%)	**99,7%**	17,2%
Capital adequacy ratio k2 (at least 8.0%)	**99,7%**	19,7%

(in thousands of tenge)

31. Disposal of assets held for sale

On 29 July 2020, ForteBank JSC and Freedom Finance JSC signed an agreement for the purchase and sale of 100% of the Bank's ordinary shares. In accordance with the terms of the agreement, in 2020, the Bank reclassified the following assets as held for sale sold to ForteBank JSC prior to the closing date of the transaction on 25 December 2020:

- loans to customers, except for loans provided that are fully secured by cash collateral, credit cards and debit card overdrafts. The carrying amount of these loans to customers before deducting the provision for ECL at the date of sale was KZT 52,782,026 thousand. As at the date of sale, ECL allowance recognised by the Bank in respect of loans to customers amounted to KZT 5,260.887 thousand. Profit from the sale of the loan portfolio to customers amounted to KZT 1,689,434 thousand.
- property and equipment of 7 items and the total carrying amount of KZT 520,530 thousand. Immediately prior to classification of these items of property and equipment as assets held for sale, an assessment of the fair value of these items of property and equipment was made. The fair value revaluation loss, net of costs, was KZT 309,479 thousand, including KZT 267,094 thousand recorded through profit or loss and a loss of KZT 42,385 thousand recorded through other comprehensive income.
- inventory in the form of non-core property of 33 items with the carrying amount of KZT 1,958,278 thousand. Loss from the sale of inventory to ForteBank JSC amounted to KZT 41,863 thousand. As at 31 December 2020, the Bank has no registered movable and immovable collateral.
- issued guarantees, except for guarantees secured by cash collateral (including cash collateral receivable in the future), and tender guarantees with the total carrying amount of KZT 643 thousand. Loss from transfer of risks under guarantees amounted to KZT 4,705 thousand.

In addition, by agreement of the parties, the KFU deposit placed with the Bank under the program of refinancing foreign currency loans with a nominal value of KZT 3,258,126 thousand was transferred to ForteBank JSC. Loss from derecognition of the deposit amounted to KZT 180,861 thousand.