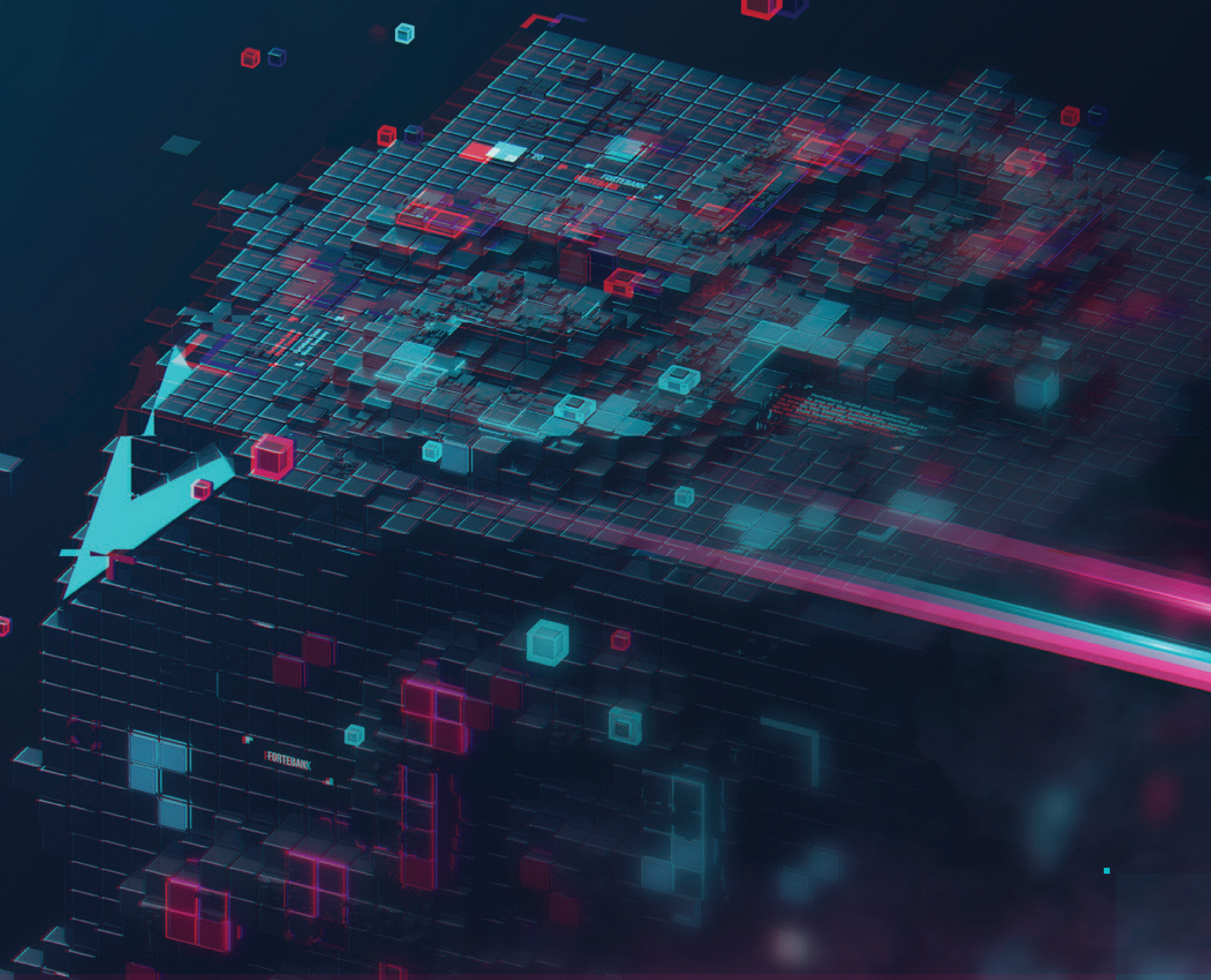
ForteBank

#change2020

2020 ANNUAL REPORT

of ForteBank
Joint-Stock Company

#CHANGE 2020



CONTENT OF THE REPORT

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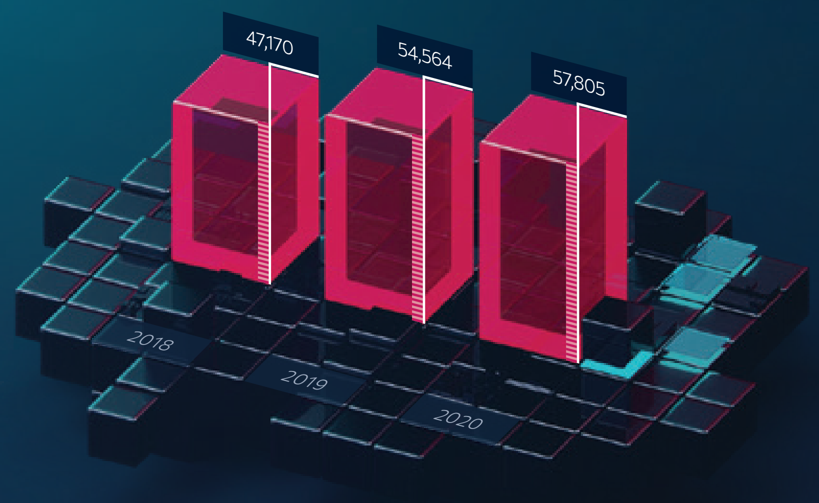
2020 KEY INDICATORS

Indicator	Changes for 2020, %	2020	2019	2018
Financial indicators, billion tenge				
Assets	1%	**2,089**	2,070	1,689
Loan portfolio	-4%	**750**	785	690
Liabilities	-1%	**1,826**	1,841	1,488
Deposits and current accounts	4%	**1,387**	1,337	1,076
Debt securities issued	5%	**240**	229	254
Equity capital	15%	**263**	229	201
Net profit	25%	**53**	42	29
Net interest income	21%	**95**	78	49
Non-interest income	70%	**68**	40	31
Social indicators				
Number of employees	3%	**3,776**	3,650	3,510

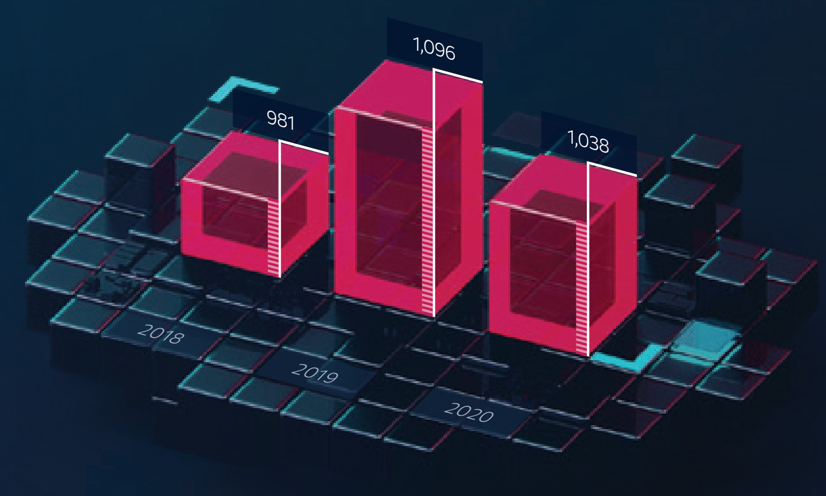
Indicator	Changes for 2020, %	2020	2019	2018
Relative indicators, %				
ROE	1.82%	**21.52%**	19.70%	14.70%
ROA	0.35%	**2.55%**	2.20%	1.90%
NIM*	0.20%	**5.50%**	5.30%	4.60%
NPL**	1.16%	**7.16%**	6.00%	6.63%
Operating indicators				
Number of branches and outlets	0%	**100**	100	100
Number of ATMs	4%	**974**	938	860
Number of POS terminals	12%	**22,254**	19,958	15,522
Active clients	6%	**1,243,033**	1,169,812	1,072,614
Mobile banking clients, individuals	38%	**979,200**	707,880	423,555
Mobile banking clients, legal entities	36%	**44,665**	32,902	24,184
Credit cards issued	18%	**1,325,296**	1,122,895	832,916

** On standalone basis.*
*** On standalone basis in accordance with National Bank standards.*
**** An active customer is a current customer of the Bank with an average balance greater than zero and transactions on credits, deposits and current accounts.*

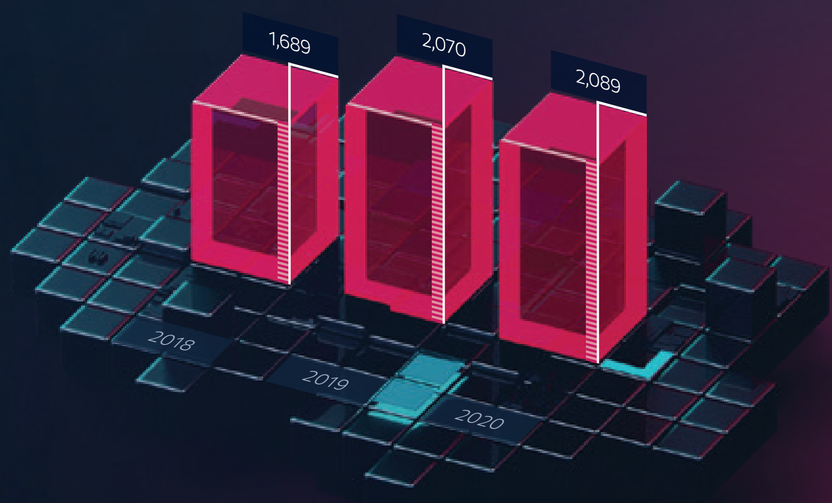
Number of active clients – legal entities



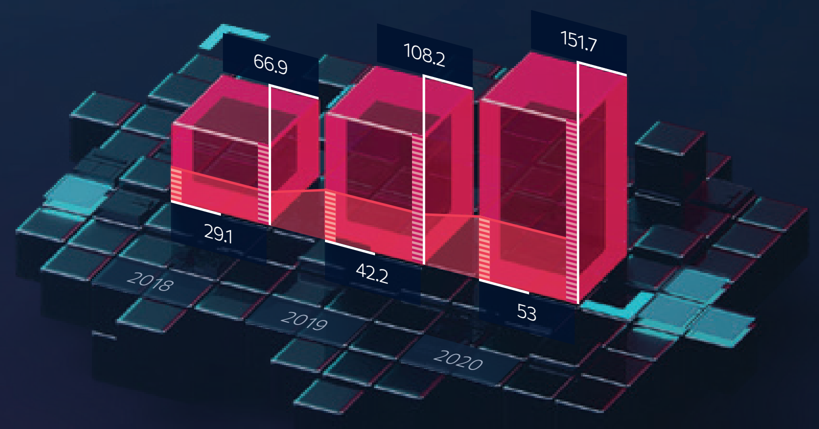
Number of retail clients, thousand people



Dynamics of assets, billion tenge

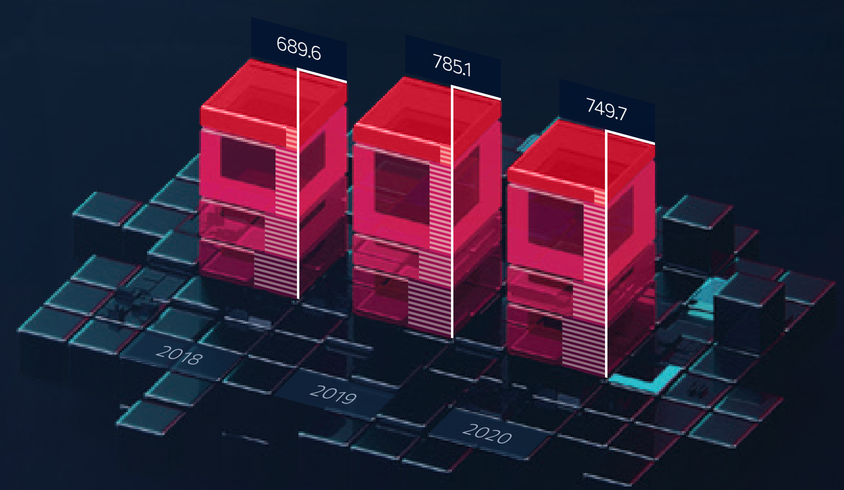


Dynamics of income, billion tenge



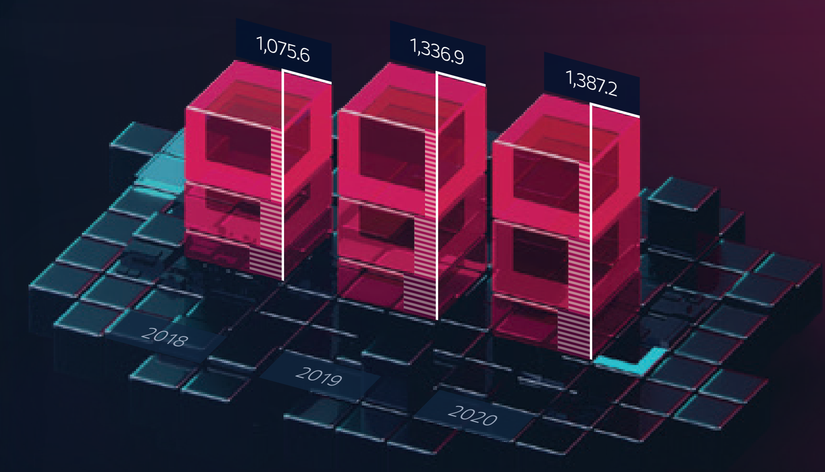
- Operating income
- Net profit

Loan portfolio dynamics, billion tenge



- SME
- Retail segment
- Corporate business
- Other

Dynamics of accounts and deposits, billion tenge



- SME
- Retail segment
- Corporate business
- Other

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#CHANGE2020

At the beginning of 2020, the slogan #change2020 was chosen by the Bank to define its internal changes.

In March 2020, #change2020 became the main priority for the whole sector.

#change2020

2020

KEY EVENTS

RATING CHANGES

Moody's upgraded the Bank's rating from B1 to Ba3, with a Stable outlook (December 2020).

S&P confirmed ratingsg at the level of B+, the outlook is Stable (June 2020).

Fitch improved its outlook to Stable, the deposit rating was confirmed at B (November 2020).

AWARDS AND RECOGNITION

ForteBank was recognized as the best bank in Kazakhstan for the third year in a row by the international magazine Global Finance.

The Banker authoritative international edition awarded the Bank the "Best Bank in Kazakhstan" for the third time.

ForteBank for the second time became the Bank of the year in Kazakhstan according to the Asiamoney edition.

- ForteBank launched a new MIB 2.0 mobile app for individuals, created entirely by the Forte Group team.
- The Bank introduced a unique ForteKey financial keyboard, which has no analogues in the market, supports the Kazakh language and allows using banking services while communicating with each other via messengers.
- In August 2020, a subsidiary company – ForteFinance JSC was established, which provides brokerage and investment services.
- ForteBank launched the ForteForex trading platform in its mobile app, which allows clients to make forex trading transactions at their own exchange rates.
- ForteBank became the first bank in Kazakhstan to launch its own mobile communication – ForteMobile. ForteMobile users enjoy the benefits of combining mobile communication and banking services in one service.
- In 2020, 100% of the common shares of Bank Kassa Nova JSC were sold to the investment company Freedom Finance JSC.

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

In 2020, the economy of the whole world, and of course Kazakhstan, faced the difficult situation because of the pandemic. The beginning of the year was featured by huge uncertainty due to spread of the COVID-19 coronavirus infection. To combat the pandemic that threatens the life and health of the population, quarantine restrictions were imposed on the private organizations and state institutions in the country resulting in a decrease in business activity and loss of income by the population and business. Including in 2020, the focus of the Bank's management was significantly different, where we worked not for business development, but for providing a safe working environment for our employees and clients, for medical assistance to our employees and their families, and easing lending conditions and schedules for our clients. I would like to thank all the medical staff of the country, who made incredible efforts in a such difficult time.

Despite the difficulties in 2020, ForteBank was ready for all challenges with a motivated and experienced team, a high level of liquidity, a large capital stock, rapidly developing digital tools and an adaptive personnel policy. The work done in the past years contributed to the Bank at this time, and Forte managed not only to maintain its position but also to continue development in all strategic areas. Many thanks to the whole team of the Bank for tremendous work done over the past year, which helped Forte to show record financial and operational results in 2020.

Financial Stability

ForteBank is still at the stage of active growth. Despite the economic situation in 2020, the Bank's net profit increased by a significant 25% to 53 billion tenge. This became possible thanks to the balanced growth strategy, according to which ForteBank ensures development equally across all business segments, diversifying its portfolio of products and sources of income.

At the same time, we continue to improve efficiency. Last year, the growth of business income outpaced the increase in expenses. The Cost-to-Income indicator decreased from 39.5% in 2019 to 32.1% in 2020.

TAKING INTO ACCOUNT A DECLINE IN BUSINESS ACTIVITY IN THE COUNTRY, WE DID NOT SEEK TO EXPAND LENDING DURING THE YEAR. OUR FOCUS WAS ON CUSTOMER SUPPORT IN THIS DIFFICULT TIME AND MONITORING THE SITUATION.

If necessary, we provided deferred payments, formed additional provisions, and constantly monitored payments. Our loan portfolio has once again proved its quality. Thanks to conservative decisions in previous periods, based on a balanced approach to risk-taking, even in the conditions of a sharp economic downturn, the Bank confirmed its reliability and stability. The share of overdue loans (90+) showed only a small increase – from 6% in 2019 to 7.16% by the end of 2020. In 2019, the National

GURAM ANDRONIKASHVILI

CHAIRMAN OF THE MANAGEMENT BOARD

Bank of Kazakhstan conducted an asset quality review (AQR) of 14 largest Kazakhstani banks. ForteBank showed good results during this review, and now its lending and reservation policy has already been confirmed by market conditions. The Banks that performed well during the AQR performed better during the crisis as well, as evidenced by the growth of revenues and the preservation of asset quality.

Situation of uncertainty and reduced revenues affected the retail segment the most. There was a slight decrease in both a loan portfolio and a deposit portfolio. Net interest income increased by 2% to 41.8 billion tenge, while net non-interest income increased by 38% to 18.7 billion tenge.

QUARANTINE MEASURES INTRODUCED IN THE COUNTRY TO COMBAT THE COVID-19 PANDEMIC HAD A FAIRLY STRONG IMPACT ON BUSINESS, ESPECIALLY ON SMES.

Nevertheless, it was possible to maintain the growth of lending, which driver was the Corporate business. As a result, net interest income for the business segment in 2020 increased by 45% to 32 billion tenge.

Non-interest income for the business segment in 2020 increased by 13% to 20.8 billion tenge. Here, the main growth was provided by the SMEs. Good results were achieved due to the development of new non-loan services for small and medium-sized businesses.

The Bank's capital at the end of 2020 amounted to 263 billion tenge, showing 15% increase. The Bank maintains a high level of liquidity and financial stability. Prudential capital adequacy ratios k1, k1-2, k2 more than twice exceed the standards of the National Bank of Kazakhstan.

Pandemic Challenges

In 2020, our main task in context of a pandemic was to provide working conditions that protect both our customers and our employees as much as possible.

As required by the regulatory authorities, the Bank imposed restrictions on the operations of branches, ensured a distance of people and compliance with the necessary sanitary standards.

We implemented the «Office without Borders» project, which provided employees with the opportunity to work remotely. At the same time, our IT Department ensured the uninterrupted operations, reliability and security – as a result, the Bank's work was in normal mode even in the remote format. At the same time, most of the employees gained experience of remote work – we considered it positive and plan to use this approach in the future.

We constantly maintained communication with employees. We conducted surveys and polling. The Bank has its own corporate social network WORKPLACE[1], where all employees can leave messages, ask questions and dialogue. Feedback from employees and survey results become a basis for changes and management decisions – this is an important element in developing our personnel policy. Our social network became a key tool for internal communication during the pandemic. We had about thirty WORKPLACE live broadcasts of top managers during the year, when the Bank's managers sought to support employees and answer the most pressing questions.

FOR THOSE EMPLOYEES WHO, DUE TO THE SPECIFICS OF THEIR WORK, HAD TO BE PRESENT AT THE WORKPLACE, THE NECESSARY PROTECTIVE EQUIPMENT WAS PROVIDED. WE ALSO INTRODUCED ADDITIONAL SHUTTLE BUSES SO THAT EMPLOYEES DO NOT USE PUBLIC TRANSPORT.

In working with clients, we accelerated a transition to digital communication channels. This was made possible, among other things, due to significant work performed by the Bank as part of the strategic direction of digitalization. Our IT team was fully prepared for this challenge. In particular, the Call Center was strengthened, the previously introduced video banking was actively used, the use of mobile apps for both individuals and legal entities was expanded.

ForteBank actively participated in the support of entrepreneurs and population by the state. We received applications for deferred payments for about 21 percent of the loan portfolio, and in almost all cases it was granted.

Development Strategy

In context of limited growth opportunities in 2020, ForteBank focused on qualitative transformations as part of its long-term development strategy.

The first priority of our strategy is to expand the scale of our business – we establish a wide ecosystem of financial and non-financial services aimed at meeting customer needs.

Last year, in particular, demand for online shopping increased, and our ForteMarket showed explosive growth dynamics. The platform's traffic increased 8 times, the customer base – 11 times, more than 400 new sellers were attracted during the year.

ForteMobile mobile communication based on linking payment cards to a SIM card was well received. ForteForex was popular, enabling the customers to perform currency exchange among each other at a contractual rate. The ForteFood service was introduced as a pilot – a service for delivery of food from supermarkets and convenience stores.

IN 2020, SIGNIFICANT PROGRESS WAS MADE IN THE BANK'S DIGITALIZATION DEVELOPMENT.

[1] *In February 2020, the Bank moved its social network to the Yammer platform related to Microsoft products.*

In our understanding, a digital bank is digital processes, solutions based on data management, a microservice infrastructure that allows being open to innovations, digital services for a customer and remote communication channels, but most importantly – a culture of innovation, orientation to new solutions for a customer and continuous evolution. Last year, significant work was carried out on each element of this formula.

Key services were digitized. More than 50 processes were converted to digital format – this will increase efficiency, reduce the risk of errors, increase the speed of work and customer service.

In 2020, the new IT infrastructure Anthill was launched. The microservice platform enables the Bank to work faster with innovations and create an adaptive infrastructure.

Together with IBM, we launched the Data Lake project – this is the leading solution in the global banking industry in big data analysis. The active use of data analytics tools is planned for 2021, and will provide a wide range of new opportunities to improve the efficiency of the Bank's work and the quality of customer service.

In 2020, a new Forte mobile application for retail customers was released. New products and services of the digital ecosystem appeared, the design was revised, and the usual payment and transfer services were improved. At the same time, the new application was completely created by the Bank's developers. This not only allows saving resources on attracting external specialists, but also makes it possible to create more unique solutions that take into account the specifics of Forte and the wishes of its customers.

BASED ON THE WORK RESULTS FOR LAST YEAR, THERE WILL BE MANY INTERESTING RELEASES FOR SMALL AND MEDIUM-SIZED BUSINESSES IN 2021.

ForteBank and OneTech started actively using Agile approaches in project management – this is an important experiment for a traditional bank that creates a culture of innovation and allows effectively developing and implementing new solutions. Today, we can make new releases every two weeks, ensured by both development of IT solutions and a new approach to project work.

Development Prospects

ForteBank focuses on quality growth and will support its universal bank strategy. We prepare new solutions and new services both for retail customers and for business in each segment.

For retail customers, for example, in the near future we will release new cards with very interesting content. We also see a great potential for further growth of ForteMarket – both buyers and sellers express increasing interest in this platform. The brokerage direction will be developed through ForteFinance established in 2020.

Forte sees itself as a digital bank, and active introduction of innovations will continue. In 2020, we learned how to quickly respond to customer requests and ensure teamwork. In the future, we will also closely monitor the UX/UI of our solutions – monitor the customer experience and improve the quality of customer interaction with the Bank.

Improving the quality of personnel management remains an important area of development. We will develop a corporate culture and Agile approaches.

In financial metrics, the Bank will adhere to a conservative approach to risks and maintain an emphasis on reliability.

STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

In 2020, ForteBank demonstrated high financial and operational results even in context of a global pandemic, two national lockdowns and permanent quarantine restrictions. The way the Bank withstood the external hardships of the past year confirms correctness of the chosen development strategy, effective performance and high trust of our clients. I would like to express my gratitude to the Bank's Management Board for the precise management decisions in the interests of the Bank's clients, employees and shareholders.

Financial Situation

In December 2020, Moody's Investors Service once again improved ForteBank's long-term deposit rating – from B1 to Ba3, the forecast is «Stable». According to Moody's analysts, the increase in ForteBank's ratings is caused by the constant improvement in capitalization and strong liquidity of the Bank, despite the restriction measures to control coronavirus and a decline in economic activity in Kazakhstan.

In recent years, ForteBank demonstrated constant profit growth, and at the same time supports moderate lending growth, while maintaining a conservative risk assessment policy – this allows the Bank to ensure high stability recorded by rating agencies. ForteBank liquidity also remains high, the Bank actively increases its deposit base – customers see reliability of the Bank and trust it. This policy helped the Bank to resist the crisis trends in the economy in 2020.

TODAY, FORTEBANK IS ONE OF THE MOST STABLE, LIQUID AND WELL-CAPITALIZED BANKS IN THE COUNTRY.

In 2019, the AQR results confirmed the high reliability of ForteBank and quality of the risk management system. In 2020, the Bank's portfolio performed well in conditions of economy instability. Last year, ForteBank became The Bank of the year in Kazakhstan for the third according to The Banker magazine and The Best Bank in Kazakhstan according to Global Finance magazine for the third time in a row.

Creating value for shareholders remains one of the Bank's important priorities. ForteBank has more than 26 thousand minority shareholders – individuals and legal entities, both Kazakhstan residents and non-residents. The volume of dividends per 1 share increased 2.5 times – from 0.2372 tenge at 2019 yearend to 0.5951 tenge at yearend of 2020.

MARLENE MIRZABEKOV

CHAIRMAN OF THE BOARD OF DIRECTORS

Sustainable Development

Our main focus in sustainable development was to ensure safety and health of employees and support customers in a difficult socio-economic situation. We performed a wide range of related measures and initiatives. We provided remote work for employees, compliance with sanitary and anti-epidemic standards in departments and branches throughout the country, took care of the health of our customers, providing them with remote access to banking services, provided deferred payments.

FORTE AIMS TO CREATE VALUE FOR ALL PARTICIPANTS IN ITS ECOSYSTEM. IN PARTICULAR, KEY ATTENTION AS PART OF THE BANK'S STRATEGY IS PAID TO THE DEVELOPMENT OF PERSONNEL POLICY WITH REALIZING THE HUMAN POTENTIAL FOR EFFECTIVE TEAM INTERACTION TO CREATE VALUE FOR A CLIENT.

Strategy

Digitalization of the Bank remains a key strategic direction. We strive to create the most comfortable environment for a customer to make prompt decisions.

New solutions and services are offered simultaneously with a significant restructuring of business processes, the introduction of new elements of IT infrastructure and a change in the working methods of employees.

Our medium-term strategic priority is to expand the scale of our business while maintaining a high level of quality – we develop banking products for all categories of clients, including retail segment, small and medium-sized businesses, and corporate business, establishing a wide ecosystem of services that includes both financial and non-financial solutions. Forte implements a large project for development of client service based on client feedback.

I am confident that ForteBank will continue to be a reliable and rapidly growing financial institution that ensures the interests of its customers, shareholders, employees and society.

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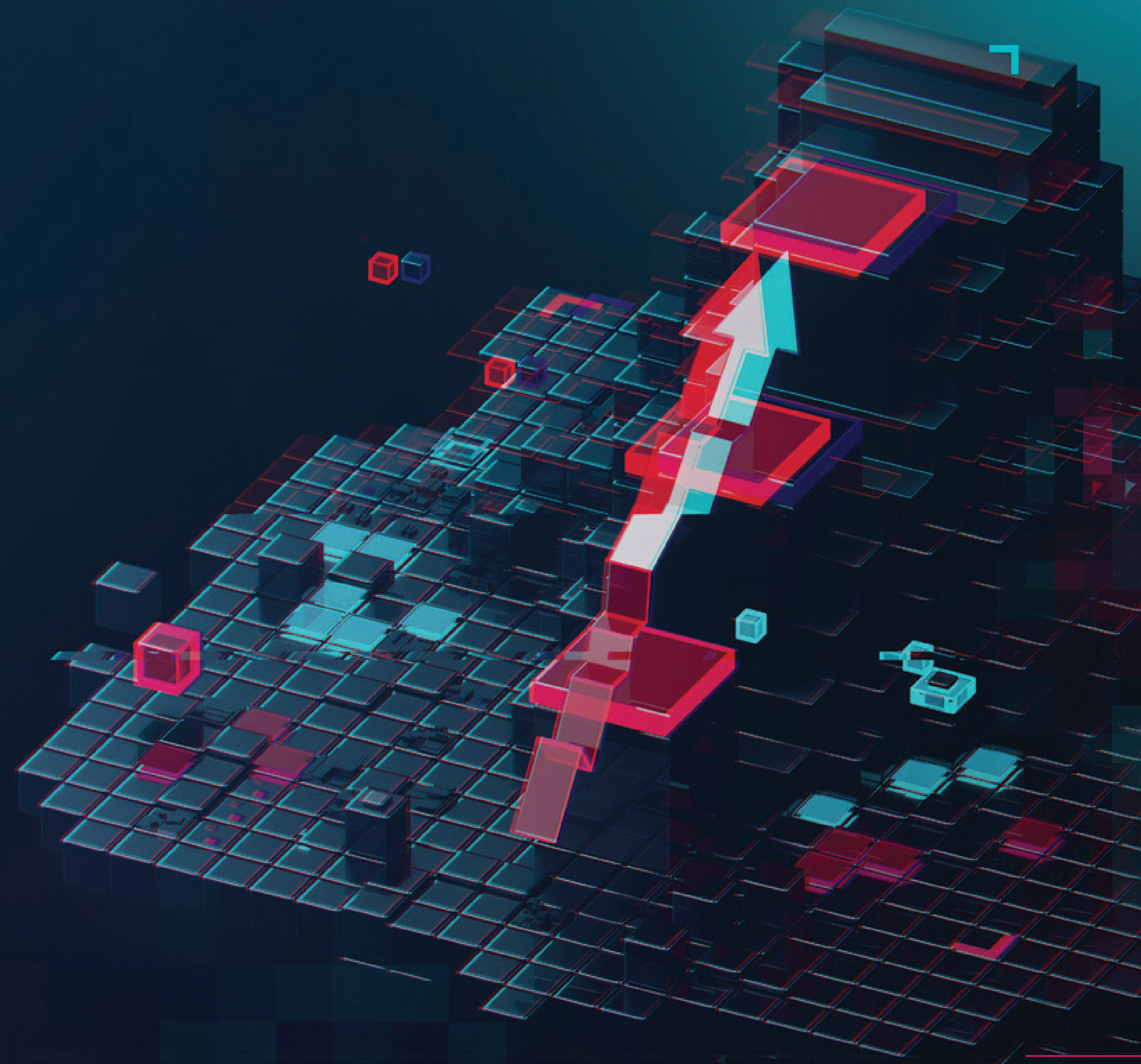
STRATEGIC REPORT

The Strategy pays particular attention to the improvement of quality and speed of services provided, comfort, safety and reliability of service for Forte clients. We have been working on a large-scale project on service evolution.



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ABOUT THE BANK

ForteBank JSC (hereinafter referred to as the Bank, ForteBank, Forte) is a modern universal bank with its own ecosystem, which provides each client with the widest possible range of services and guarantees a high level of reliability, following international standards and principles of corporate ethics.

VISION

Become the most popular ecosystem of services in Kazakhstan, transforming into a technology company and creating a new team formation.

MISSION

Forte is a reliable partner in your daily financial life.

OUR PRINCIPLES

TRUST.
We value the trust of our clients, colleagues, partners, regulators, investors and shareholders.

SUSTAINABLE DEVELOPMENT.
We make informed decisions today to ensure that our promises arefulfilled in the future.

UNITY.
We develop cooperation and teamwork, guided by the principle of common victory.

QUALITY.
We strive to exceed client expectations by providing the highest quality and most convenient services.

EFFICIENCY.
We value efficiency and strive for continuous improvement in our processes.

STRATEGIC PRIORITIES

ForteBank is committed to providing services to various market participants, taking a leading position in all areas of business.

OUR FORMULA FOR DEVELOPMENT
IS TO EXPAND THE SCALE OF THE BUSINESS, ENHANCED BY DIGITAL INNOVATION AND QUALITY OF SERVICE.

STRATEGIC AREAS OF ACTIVITY

Scaling up

We develop banking products for all categories of clients, including the retail segment, small and medium-sized enterprises, and the corporate segment.

At the same time, we are focused on creating a broad ecosystem of financial and non-financial services that offers clients various opportunities to solve their daily tasks. We already offer such products as ForteMarket marketplace, ForteTravel travel service, ForteForex currency trading platform, ForteKassa retail outlets service, ForteMobile mobile communication service, ForteFood food delivery service, etc.

The capabilities of the Forte ecosystem of services will expand rapidly.

Digitalization

Forte is developing towards the digital and online services. Our goal is to create the most comfortable platform for a client with a wide personalized set of services.

Offering high-quality digital services is accompanied by deep innovative transformations within the Bank itself. Forte works to create a flexible IT infrastructure and introduce a culture of innovation.

In this area, in particular, we develop data collection and client analytics, which will allow making informed decisions and better responding to the client needs.

Quality

The Strategy puts an emphasis on improving quality and speed of the services provided, comfort, safety and reliability of the service for Forte clients. We work on a large-scale project for evolution of the service.

When introducing new services and making changes, Forte will focus primarily on the interests of clients and will continue to work on personalization of offers. We are ready to take into account feedback.

As part of this work, we also improve our personnel policy. We arrange the future, where we unlock human capacity, inspire professionals and effectively interact in teams to create value for clients.

Heritage

Drive to reduce the historical problem loan portfolio inherited from Alliance Bank JSC and Temirbank JSC will be continued. Our objectives: reduction of the Heritage portfolio, sale of non-core assets, closing of liabilities related to restructuring.

The Bank to improve quality of the loan portfolio will implement measures aimed at a systematic reduction in the level of non-performing loans.

KEY BUSINESS AREAS

ForteBank for retail segments

Mass market
- Simple products and fast service
- Network is concentrated in major population centersHigh level of automation and standardization
- Automated risk management (scoring)

Premium
- Personal Consultant
- Individual / flexible conditions
- Private banking partnership

Retail products:
- internet and mobile banking
- lending (secured/unsecured)
- card products
- salary projects
- deposits (term/type)
- money transfers
- ATMs and POS terminals

ForteBusiness

- Standardized and simple products
- State programs

ForteCorporate

- High level of service
- Focus on less capital-intensive and non-cyclical industries
- Focus on Cash management
- Targeting clients with salary projects for retail cross-sales

Corporate products:
- investment loans / working capital financing
- overdrafts
- deposits
- documentary operations
- state programs / export financing
- promissory notes/factoring
- treasury operations

ForteBank Heritage

- Restoring a historically problem loan portfolio / Foreclosure

SUBSIDIARIES

ForteFinance JSC 100%
is an investment company that provides a wide range of financial services to individuals and legal entities, including brokerage services and access to Kazakhstan and international trading platforms, management of individual and collective investment portfolios, consulting and analytical support in making investment decisions. The company was established in 2020.

ONE Technologies LLP 100%
is IT-company that creates innovative and advanced technological tools for business. 100% share was acquired by the Bank in April 2019.

ForteLeasing JSC 100%
is a dynamically developing leasing company operating in all regions of Kazakhstan.

OUSA-Alliance LLP 100% and OUSA-F LLP 100%
are companies engaged in the management of doubtful and bad assets.

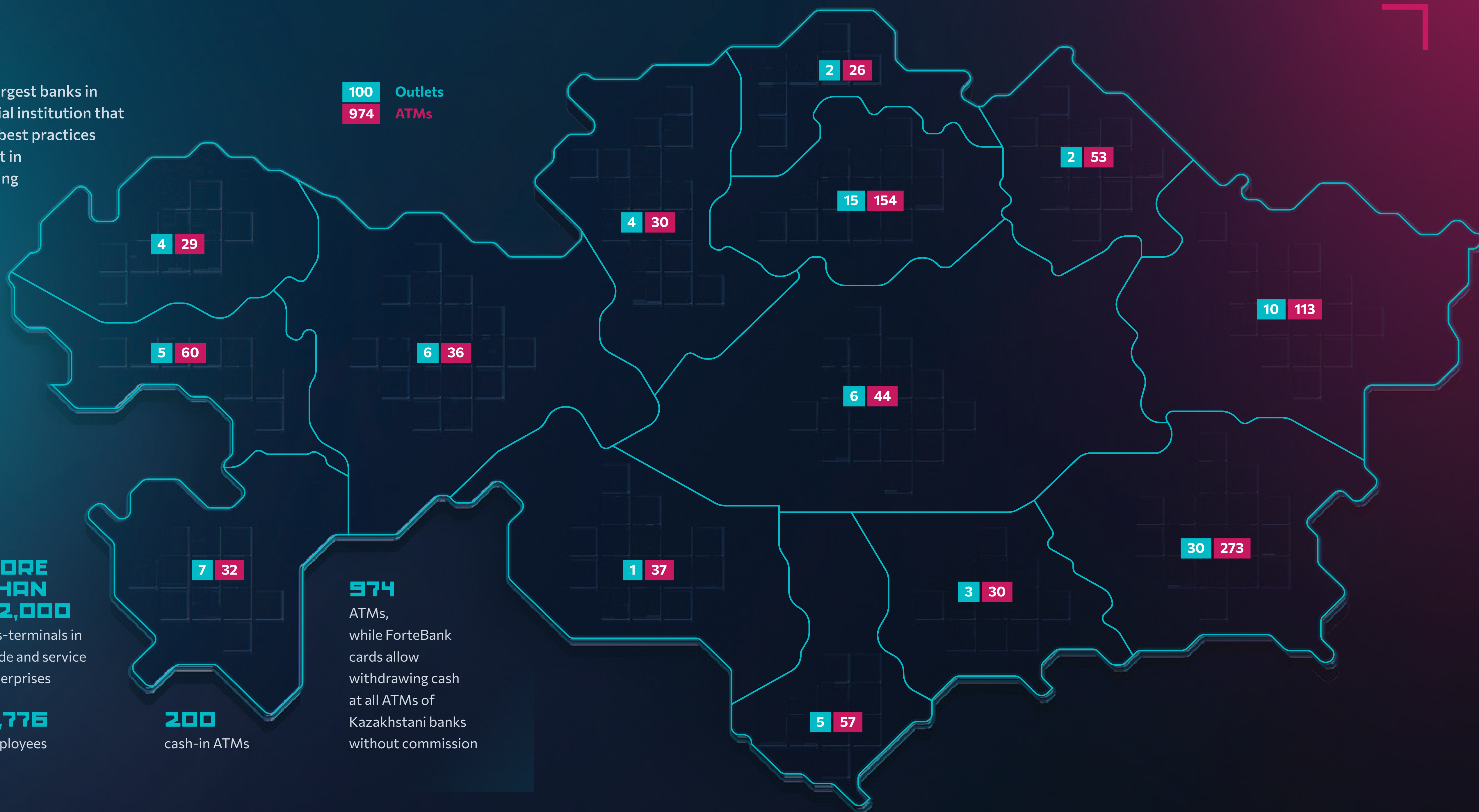
In addition, ForteBank owns 16.67% share in the Association of Financiers of Kazakhstan, 18.4% share in First Credit Bureau LLP, and is a minority shareholder of Kazakhstan Stock Exchange JSC and Central Securities Depository JSC.

Key Indicators of Subsidiaries as of December 31, 2020, billion tenge

	Assets	Capital	Net profit
ONE Technologies LLP	4.38	3.75	0.17
ForteLeasing JSC	7.11	4.07	0.57
ForteFinance JSC	3.55	3.55	0.05

SCOPE OF ACTIVITY

ForteBank JSC is one of the largest banks in Kazakhstan, a modern financial institution that combines both international best practices and experienced management in the development of the Banking sector in a highly competitive environment.



1,243,033
active clients

20
branches covering all regions of Kazakhstan

100
modern outlets in 37 cities and settlements

36
ForteBusiness offices serving SMEs and corporate businesses

MORE THAN 22,000
pos-terminals in trade and service enterprises

3,776
employees

200
cash-in ATMs

974
ATMs, while ForteBank cards allow withdrawing cash at all ATMs of Kazakhstani banks without commission

HISTORY

2015

- On January 1, 2015, as part of the reorganization of Alliance Bank JSC (currently ForteBank JSC), ABC Bank JSC (formerly Forte Bank JSC) and Temirbank JSC, transfer acts were signed, according to which all the property, as well as all the rights and obligations of ABC Bank JSC and Temirbank JSC were transferred to the Bank, resulting in a new modern bank that incorporated the strengths of each of the three banks.
- On February 10, 2015, Alliance Bank JSC was renamed to ForteBank JSC.
- May 2015 – the start of issuing a unique newgeneration card product – ForteCard.

2016

- Launch of a new generation Internet banking developed with the participation of one of the world's leading companies in this field – Monitise PLC.
- Opening of the first new format outlet, which concept was developed by the Italian company DINN.
- Completion of the reorganization procedure by joining ForteBank JSC, Temirbank JSC and ABC Bank JSC. Termination of the activities of ABC Bank JSC and Temirbank JSC in accordance with orders of the Ministry of Justice of the Republic of Kazakhstan dated December 5, 2016 No. 507 and No. 508.
- September 2016 – the Moody's rating agency raises the Bank's long-term deposit ratings in local and foreign currencies to B3 with a Stable outlook.
- October 2016 – ForteBank together with the Kulanshi Center for Contemporary Art opened a new gallery ForteBank Kulanshi Art Space in the Bank's Head Office.
- November 2016 – ForteBank executed agreement with the European Bank for Reconstruction and Development to provide ForteBank with a loan of US $ 60 million in tenge equivalent for lending to micro, small and medium-sized businesses and for financing women's entrepreneurship under the EBRD Women in Business program.

2017

- Launch of a new ForteBank mobile banking release with expanded functionality.
- Voluntary liquidation of the Bank's subsidiary in Moscow – Alliance Finance LLC.
- Presentation of new formats of high-tech outlets in Uralsk and Ust-Kamenogorsk.
- May 2017 – ForteBank paid dividends on its common shares for the first time based on the results of its operations in 2016. The total amount of accrued dividends amounted to 4.6 billion tenge.
- September 2017 – the ForteBank mobile app was recognized as a breakthrough of the year.
- September 2017 – ForteBank was recognized as a Transformer of the year – 2017 in the framework of the fifth international conference Kazakhstan Growth Forum K17.
- October 2017 – the international rating agency Moody's impoved ForteBank's outlook from Stable to Positive, confirming all the Bank's ratings, including the Bank's long-term deposit rating in local and foreign currencies at B3.
- November 2017 – ForteBank is recognized as the Bank of the Year in Kazakhstan by The Banker.

2018

- February 2018 – Guram Andronikashvili, who previously held a position of First Deputy Chairman of the Bank's Management Board, was appointed as Chairman of the Bank's Management Board.
- March 2018 the authoritative publishing house Global Finance recognized ForteBank as the Best Bank in Kazakhstan.
- July 2018 – the international rating agency Fitch assigned the Bank long-term and short-term ratings at the level of B with a Stable outlook.
- September 2018 – ForteBank issued bonds in the amount of 220 billion tenge, with a rate of interest 4% and a maturity in 2024.
- November 2018 – ForteBank won the nomination "Bank of the Year in Kazakhstan" for the second year in a row according to The Banker authoritative magazine.
- December 2018 – the Bank's Board of Directors decided to acquire 100% of the common shares of Bank Kassa Nova JSC.

2019

- January 2019 – opening of a branch in Turkestan.
- March 2019 – ForteBank was recognized as the Best Bank in Kazakhstan by Global Finance for the second year in a row.
- March 2019 – ForteBank became a member of the Asian Development Bank's program for Financing Sustainability of Small, Small and Medium Business.
- April 2019, the Bank received the status of a bank holding company and completed the acquisition of Kassa Nova Bank JSC and ONE Technologies LLP.
- May 2019, digital office opened at MEGA Silk Way trading mall in Nur-Sultan.

2019

- June 2019, the international rating agency S&P Global Ratings announced its decision to upgrade ForteBank's ratings from B to B+ with a Stable outlook.
- September 2019, ForteBank and Barys Hockey Club signed an agreement for partnership and cooperation for the 2019-2020 season.
- December 2019, the international rating agency Fitch upgraded its outlook from Stable to Positive and affirmed ForteBank's ratings at B.
- December 2019, ForteBank signed an agreement with the European Bank for Reconstruction and Development to provide the Baank with a loan of US $ 60 million in tenge equivalent for lending to micro, small and medium-sized businesses and for financing women's entrepreneurship under the EBRD Women in Business program.
- December 2019, ForteBank was recognized as the Best Domestic Bank in Kazakhstan by Asiamoney, which was a part of the Euromoney Institutional Investor PLC group.

2020

- March 2020 – ForteBank was recognized as the Best Bank in Kazakhstan by Global Finance for the third year in a row.
- ForteBank launched a new MIB 2.0 mobile app for individuals, created entirely by the Forte Group team.
- In summer 2020 ForteFinance JSC a subsidiary company was established –, which is engaged in brokerage and investment activities.
- In 2020 100% of the common shares of Bank Kassa Nova JSC were sold to the investment company Freedom Finance JSC.
- December 2020 – The Banker authoritative international publication awarded the Bank the "Best Bank in Kazakhstan" award for the third time.
- December 2020 – for the second year in a row, ForteBank was recognized as the Best Domestic Bank in Kazakhstan by Asiamoney, which is part of the Euromoney Institutional Investor PLC group.

№1

#change2020

FORTEBANK – BEST BANK

ForteBank became the best bank in Kazakhstan in 2020 according to the reputable print publishers Asiamoney and Global Finance, and was also recognized by The Banker magazine as the bank of the year in Kazakhstan

MANAGEMENT REPORT

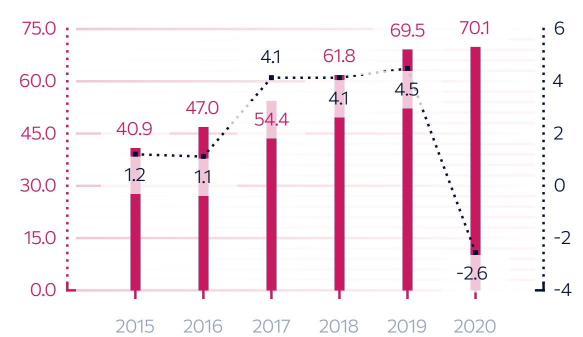
BUSINESS ENVIRONMENT OVERVIEW

Economy

Fighting against the COVID-19 coronavirus pandemic has become a serious challenge for the global economy in 2020. According to the World Bank, the global economy shrank by 4.3%. For Kazakhstan, among other things, this meant a decrease in demand for the main export goods.

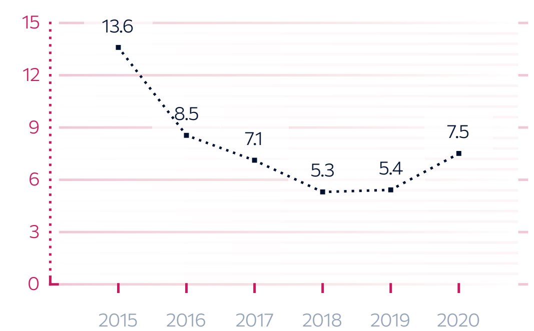
Kazakhstan has also taken measures aimed at reducing the spread of COVID-19 and protecting the population, including a state of emergency in the spring and since then quarantines and restrictions on the operation of businesses and public organizations have been in place in various regions of the country. Despite a fact that this work helped protect the population and probably saved many lives, the measures taken had a significant negative impact on the economy. We observed a decline in business activity in almost all industries, the financial situation of businesses deteriorated, and people were at risk of losing or reducing income. This situation also put pressure on the financial sector, including on the asset quality of commercial banks.

GDP dynamics



GDP, tln tenge
Rates of growth, % (right scale)

Inflation rate, %



Source: Bureau of National Statistics

ACCORDING TO THE BUREAU OF NATIONAL STATISTICS, KAZAKHSTAN'S GDP SHRANK BY 2.6% IN 2020 – THE FIRST DECLINE IN MORE THAN 20 YEARS.

First of all, the impact of quarantines was felt by the service sector, where the drop was 5.6%. The real sector of the economy showed limited growth of 2%.

Banking Sector

As of January 1, 2021, 26 banks operated in Kazakhstan, 15 banks with foreign participation among them, including 12 second-tier subsidiary banks, and 1 bank with 100% state participation.

According to the results of 2020, the Bank's assets increased by 16.4%, to 31.2 trillion tenge. The loan portfolio accounts for 47.6% of assets. The portfolio at the beginning of 2021 amounted to 15.8 trillion tenge, demonstrating an increase of 7.1% over the year.

The growth of loans to individuals remains a driver, although the growth rate has noticeably weakened. A volume of retail loans in 2020 increased by 12.6%, to 7.1 trillion tenge. In 2019, the growth was 26.8%. Share of retail loans in the total loan portfolio increased from 42.9% in 2019 to 45.1% in 2020. At the same time, consumer loans in 2020 increased by 4%, to 4.5 trillion tenge.

Loans to legal entities last year decreased by 6.5%, to 3.8 trillion tenge. As a result, their share in the loan portfolio decreased to 24.3%.

At the same time, SME loans increased by 7.2%, to 4.2 trillion tenge. At the end of the year, they account for 26.9% of the Banks' loan portfolio.

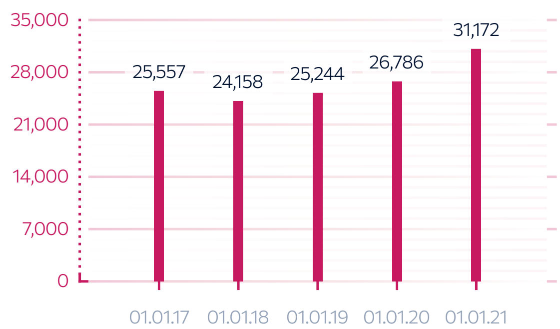
Banks managed to contain the growth of non-performing loans in 2020. NPL – non-performing loans (with overdue debt over 90 days) amounted to 1 trillion tenge at the end of 2020, or 6.8% of the loan portfolio. At the beginning of 2020 – 1.2 trillion tenge, or 8.1% of the loan portfolio.

Last year, the Banks' liabilities amounted to 27.2 trillion tenge, an increase of 17.5% over the year.

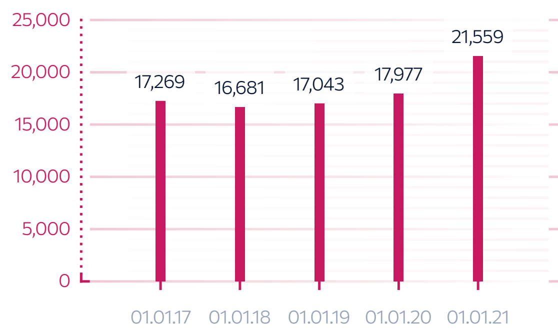
CLIENT DEPOSITS ACCOUNTED FOR 79.2% OF TOTAL LIABILITIES. OVER THE YEAR, THEY INCREASED BY 19.9%, TO 21.6 TRILLION TENGE. AT THE SAME TIME, THE DEPOSITS OF LEGAL ENTITIES INCREASED BY 22.5%, AND INDIVIDUALS – BY 17.5%.

Income of the Banking sector amounted to 726.1 billion tenge, having decreased by almost 10% by 2019. ROA declined from 3.7% in 2019 to 2.3% in 2020. ROE at the end of the year was 17.6% compared to 29.4% in 2019.

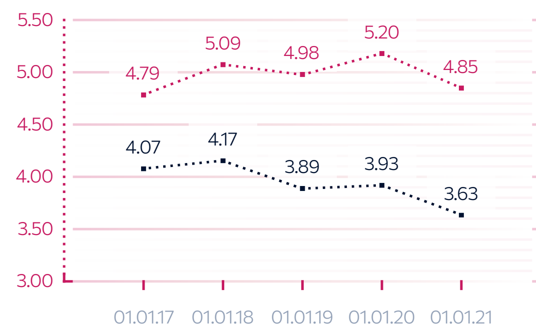
STB assets, billion tenge



Client contributions, billion tenge



Profitability of the Banking sector in Kazakhstan

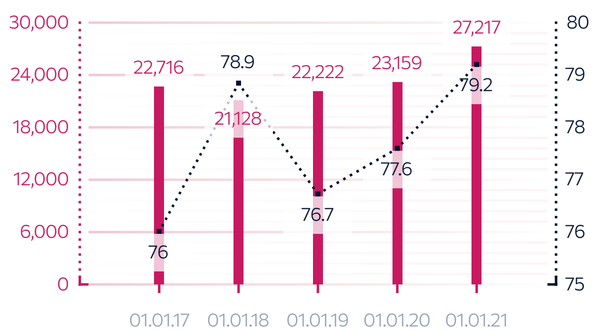


Net interest margin, %

Net interest spread, %

Source: Agency of the Republic of Kazakhstan for Financial Market Regulation and Development

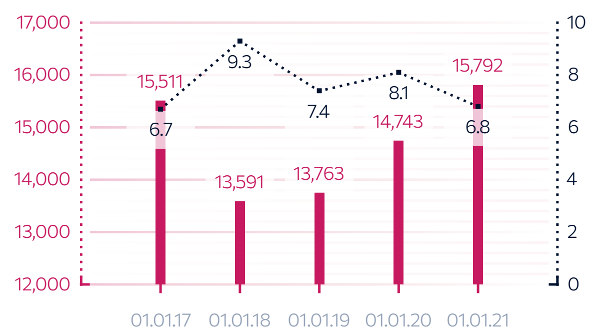
Dynamics of STB liabilities



STB liabilities, billion tenge

Share of client contributions to liabilities, % (right scale)

Dynamics of the STB loan portfolio



Loan portfolio, billion tenge

Overdue loans over 90 days, % (right scale)

10 Largest Banks by Assets at the end of 2020

Name	Assets, billion tenge	Share
Halyk Bank of Kazakhstan JSC	9,972	32%
SB Sberbank JSC	3,167	10%
KASPI BANK JSC	2,809	9%
ForteBank JSC	**2,160**	**7%**
Bank CenterCredit JSC	1,849	6%
Otbasy Bank JSC	1,708	5%
Jysan Bank JSC	1,652	5%
Eurasian Bank JSC	1,218	4%
ATFBank JSC	1,175	4%
Bank RBK JSC	996	3%

Source: Agency of the Republic of Kazakhstan for Market Regulation and Development, Forte calculations

BUSINESS SEGMENTS

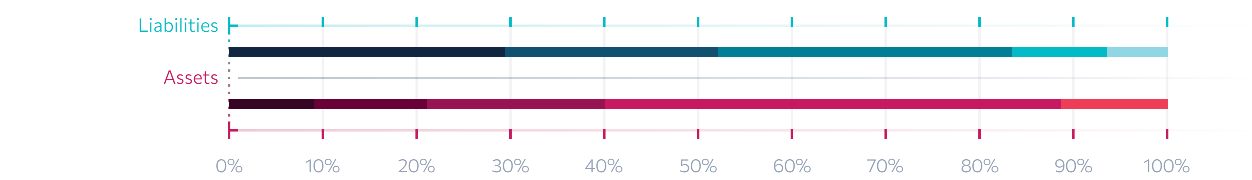
ForteBank strives to ensure sustainable and balanced development across all business lines, diversifying its assets, client base, products, and revenue structure. Such comprehensive development yielded results in a difficult 2020, when moderate dynamics in some areas were offset by good results in others.

THE BANK IDENTIFIES FIVE SEGMENTS, INCLUDING VARIOUS TYPES OF PRODUCTS AND SERVICES IN THE BANKING SECTOR AND NOT ONLY, AIMED AT DIFFERENT CATEGORIES OF CLIENTS.

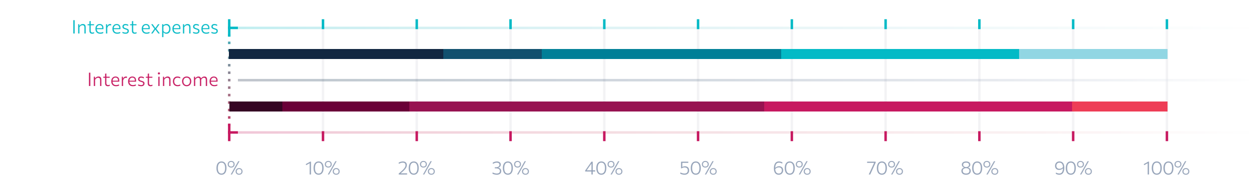
Key business segments:

- retail business (RB) – lending, deposit sourcing, settlement and cash services, exchange operations and other operations with retail clients (individuals);
- corporate business (CB) – lending, deposit sourcing, settlement and cash services, guarantee operations and other operations with corporate clients (legal entities, state-owned enterprises);
- small and medium-sized enterprises (SMEs) – lending, deposit sourcing, settlement and cash services, operations on guarantees and other operations with legal entities – clients of small and medium-sized enterprises;
- investments – transactions with securities, use of derivative financial instruments and transactions with foreign currencies. The segment, in particular, includes repo operations, raising funds from banks and financial institutions, issuing bonds, and subordinated debt;
- other – transactions with debtors/creditors for non-core activities, fixed assets, amounts in transit accounts and other transactions that are not related to the activities of segments/business lines.

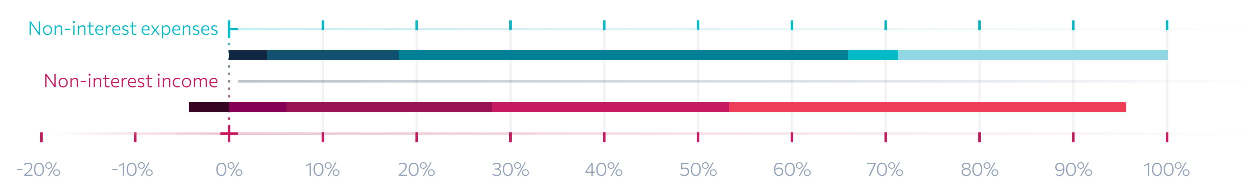
Balance sheet structure by segment



Interest income and expense structure



Non-interest income and expense structure



CB SME RB Invest. Other

Retail business remains one of the largest business segments. At the end of 2020, it accounts for 19% of assets and 31% of liabilities. The segment generates 38% of interest income and 28% of non-interest income. However, in particular the retail business that suffered the most during the pandemic last year. A slight decrease in revenue compared to 2019 and outstripping expenses led to a noticeable decrease in net profit, which at the end of 2020 amounted to 8.7 billion tenge against 26.2 billion tenge in 2019.

SMALL AND MEDIUM-SIZED ENTERPRISES LAST YEAR BECAME ONE OF THE MAIN DRIVERS OF NET PROFIT GROWTH. THE SHARE OF SMES IN INTEREST INCOME WAS 13%, AND IN NON-INTEREST INCOME 24%. THE SEGMENT'S NET PROFIT FOR THE YEAR REACHED 20.1 BILLION TENGE (19.5 BILLION TENGE IN 2019).

Despite the restrained dynamics of lending, the segment showed good growth in non-interest income, provided by the Bank's new products and services for this category of clients.

Corporate business accounts for 9% of assets (SMEs – 12%), its share in liabilities was 29% (SMEs – 23%). The segment is only 6% represented in interest income and occupies 7% in non-interest income, but it is featured by high profitability. Net profit for corporate business in 2020 was 9 billion tenge against 5 billion tenge in 2019. It was caused by the dynamics of lending in this segment suffered the least during the crisis trends in the economy last year.

Investment activity remains the largest segment in assets – 49% at the end of 2020; net profit for 2020 – at the level of 23 billion tenge.

Retail Segment

In 2020, the financial sector of Kazakhstan developed under the influence of two factors: a decline in price of oil and business activity of the population as a result of the restrictive measures imposed on operation of all organizations because of the coronavirus pandemic. At the same time, probably this situation affected the retail segment the most.

ForteBank approached the beginning of the pandemic with a large capital reserve, which was confirmed during the independent asset quality review (AQR) in 2019. As a result of the economic crisis in 2020, decline in the solvency of borrowers led to a deterioration in quality of the loan portfolio, but available capital reserve was sufficient to absorb additional losses associated with external negative factors.

Since the country declared a state of emergency in March 2020, ForteBank expressed its readiness to support its clients whose financial situation deteriorated due to the quarantine restrictions. For safety of its clients, the Bank also remotely accepted the requests for deferred loans through a mobile application.

For entire period of the state of emergency, the Bank received around 43 thousand requests for deferral on payments of bank loans to individuals. About 39 thousand borrowers received approval for suspension of payments. Of these, 8,700 clients are representatives of socially vulnerable population, to whom the loan deferral was granted automatically with their consent. Main share of clients who received a deferred loan service lives in Almaty (23%) and Nur-Sultan (14%).

Decline in capacity of borrowers restrained the demand for loans, as a result of which the loan portfolio in the retail segment in 2020 decreased by 11%, or by 50 billion tenge, to 419.8 billion tenge (+19% in 2019). But there were also one-off factors. The main decrease was loans secured by collateral (by 25%).

At the end of the year, the largest share in the retail loan portfolio – 48% – was represented by consumer loans, which increased by 6% in 2020, or by 10.5 billion tenge. Acquisition of KassaNova's loan portfolio allowed the Bank to rise to the 6th place in terms of loans to individuals in Kazakhstan (+1 position since the beginning of the year).

Deterioration of the financial condition of the population due to pandemic had a negative impact on the deposit portfolio: the volume of deposits of retail clients and current accounts at the end of the year amounted to 540.6 billion tenge, having decreased by 10%. Due to the fact that the Bank does not experience a lack of liquidity, the deposit rates remain at a relatively low level against the background of higher rates in other STBs. However, the Bank maintains its position in the market and still ranks 6th in terms of volume of the deposit portfolio of individuals among the Kazakhstan STBs. The Bank's reliability and convenience of additional new services ensure the attractiveness of Forte for customers.

Net interest income in the retail segment increased up to 41.8 billion tenge (by 2%) through a reduction in interest expenses due to a decrease in the volume of attracting deposits from the population. Net non-interest income increased by 38% to 18.7 billion tenge, mainly as a result of the acquisition of the KassaNova portfolio. Development of the card business remains positive. Number of issued cards increased by 19%, to 1.3 million cards.

NUMBER OF RETAIL CLIENTS OF THE BANK REMAINS AT ABOVE 1 MILLION PEOPLE. 49% OF CLIENTS ARE LOCATED IN 4 MAJOR CITIES: ALMATY, NUR-SULTAN, SHYMKENT AND UST-KAMENOGORSK. AT THE SAME TIME, MORE THAN HALF OF THE BANK'S CUSTOMERS ARE UNDER THE AGE OF 40. THE ANALYSIS SHOWS THAT THIS CATEGORY OF CLIENTS SHOWS GREAT INTEREST IN MOBILE BANKING AND DIGITAL SERVICES, WHICH ARE ACTIVELY DEVELOPING IN THE BANK, MAKING ITS OFFERS RELEVANT AND IN DEMAND.

Segment Development

In context of the pandemic, when the Bank faced restrictions on the work of outlets due to quarantine measures, it become acute the issue of increasing availability of banking services, related with the development of remote services and introduction of new digital technologies. This also was in line with the Bank's strategic priorities.

In 2020, Forte introduced and launched new mobile application for individuals. As a result, a design of application interface was completely updated, the payment and transfer tools were optimized and adapted to the client's wishes.

THE ACTIVE DEVELOPMENT OF THE SERVICE FOR DELIVERY OF BANKING PRODUCTS TO CUSTOMERS' HOME SHOULD BE SPECIALLY NOTED. IN 2020, ABOUT 42 THOUSAND PRODUCTS OF THE BANK WERE DELIVERED TO CLIENTS.

FORTEFOREX SERVICE WAS IMPLEMENTED IN NEW MOBILE APPLICATION, WHICH MAKES IT POSSIBLE TO CONDUCT CURRENCY EXCHANGE OPERATIONS BETWEEN CLIENTS BY SETTING THEIR OWN EXCHANGE RATE. THIS SERVICE ALLOWS USERS TO AVOID VISITING CURRENCY EXCHANGE OFFICES AND COMMISSION COSTS. IN ADDITION, THE TRANSACTION RATE IS OFTEN MORE PROFITABLE THAN IN EXCHANGE OFFICES, AND CLOSE TO THE EXCHANGE RATE. THE NEW SERVICE IS RAPIDLY GAINING POPULARITY AMONG CLIENTS.

New mobile app expands the capabilities of the Forte digital banking ecosystem for a client, making working with the Bank easier, faster and more convenient. Now, without leaving home and without visitingan outlet, it's possible to open new accounts, deposits and manage them. Also in the application, "Golden Crown" the service for sending instant money transfers was implemented.

In 2020, we observed tremendous growth in the popularity of our marketplace – ForteMarket. The platform's attendance increased 8-fold. The marketplace client base was increased to 130 thousand customers, and a range exceeded 100 thousand products. As part of further development of the service, among other things, a new online credit process was implemented with the 2-minute processing of credit applications.

In the card business, products and processes for convenience of a client were also improved. In particular, instant issue of cards for salary customers was introduced; the issue of social cards for benefits and social payments was started.

In 2020, CJM research was conducted among ForteBank clients and cardholders of other banks. Based on the results obtained, a concept of a new product line was developed and approved, including a unique HOOK debit and credit card product, which is scheduled to be launched in the first half of 2021.

AN EXCLUSIVE PRODUCT LAUNCHED IN 2020 IS MOBILE SERVICE – FORTEMOBILE, DEVELOPED JOINTLY WITH BEELINE KAZAKHSTAN. THE PRODUCT GIVES SUBSCRIBERS AN OPPORTUNITY TO MAKE CALLS AND USE THE INTERNET ON FAVORABLE TERMS NOT ONLY IN KAZAKHSTAN, BUT ALSO IN ROAMING. AT THE END OF THE YEAR, A NUMBER OF ACTIVE FORTEMOBILE SUBSCRIBERS EXCEEDED 15 THOUSAND PEOPLE.

In 2020, quite active work was carried out on developing a team and sales channels that would correspond to the trends in the Banking sector:

- implementation of Lean tools in sales management (whiteboards and daily stand-up);
- regular micromarketing campaign "Forte Days";
- universalization of sales roles in outlets;
- implementation of the feedback as a tool for personnel development in sales channels;
- training sessions and motivational championships among employees of outlets.

This work is part of the strategic direction to develop quality of service and create the most positive client experience.

The Campaign Management project, which continued its active development in 2020, significantly helps in building up client knowledge and using it to anticipate customer expectations. Full use of this solution is planned after the migration of Campaign Management to the new DataLake data warehouse in 2021.

In 2020, the Bank set a course for development of the Solo segment. Since the Solo segment is represented by high-status retail clients who are highly demanding and intolerant of service errors, ForteBank must constantly meet their needs through service, technology, and flexible products. Therefore, in 2020, work was actively carried out to identify products and services for Solo clients that will help in the future to extend the client base of the segment.

Future Prospects

The key strategic goals of the retail segment development are:

- growth of the active clients base to 2 million by entering the market with a HOOK product;
- building the digital on-boarding process and the general digital client path;
- NPS growth – 60%;
- growth in lending and income (7.5% CAGR).

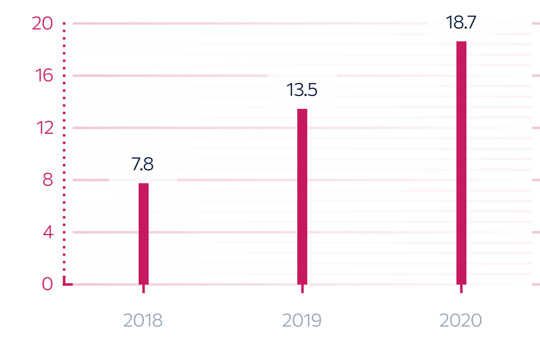
To achieve these goals, many projects and initiatives are planned for 2021, the most priority are:

- launching new products;
- improving client service;
- process automation and digital technology development;
- UX/UI Re-Design in ForteApp;
- optimization of the outlet network, equipment and team development.

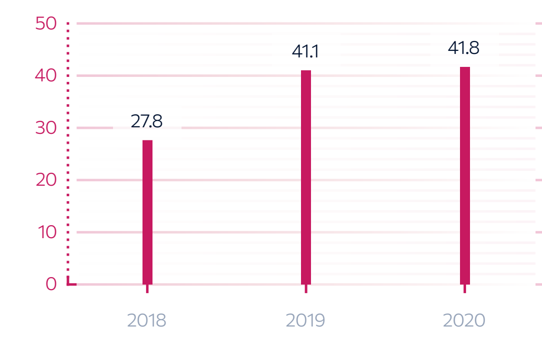
IMPLEMENTING ALL THESE PROJECTS AND INITIATIVES IS AIMED TO MAKE FORTEBANK THE MOST FAVORABLE BANK FOR A CLIENT.

Development of the product line, introduction of new solutions and adaptation of the conditions for existing products to the current market requirements, as well as improving quality of service – all this should allow the Bank to increase a number of clients in the future.

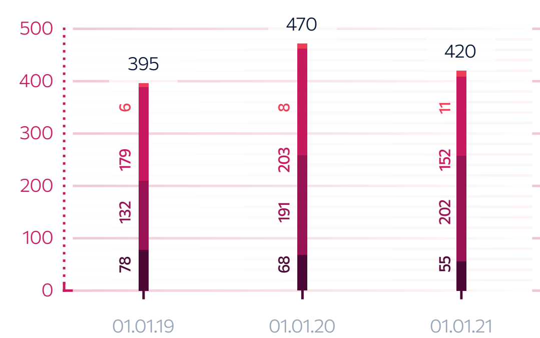
Non-interest income, billion tenge



Net interest income, billion tenge

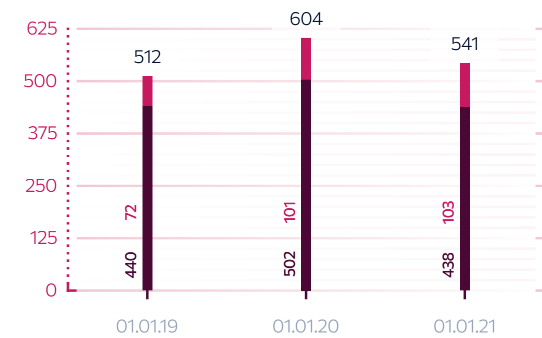


Retail loan portfolio, billion tenge



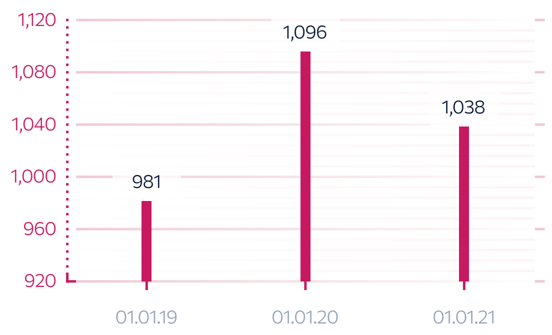
- Credit cards and car loans
- Other collateralize loans
- Consumer loans
- Mortgage loans

Retail accounts and deposits, billion tenge

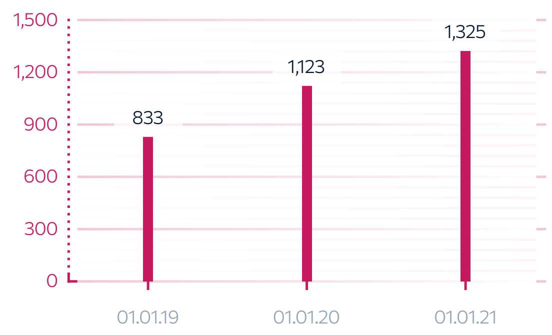


- Current accounts
- Deposits

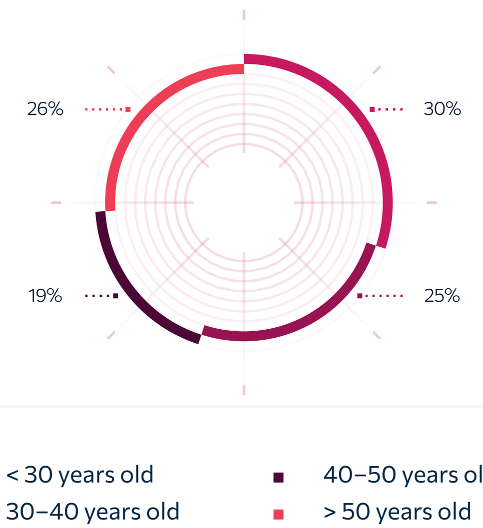
Number of retail clients, thousand



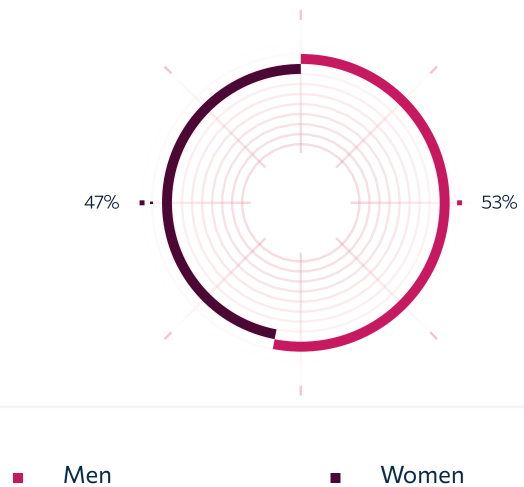
Number of issued cards, thousand



Structure of retail clients by age group



Gender structure of retail clients



Business Segment

In 2020, legal entities – the Bank's clients were under strong pressure during the quarantine measures in the country to combat the COVID-19 pandemic. There was a decline in business activity in almost all sectors of the economy, so the Bank's growth indicators for the business segment were more subdued than expected.

A NUMBER OF ACTIVE CLIENTS – LEGAL ENTITIES IN 2020 INCREASED BY 7%, TO 58.5 THOUSAND (IN 2019, THE GROWTH WAS 16%).

Net interest income for business segment in 2020 increased by 45% (or by 9.9 billion tenge), to 32 billion tenge. The largest contribution to this growth was made by Corporate business – 6.5 billion tenge, the increase in net interest income was 137%. For SMEs, such income increased by 3.3 billion tenge (by 19%). The increase is ensured by expansion of the loan portfolio.

Non-interest income for business segment in 2020 increased by 13%, to 20.8 billion tenge. In the SME segment, growth was 16.8% and non-interest income reached 16.4 billion tenge, which was the result of development and growing demand for new services provided for small and medium-sized enterprises. In the corporate business, non-interest income increased by 2% last year, to 4.4 billion tenge. The growth rate slowed down compared to 2019 (when it was 55%) due to the limited activity of corporate business customers during the pandemic.

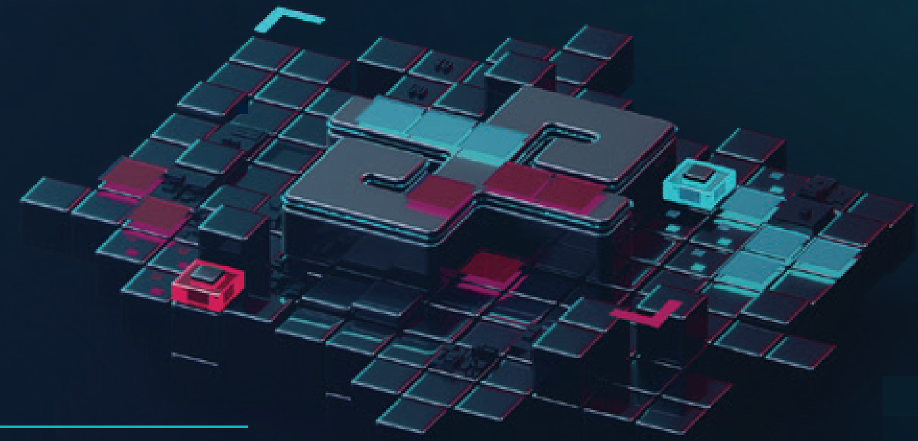
The loan portfolio of legal entities in 2020 increased by 6% and amounted to 353.2 billion tenge. The growth dynamics remained at the level of 2019. The Bank adheres to the strategy of sustainable progressive growth of the business scale. However, if a year earlier, the SME was the main driver of the loan portfolio growth, the growth in 2020 is primarily due to Corporate business. The loan portfolio for Corporate business in 2020 increased by 13%, to 143.9 billion tenge. Its share in total portfolio of legal entities increased from 38% to 41%. The loan portfolio of SMEs in 2020 increased by 1%, to 209.3 billion tenge. Limited growth of the loan portfolio is due, among other things, to the need to form additional provisions during economic decline.

To a large extent, in the past year, the Bank was focused not so much on new clients capture, but on supporting existing ones. ForteBank, in particular, supported the government's initiative to provide loan deferrals for small and medium-sized enterprises during the pandemic and quarantine period. About 50% of the Bank's borrowers in the SME segment received deferred payments in 2020.

ForteBank continues to cooperate with international and Kazakhstani financial institutions, participating in financing programs for small and medium-sized enterprises. Thus, under the program of the European Bank for Reconstruction and Development, 105 SME clients were financed in the amount of 10.2 billion tenge, and under the Program of preferential lending to business entities affected by the state of emergency, 154 clients were financed in the amount of 24.3 billion tenge through the Kazakhstan Sustainability Fund JSC.

The growth in volume of accounts and deposits of legal entities in 2020 amounted to 16%, to 838.3 billion tenge. At the same time, there is no significant growth in the deposit portfolio in the market as a whole. Clients gradually moved to ForteBank, seeing its reliability and attractive product line, which became especially important for them in face of difficult economic situation and negative experiences of other banks. For SMEs, increase was 7% and volume reached 313.2 billion tenge. Corporate business accounts and deposits increased by 22%, to 525.1 billion tenge. Share of Corporate business in the total volume of accounts of legal entities was 63% at the end of the year. Growth of the deposit portfolio is explained by the limits set on placement of free liquidity by the largest Kazakh holdings in the Bank. This became possible by improvement of the Bank's ratings and its stable financial condition.

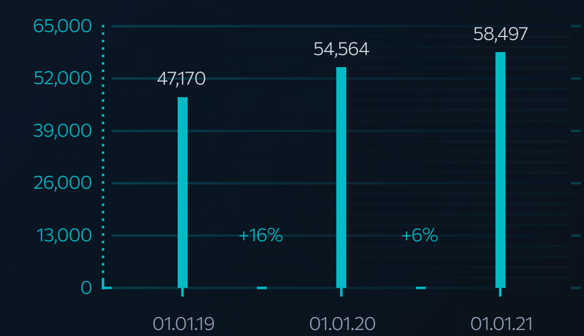
IN 2020, A REMOTE BUSINESS CENTER FOR LEGAL ENTITIES WAS LAUNCHED, SO ENTREPRENEURS CAN RECEIVE SERVICES ONLINE.



Good results are also influenced by efforts to improve quality of client service and convenience of the services provided. In 2020, for example, a remote business center for legal entities was launched – a contact center that allows entrepreneurs to receive basic banking services without visiting a Bank outlets. We have also launched remote account opening for legal entities, which has had a positive impact on the growth in the number of clients. During the pandemic, a capacityto deposit accounts and make withdrawals via ATMs was launched for representatives of SMEs to reduce the need to visit outlets – this allowed to decrease burden on outletss in conditions of restrictive guidelines in their work, which also pleased our clients, so this opportunity will be continued in the future.

During the year, much emphasis was placed on digitalization of the Bank's internal processes, which allowed, in particular, to speed up the work process both in considering loan applications and working with non-credit products. This also enabled the Bank's employees to ensure effective work during the quarantine measures in the country. Even in the remote format, all credit committees, for example, continued to operate as per normal.

Number of active clients



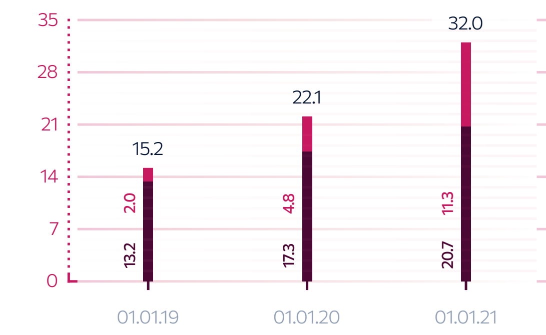
At the beginning of 2020, a service evolution project was launched in the Bank's outlets, and training sessions were held for front office employees. This allows to improve the quality of service in outlets across the country.

The strategy for further development of the business segment will continue to focus on digitalization and development of remote services. We want to make sure that the maximum of the Bank's services are available remotely and do not require clients to visit the outlets. We see that now the most important issue for clients is convenience and speed. This also affects the dynamics of their business. In our opinion the digital direction of developmentwill allow to meet all client needs.

In 2021, we plan to launch remote lending for SMEs – when both an application and a loan decision are made in online format with maximum automation and usage of scoring systems. This will significantly increase efficiency of credit processes, which is especially important for dynamic business of entrepreneurs.

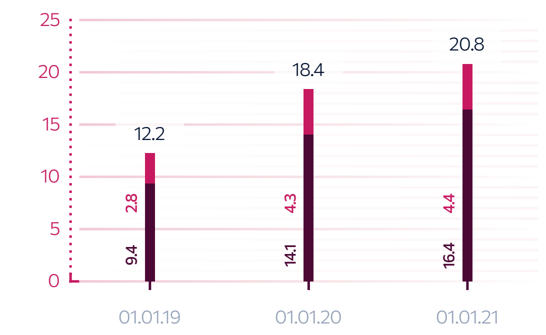
In addition, development of internet banking will continue. In the near future, we plan to add about 40 new feature settings for legal entities. Also in 2021, we plan to launch a mobile banking application for legal entities, which will significantly increase the usability of banking services.

Net interest income, billion tenge



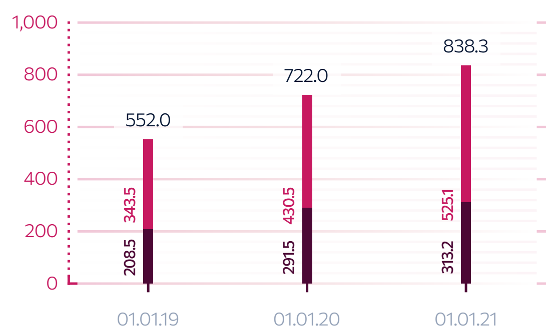
- Corporate business
- SMEs

Non-interest income, billion tenge



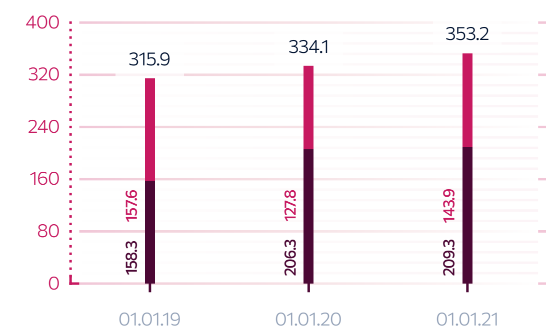
- Corporate business
- SMEs

Accounts and deposits, billion tenge



- Corporate business
- SMEs

Loan portfolio, billion tenge



- Corporate business
- SMEs

We will provide access to acquiring via mobile phones. Currently, it is only available through POS terminals installed at points of sale, but not all entrepreneurs can use such a terminal for various reasons, including financial ones.

EXPECTED LAUNCH OF THE CRM SYSTEM FOR LEGAL ENTITIES IN THE NEAR FUTURE WILL ALLOW US TO MAKE MORE DETAILED ANALYSIS OF CLIENT NEEDS AND CREATE MORE PROFITABLE AND CONVENIENT OFFER FOR THEM, INCLUDING MORE TARGETED ONE. THIS WILL ALSO ALLOW TRACKING PERFORMANCE OF THE BANK'S MANAGERS.

Development of Digital Services

Development of digital products for clients is Forte's strategic priority. We work on creating a unique digital platform for Kazakhstan, offering clients a wide range of both financial and non-financial services that cover their daily needs.

At the same time, in order to develop this direction, it is also necessary to transform the Bank's business processes, which includes changing the IT infrastructure, evolution of working methods of employees and creating a new business culture in general. Along with the solutions that we present to our clients, there is a fundamental transformation within the Bank.

In 2020, new Anthill IT infrastructure was launched. A state-of-the-art integration platform based on microservice architecture accelerates technical integration processes. New solution allows the Bank to work faster with innovations and adapt to changes.

In response to the new IT infrastructure, the acceleration of exchange of requests between systems in 2020 increased by 1.5 times. System downtime was reduced. It was possible to achieve a reduction in the cost of third-party software licenses. The speed of service development increased. Now the Bank can release new solutions every 2 weeks.

We also ensure the continuous upgrowth of the development team, without the effective work of which Forte's innovative activities would have been impossible.

The cultural values of development are being introduced, Agile approaches to project management are being applied throughout the Bank, ongoing research is being carried out, and knowledge is being shared.

FURTHER ON WE WILL CONTINUE TO FOCUS ON INCREASING THE NUMBER AND QUALITY OF SERVICES WHILE MAINTAINING A RAPIDITY IN THEIR IMPLEMENTATION.

#change2020

DIGITAL FORTE BANK

The bank has intensified its digitalization processes. We have completely updated the MIB application and launched two new unique products: mobile communications – ForteMobile and currency exchange platform – ForteForex

Forte Mobile App

In 2020, the updated Forte mobile app for retail clients was launched. The mobile app concept has completely changed: new products and services of the digital ecosystem have appeared, the design has been reworked, and the usual payment and transfer services have been improved. The Bank's mobile app becomes the start platform for the entire Forte digital ecosystem.

At the same time, new application was entirely created by the Bank's developers. This allows saving resources on attracting external specialists, as well as allows creating unique solutions that take into account the specifics of Forte and the wishes of its clients, and also accelerating the innovation process.

ForteMarket

The marketplace, which unites buyers, sellers and manufacturers on one platform, shows strong growth for the second year in a row. During the quarantine period in the country, the platform was in high demand.

During the pandemic, sales commissions for all sellers of the marketplace were reset to zero in order to support small and medium-sized enterprises. A new section on website with products of Kazakhstani manufacturers "Made in Kazakhstan!" was also launched.

As part of the further development of the platform, a new online credit process was implemented with the 2-minute processing of credit applications.

> The platform attracted **more than 400 new sellers** in 2020. Range of the marketplace exceeded **100 thousand products.** Attendance of ForteMarket in 2020 increased by 8 times. Site traffic is **420,000 visits per month.**

ForteForex

ForteForex allows clients to perform currency exchange operations among themselves at the exchange rate set by them. The service instantly gained fans not only because of the convenience, but also because the course is often the most profitable here.

The service frees people from wasting time and effort searching for exchange offices. In addition, the Bank's clients get rid of intermediaries, "spreads" and other unnecessary expenses.

> The volume of operations for 2020 (from May to December 2020) is **27.09 billion tenge.** The average number of clients per day is **90.**

ForteKassa

Launched in 2019, the ForteKassa product continues its dynamic development. ForteKassa is a device that automates any point of sale, monitoring cash movements, changes in a warehouse and analyzing in your personal account. A universal solution that combines a cash register, a receipt printer and a POS terminal became an indispensable assistant for sellers. Last year, it was supplemented with such new features as mixed payment, discounts in the cash area and receiving goods through a mobile app.

The Bank also released a smaller version as ForteKassa smart terminal, which has the same functionality, but a smaller size – this will be convenient for those entrepreneurs who must often be on the road.

In addition, Forte offered Tap on Phone technology for those companies that are unprofitable to purchase POS terminals. The solution turns a smartphone into a device for accepting contactless payments via NFC.

> Turnover at the terminals in 2020 is **2,227 billion tenge.** The portfolio of merchants in 2020 is **415.**

ForteMobile

Last year, we introduced ForteMobile mobile communication, which is based on linking payment cards to a SIM card. The product was created as result of the Bank's partnership with the Beeline Kazakhstan mobile operator.

The tariffs include a large number of free outgoing minutes, the volume of Internet traffic, as well as unlimited traffic to social networks, messengers, access to all sites in the ".kz" zone, and other services. An additional advantage of new tariffs is free and unlimited calls between ForteMobile and Beeline Kazakhstan subscribers.

Bank tariffs guarantee users a sufficient conversation time and a solid Internet package necessary for doing business. The use of banking products at the same time gives additional bonuses. For example, if a holder of a ForteBank payment card makes purchases for more than 100,000 tenge, then his subscription fee for using mobile communication is automatically reset. The Bank offers a limited collection of kits consisting of a ForteMobile SIM card and a ForteBank payment card.

ForteBusiness

In 2020, mobile Internet banking was developed to serve legal entities. The system performance was improved and the application was stabilized. The speed of both applications for the client and for the administrator was increased. Successful load testing was performed.

During the pandemic, SMEs had an opportunity to top up accounts and make withdrawals through ATMs to reduce the need to visit outlets. Our clients liked it so much that this feature will work in the future.

During the year, much emphasis was placed on digitalization of the Bank's internal processes, which allowed, in particular, to speed up the work process both when considering loan applications and when working with non-credit products.

ForteID

In 2020, we implemented a public digital complex for interaction of Forte ecosystems. This is an online client verification system, that has become an important step in the development of remote solutions. Last year, ForteID was connected to all key services.

More than 400 thousand successfully registered clients. **More than 80,000** authorizations per day.

ForteFood

In 2020, the ForteFood pilot service was introduced – it is a service for delivery of food from supermarkets and neighbourhood stores. This, on the one hand, expands a list of available options, stores and products for a client, on the other – allows supporting neighbourhood stores. At the same time, the Forte ecosystem already includes a number of elements necessary for successful operation of the service, such as ForteKassa software for small retail outlets and ForteLogistics couriers.

TalkIn

In 2020, work continued on development of the TalkIn chat bot, a virtual assistant for banking client service. The new solution makes it possible to automate the processing of client requests, and also reduces load on the contact center and front office divisions.

Last year, quality of interaction processes and speed of service were improved. Omnichannel service is provided in the Forte app and on the Bank's website. Consultations via the Telegram messenger and etc., were introduced. It is possible to switch a dialog to an operator and receive state services.

As a result, a 24-hour self-service channel was created, guiding a client through all the services of the Forte ecosystem.

ForteKey

Last year, a financial keyboard was introduced for making quick payments in messengers and social networks. New solution helps ensure the transition to LifeStyle banking – It gives access to online banking services from any social application. This is an extension of the Forte app's service channels, which is becoming particularly popular among millennials.

This is the first Kazakhstan user-friendly keyboard with support of Kazakh, Russian and English layouts. Fast transfers, payments and viewing account balances have become available in instant messengers and social networks.

ForteTravelQaz

Online purchase of tours, including in installments and on credit, in the mobile app is successfully developing. ForteTravelQaz offers a convenient and fast search for tours. Online purchase of a tour is possible without visits to a travel agent and at a convenient time for a user. Only reliable tour operators are included.

Here you can get package tours, buy air and railway tickets, rent a car or book a hotel. At the same time, during the limited external air travel, Kazakhstan's tourist operators switched to the active development of domestic tourism offers.

Forte.kz

Forte.kz is the core site of the Forte ecosystem. All the Bank's products, including financial and non-financial solutions, are available here. Last year, we continued to work on updating the product design, improving the ease of site navigation, and improving the UX. The integration of applications from website into the Bank's internal processes, as well as the rapid development of new pages, was implemented.

ForteLogistics

In 2020, we worked on development of the logistics company's business process management system. We develop targeted delivery of banking products with remote verification. This solution can be offered both to third-party companies and to optimize the costs of the Forte ecosystem for delivery services.

Currently, we have a ready-made solution for delivery of banking and telecom products. The product is unique; courier delivery with the remote verification has not yet been presented on the Kazakhstan banking market.

More than 50,000 deliveries in 2020. The partner portfolio was increased **by 8 times.**

ForteE-com

ForteE-com is a service for easy connection of a merchant to the Bank's Internet acquiring service for accepting payments via payment cards.

In 2020, it was possible to reduce time of connecting the client's website to the Bank's acquiring from 16 hours to 1 hour, as well as to reduce time of the acquiring manager when connecting the client. Tools for fast integration of the payment widget on CMS sites are provided.

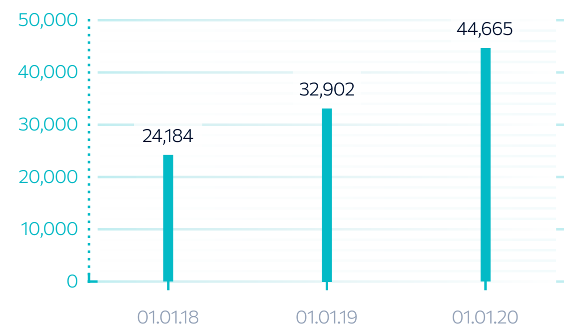
ForteSpace

The Bank continues to work on the business process automation system through a Single Window. This is an important tool for improving the efficiency of ecosystem workers.

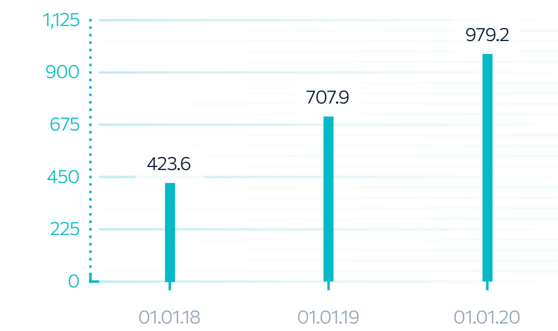
In 2020, a universal flexible tool for creating new business processes was developed. More than 60 business processes were put into commercial operation. As part of the automated business processes, 176 thousand applications were opened.

Data storage architecture was adjusted. Integrated teams and internal team processes were formed.

Number of mobile banking users, legal entities



Number of mobile banking users, individuals, thousands



Problem Loans Recovery

Forte had a historical problem loan portfolio, inherited from Alliance Bank JSC and Temirbank JSC, so the reduction of problem loans is one of the strategic directions of the Bank, and in recent years this task has been largely managed.

Problem loans of legal entities and individuals of ForteBank are collected by the Bank divisions responsible for recovery of problem debts, coordination and control over the work of the supervised divisions of the Bank's branches, coordination and monitoring of the collection companies, bailiffs related to collection of problem loans.

Since the most challenging problem loans inherited have already passed a stage of legal proceedings, the Bank is focused on execution of court decisions, acceptance on the balance sheet of borrowers' property and its disposals.

Basic principles and objectives when working with the Bank's problem portfolio:

- improving quality of the Bank's loan portfolio;
- maximum recovery with minimal costs;
- efficiency, promptness, timeliness of the activities carried out;
- ensuring the level of non-performing loans with a delinquency period of more than 90 days less than 10%;
- recovery within the framework of the legislation of the Republic of Kazakhstan.

To achieve these goals, the following tasks are set:

- pre-trial settlement and primary measures, which include, in addition to negotiations and agreements, various actions to encourage debtors to repay problem debts and participation in state programs to support mortgage borrowers;
- measures for rehabilitation/standardization of loans and debt restructuring;
- court proceedings, issuing a PR (payment request);
- enforcement proceedings;
- transfer of problem debts for recovery to the collection agencies;
- raising funds under the state program to support problem borrowers;
- refinancing of problem mortgage loans from the state funds;
- disposal of retail loans to third parties.

AS A RESULT OF ALL THE ACTIVITIES CARRIED OUT BY THE BANK FROM 2014 TO 2020, THE BANK RETURNED A TOTAL OF 320 BILLION TENGE AND DISPOSED TO THE THIRD PARTIES LEGAL ENTITIES AND INDIVIDUALS LOANS FOR A TOTAL OF 87.8 BILLION TENGE ON THE PRINCIPAL DEBT.

On June 23, 2015, ForteBank signed a deposit agreement with Fund for Problem Loans JSC for a total amount of 20.3 billion tenge for 20 years as part of the State Program for refinancing housing mortgage/mortgage loans, approved by the resolution of the Management Board of the National Bank of Republic of Kazakhstan (hereinafter – the Program-2015). From 2015 to 2020, the Bank refinanced 6,896 loans totaling 43.5 billion tenge under the 2015 Program. At the same time, ForteBank JSC, having fully mastered the deposit first among the second-tier banks, additionally in 2018 attracted funds in the amount of 10 billion tenge from Kazakhstan Sustainability Fund JSC for refinancing loans under the Program-2015. The additional deposit was also disbursed by the Bank ahead of schedule.

In January 2020, the Bank received an additional limit of 5 billion tenge under the 2015 Program. In accordance with amendments and additions made on December 23, 2019 to the Resolution of the Management Board of the National Bank of Republic of Kazakhstan "On Approval of the Program for Refinancing Housing Mortgage Loans (Mortgage Loans)" dated April 24, 2015 No. 69, the terms for deposits for 20.3 billion tenge and additional limits for 10 billion tenge and 5 billion tenge were extended from 20 to 30 years.

In order to implement the Program of Refinancing of Housing Mortgage Loans/Mortgage Loans issued in foreign currency before January 1, 2016, a deposit agreement was concluded in the amount of 37.8 billion tenge for 30 years, under which Kazakhstan Sustainability Fund JSC reimburses the exchange rate difference to the Bank.

AT THE END OF 2020, THE BANK REFINANCED 2,149 LOANS IN THE AMOUNT OF 21.5 BILLION TENGE.

With active participation of the Bank, the legislation of the Republic of Kazakhstan was amended in July 2020 in terms of unilateral conversion of foreign currency loans. In November 2020, a unilateral refinancing of mortgage foreign currency loans for 78.3 billion tenge was carried out for 2,490 loans by their one-time conversion. Portfolio of foreign currency mortgage loans was reduced to 30.2 billion tenge.

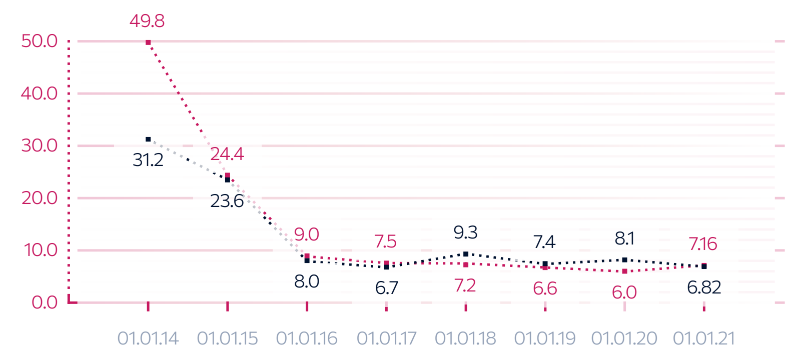
To provide additional assistance to mortgage borrowers, according to Section 2-1 of the Program for Refinancing Housing Mortgage Loans, the Bank was allocated a limit/deposit in the amount of 11.4 billion tenge for 30 years. In 2020, within the framework of this section, assistance was provided to 500 borrowers in the amount of 4.0 billion tenge.

FROM 2015 TO 2020, BASED ON THE RESULTS OF THE 2015 PROGRAM AND THE FOREIGN EXCHANGE PROGRAM (EXCLUDING ONE-TIME CONVERSION), THE BANK REHABILITATED THE LOAN PORTFOLIO OF HOUSING MORTGAGE LOANS/MORTGAGE LOANS FOR A TOTAL OF 102.5 BILLION TENGE.

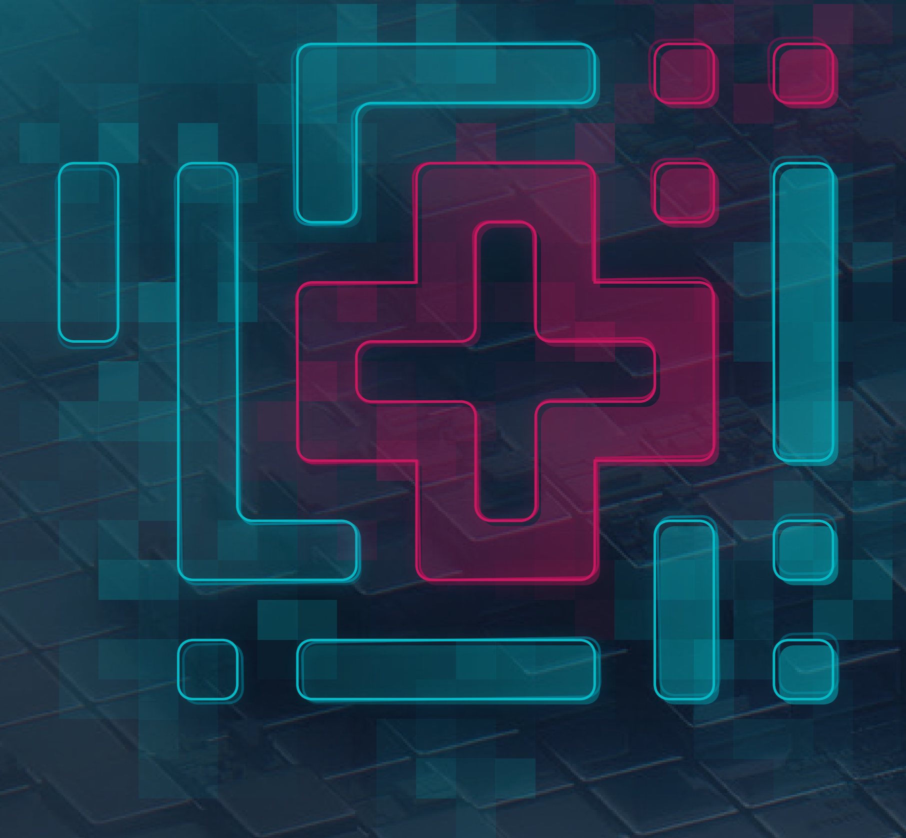
In recent years, the Bank's positive performance on problem loans was also evaluated by rating agencies. Standard & Poor's noted: "ForteBank demonstrated success in resolving problem loans issued in previous periods, which were transferred to the Bank's portfolio from Alliance Bank JSC and Temirbank JSC. The rating agency positively assesses quality of the management activities of the Bank's team and its experience in restoring problem debts acquired in previous periods".

The Moody's rating agency noted: "The rating agency recognizes positive results of new management team in dealing with overdue debt. Change in outlook reflects improvement in quality of the Bank's assets and reserves, which, in turn, is confirmed by progress in the recovery of problem loans".

NPL Dynamics



Share of loans overdue for over 90 days, %
According to the Banking system, %



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MOODY'S RATING UPGRADE

Moody's upgraded the Bank's rating from B1 to Ba3, with a Stable outlook

FINANCIAL RESULTS OF OPERATIONS

INCOME ANALYSIS

Despite the difficult economic situation, ForteBank continued to show dynamic growth in 2020. Operating income increased by 40% by 2019 and reached 151.7 billion tenge. In 2019, the growth was 62%.

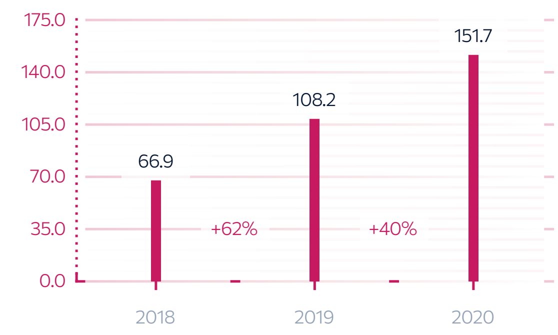
Net interest income in 2020 increased by 21% even in conditions of limited credit growth and reached 95 billion tenge. In 2019, the growth was 59%. The interest margin was 5.5% (5.5% in 2019).

At the same time, there is an increase in commission income, which is associated with development of non-credit products and reflects the Bank's policy of income diversification. In 2020, despite increase in commission income, due to increase in commission expenses, net commission income amounted to 21.2 billion tenge, which is 4% lower than the previous year. As a result, ratio of net commission income to net interest income decreased from 28.3% in 2019 to 22.3% in 2020. About 48% of commission income is represented by the SME segment, 41% – by the retail business. Operating expenses in 2020 amounted to 48.8 billion tenge, showing an increase of 14% by 2019.

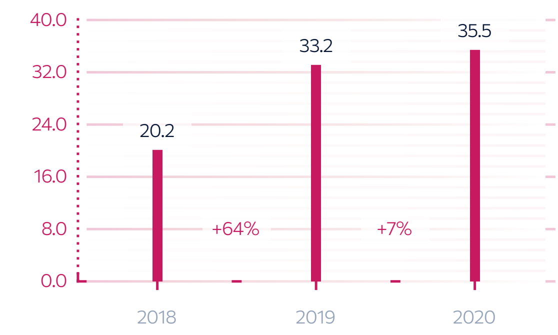
The Bank continues improving the efficiency of its financial management. The outstripping revenue growth led to decrease in the cost-to-income ratio from 39.5% in 2019 to 32.1% in 2020. At the same time, in 2018, the indicator was 53.6%.

Despite the slowdown compared to 2019 (when the growth was 45%), in 2020 the Bank's net profit increased by significant 25%, to 53 billion tenge. The Bank maintains good profitability indicators. The return on assets for the year was 2.5% (2.2% in 2019), and the return on equity was 21.5% (19.7% in 2019).

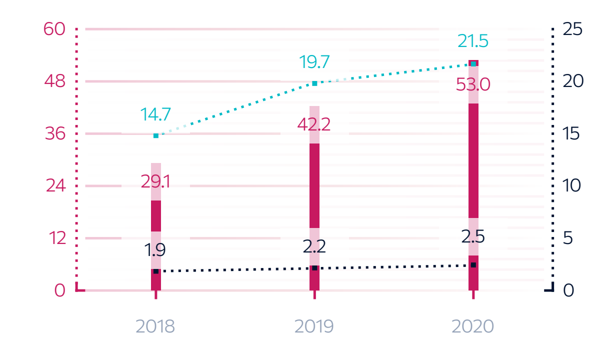
Operating income, billion tenge



Commission income, billion tenge

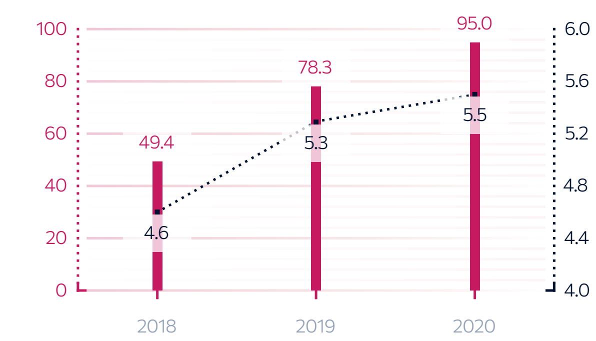


Profitability indicators



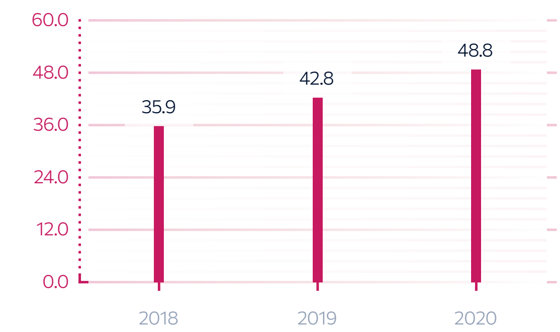
Net income, billion tenge
ROA, % (right scale)
ROE, % (right scale)

Net interest income

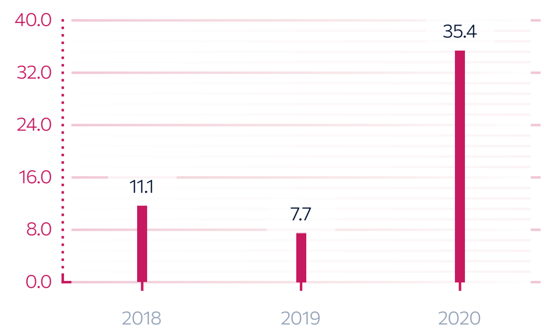


Net interest income, billion tenge
Net interest margin, % (right scale)

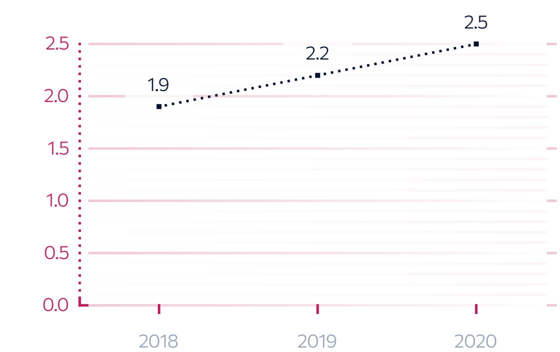
Operating expenses, billion tenge



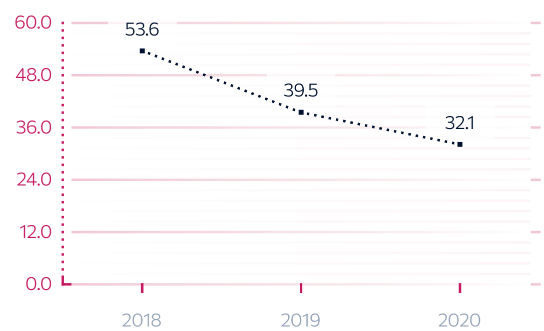
Other operating income, billion tenge



Return on assets, %



Expenses-to-income ratio, %



BALANCE SHEET ANALYSIS

Key balance sheet indicators, billion tenge	2020	2019	2018	chan. 2020/2019, %
Assets	**2,089**	**2,070**	**1,689**	**1%**
Cash and cash equivalents	**312**	347	225	-10%
Funds in financial institutions	**74**	28	20	–
Loans to clients	**750**	785	690	-4%
Trading securities	**7**	6	10	14%
Investment securities	**780**	719	570	8%
Fixed assets	**66**	71	51	-7%
Deferred tax assets	**–**	–	2	–
Other assets	**101**	113	120	-11%
Liabilities	**1,826**	**1,841**	**1,488**	**-1%**
Current accounts and client deposits	**1,387**	1,337	1,076	4%
Funds of banks and other financial institutions	**130**	118	72	11%
Accounts payable under repurchase agreements	**22**	117	56	-81%
Debt securities issued	**240**	229	254	5%
Subordinated debt	**21**	26	23	-21%
Deferred tax liabilities	**11**	2	0	598%
Other liabilities	**15**	13	8	16%
Capital	**263**	**229**	**201**	**15%**

At the end of 2020, the Bank's assets remained virtually unchanged. Growth was 1%, to 2,089 billion tenge. Decrease in volume of the loan portfolio and cash was largely offset by an increase in investment securities.

The Bank's loan portfolio in 2020 decreased by 4% and amounted to 750 billion tenge at the end of the year. Last year, due to ongoing COVID-19 pandemic and decline in business activity during the quarantine period, there was a noticeable decline in lending, especially in the retail segment. At the same time, the Bank formed additional provisions to cover possible losses.

Growth of the corporate business loan portfolio in 2020 amounted to 13%, to 143.9 billion tenge. For SMEs, the growth was 1%, at the end of the year, a volume of loans reached 209.3 billion tenge. At the same time, the largest credit segment – retail business – saw a decrease of 10%, to 333 billion tenge.

The Bank actively works with both corporate and retail clients, while adhering to fairly conservative strategy of increasing lending, which allows for stable business growth and portfolio reliability, even in a crisis situation in the economy. The quality of the Bank's loan portfolio in 2020 showed only a slight deterioration. The share of overdue loans, according to the Agency for Financial Market Regulation and Development, increased from 6% to 7.16% by the end of 2020.

At the end of 2020, the largest share in assets is held by the investment portfolio of securities – 37%, loans to clients account for 36% and are in second place. Cash and cash equivalents accounted for 15% of assets at the end of 2020.

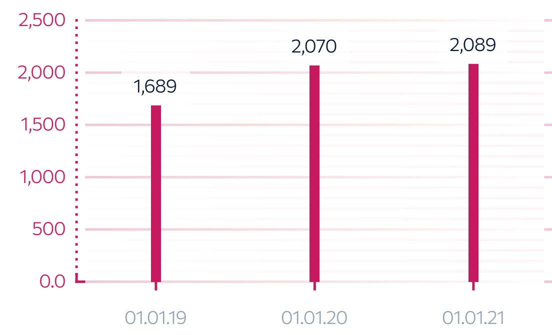
The Bank's liabilities at the end of 2020 reached 1,826 billion tenge, a decrease of 1% compared to the level of 2019. The main volume of liabilities is made up of client accounts and deposits – 76%. In 2020, they showed a small increase – by 4%, to 1,387 billion tenge.

The volume of the Bank's debt liabilities (debt securities issued and subordinated debt) in 2020 increased by 2%, to 261 billion tenge, which was 14% of the total volume of liabilities.

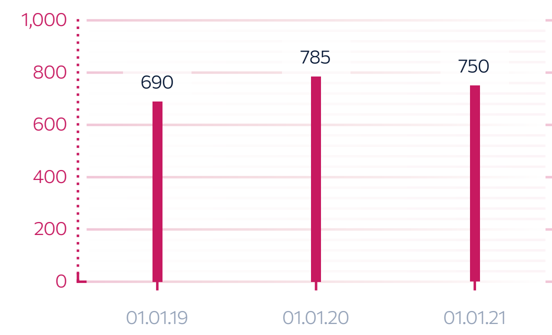
The Bank's equity capital in 2020 increased by 15%, to 263 billion tenge. The Bank maintains a high level of liquidity. Prudential capital adequacy ratios k1, k1-2, k2 are almost twice as high as the standards of the National Bank of Kazakhstan.

Key indicators	**2020**	2019	2018	Standard
Coefficient k1	**21.0%**	17.0%	16.2%	not less than 7.5%
Coefficient k1-2	**21.0%**	17.0%	16.2%	not less than 8.5%
Coefficient k2	**22.3%**	18.3%	17.8%	not less than 10%

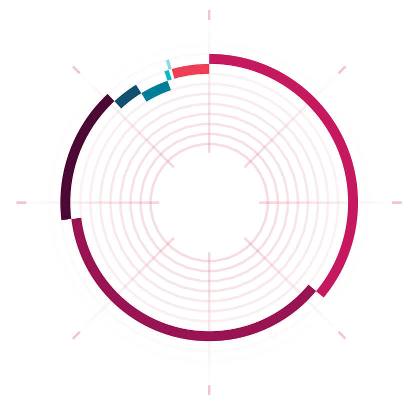
Assets, billion tenge



Loans to clients, billion tenge

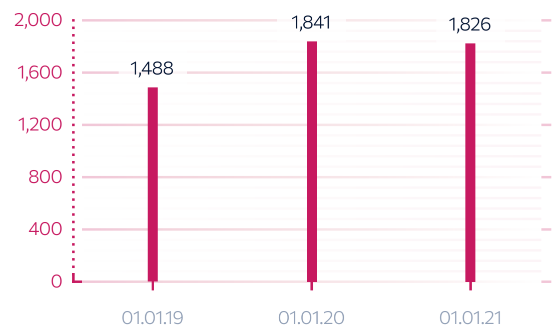


Asset Structure in 2020

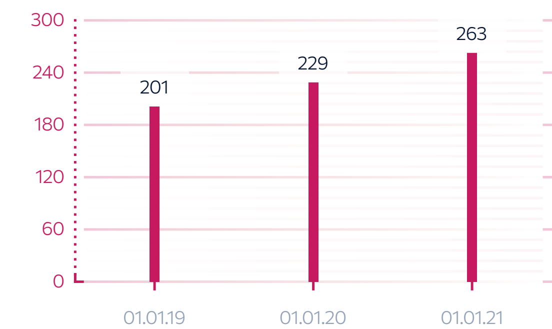


- 36% Loans to clients
- 37% Investment securities
- 15% Cash and cash equivalents
- 3% Fixed assets
- 4% Funds in financial institutions
- 1% Intangible assets
- 0% Trading securities
- 4% Other

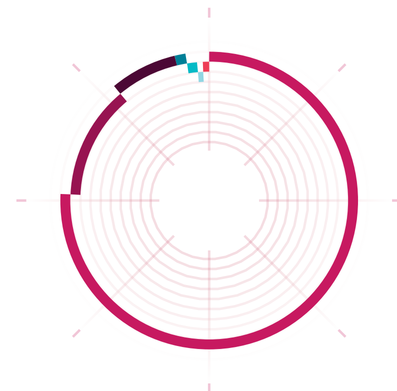
Dynamics of liabilities, billion tenge



Equity, billion tenge

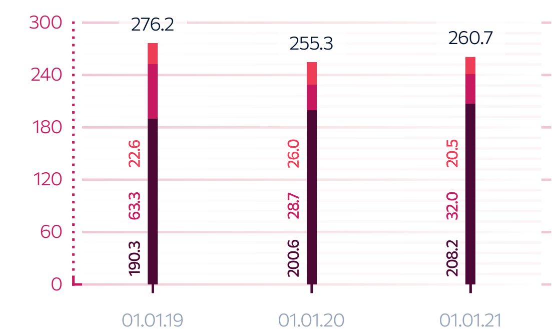


Liabilities structure at the end of 2020



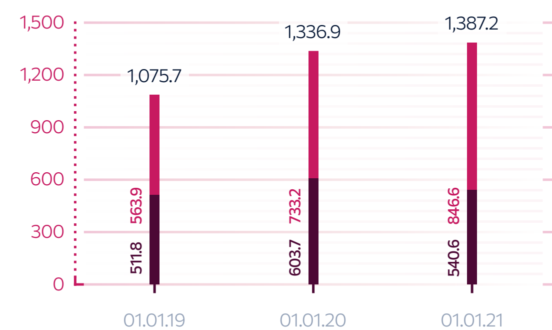
- 76% Current accounts and deposits of clients
- 13% Debt securities issued
- 7% Funds in banks and other financial institutions
- 1% Debt under repurchase agreements
- 1% Subordinated debt
- 1% Deferred tax liabilities
- 1% Other liabilities

Debt and subordinated securities issued, billion tenge



- Bonds in tenge
- Bonds in USD
- Subordinated notes, tenge

Dynamics of client accounts and deposts, billion tenge



- Legal entities
- Individuals

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CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Bank's corporate governance includes the organizational model, external and internal monitoring and control mechanisms, as well as corporate values and guidelines.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE SYSTEM

The Bank's corporate governance includes the organizational model, external and internal monitoring and control mechanisms, as well as corporate values and guidelines. Improving and developing corporate governance practices is an absolute priority for the Bank and is under the attention and control of the Board of Directors.

The Bank's corporate governance system is based on respect for the rights and legitimate interests of shareholders and key stakeholders – clients, partners, officials and employees of the Bank, as well as the state – and is aimed at reducing various types of risks, increasing the attractiveness of the Bank and increasing its value.

In order to properly observe and follow the principles of corporate governance, the Bank is guided in its work by decisions of the General Meeting of Shareholders, the Board of Directors, the Management Board of the Bank (hereinafter referred to as the Management Board), as well as its Charter, the Corporate Governance Code and other internal documents.

Corporate governance in the Bank is based on the following basic principles:

1. protection of the rights and interests of the Bank's shareholders;
2. efficient management;
3. accountability and responsibility;
4. transparency and objectivity of disclosure of information about the Bank and its activities;
5. legality and ethics;
6. effective dividend policy;
7. effective personnel policy;
8. environmental protection;
9. active assistance in development of the financial system of the Republic of Kazakhstan.

THE BANK IS AWARE OF THE IMPORTANCE OF IMPROVING CORPORATE GOVERNANCE AND STRIVES TO ENSURE THE OPENNESS AND TRANSPARENCY OF ITS ACTIVITIES.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The ForteBank Corporate Governance Code was developed in accordance with the legislation of Kazakhstan, the Bank's Charter, taking into account the existing international experience in corporate governance, recommendations of the Basel Committee on Banking Supervision "Improving Corporate Governance in Credit Institutions", the best Kazakh practices of corporate behavior, best business practices and business ethics rules. The Code is a set of rules governing the Bank's relations with its shareholders, and between the Bank's bodies and officials.

MANAGEMENT BODIES

The Bank's management bodies are:

- **supreme body** is the general meeting of shareholders;
- **management body** is the Board of Directors;
- **executive body** is the Management Board;
- other bodies in accordance with the legislation of the Republic of Kazakhstan.

ORGANIZATIONAL STRUCTURE

BOARD OF DIRECTORS

- Corporate Secretary
  - Corporate Secretary Service
- Internal Audit Service
- Chief Compliance Controller
  - Compliance Control Service

Committees under the Board of Directors

- Strategic Planning Committee
- Risk Management, Lending, Asset and Liability Management Committee
- Internal Audit Committee
- Committee on Human Resources, Remuneration and Social Issues
- Digitalization Committee

MANAGEMENT BOARD

Authorized collegial bodies under the Management Board of the Bank

- Asset and Liability Management Committee (ALMC)
- Credit Committee of the Parent Bank (CCPB)
- Credit Committee of the Parent Bank for Small and Medium-Sized Business (CCSMB)
- Credit Committee of the Parent Bank for Retail Business (CCRB)
- Problem Debt Committee of the Parent Bank (PDCPB)
- Small Problem Debt Committee of the Parent Bank (SPDCPB)
- Small Credit Committee of the Parent Bank for Small and Medium-Sized Business (SCCSMB)
- Budget Committee
- Tariff Committee
- Operating Committee
- Quality Control Committee
- Information Security Committee
- Digitalization and Ecosystem Committee

ISSUED CAPITAL AND DIVIDENDS

Forte's development strategy has long-term guidelines and is aimed at increasing the Bank's shareholder value.

ForteBank shares are represented by 92,387,104,089 common shares (KZ000A0F4546) placed, of which 16,570,918,351 (17.94% of the outstanding shares) are the underlying asset of global depositary receipts.

ForteBank has about 26,000 shareholders. These are individuals and legal entities, both Kazakhstan residents and non-residents.

Bulat Utemuratov is the beneficial owner and owns a total of 80,629,447,285 common shares of the Bank, which is 87.3% of the outstanding shares, of which 6,915,204,003 shares, or 7.5% of the outstanding shares are held by to Bulat Utemuratov through global depositary receipts, the underlying asset of which is represented by the Bank's common shares.

As of January 01, 2021, the Bank, together with global depositary receipts, repurchased 3,391,835,697 common shares, which is 3.67% of the total number of outstanding shares.

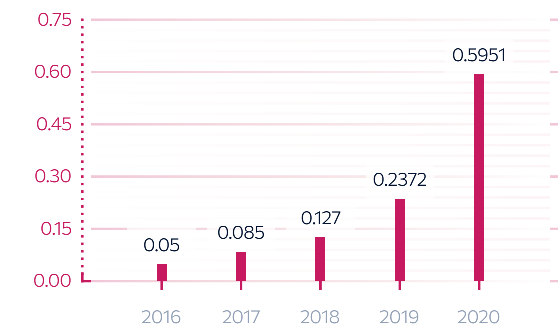
Until December 2019, volume of the dividend payout was limited to 40% of the net profit received for the past year (according to IFRS), as required by the covenants on Eurobonds issued in US dollars as part of the restructuring of Alliance Bank JSC in 2014. In December 2019, the Bank repaid these Eurobonds using a call option.

On May 6, 2020, the Bank began paying dividends based on results of the Bank's activities in 2019 in accordance with terms stipulated by the legislation of the Republic of Kazakhstan, based on decision of the Annual General Meeting of shareholders of the Bank dated May 4, 2020.

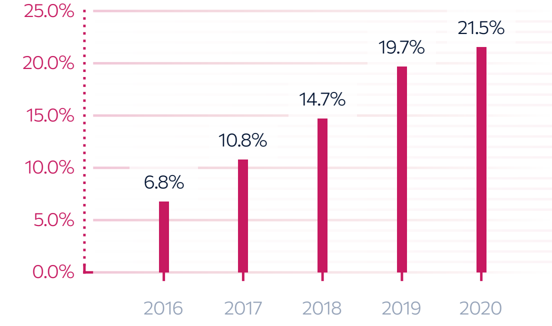
The total dividends for 2019 are amounted to 21.1 billion tenge. The Bank paid dividends in amount of 49.98% of the net profit received as a result of this year in accordance with the resolution adopted by the General Meeting of Shareholders. The amount of dividend per common share amounted to 0,2372 tenge, which is 87% higher than the dividend paid per share at the end of 2018.

BASED ON RESULTS OF 2020, STARTING FROM MARCH 31, 2021, IN ACCORDANCE WITH RESOLUTION OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS DATED MARCH 29, 2021 (MINUTES NO. 01/21), THE BANK BEGAN PAYING DIVIDENDS ON COMMON SHARES FOR 2020 IN THE AMOUNT OF 0,5951 TENGE PER SHARE. THE VOLUME OF DIVIDENDS ACCRUED FOR 2020 ON THE BANK'S COMMON SHARES FOR PAYMENT TO SHAREHOLDERS AMOUNTED TO ALMOST 53 BILLION TENGE.

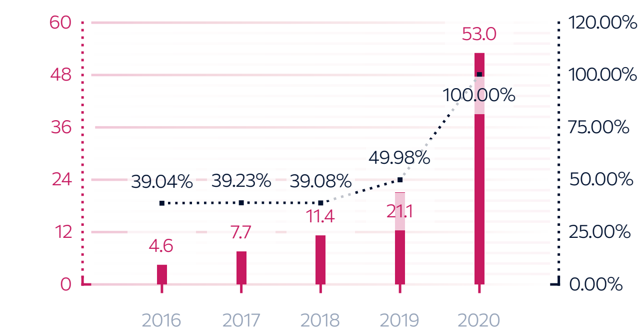
Dividend per share, tenge



ROE Dynamics

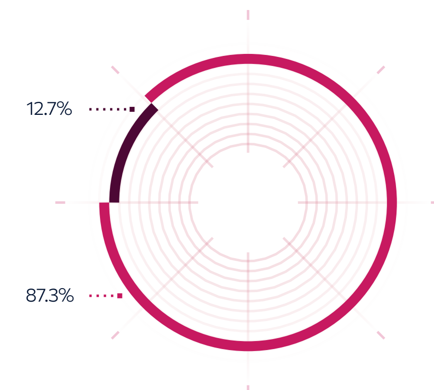


Dividends paid for the corresponding year, billion tenge



- Dividends paid, billion tenge
- % of net profit (right scale)

Equity Structure



- Bulat Utemuratov
- Free float (more than 26 thousand shareholders)

SHAREHOLDERS' RIGHTS

ForteBank is committed to protecting the rights and interests of its shareholders. The Bank ensures the exercise of the following fundamental rights of its shareholders:

- the rights of ownership, use and disposal of the Bank's shares belonging to them;
- the right to receive information about the Bank and its activities in the amounts, within the terms and in the manner established by the legislation of the Republic of Kazakhstan and the internal documents of the Bank;
- the right to participate in the Bank management by participating in the general meetings of shareholders of the Bank, speaking and voting on the issues considered at them;
- the right to propose candidates for such election to the General Meeting of Shareholders of the Bank, which agenda includes the issue of electing a member or members of the Board of Directors;
- rights to receive a share of the Bank's profit in a form of dividends on the Bank's shares owned by them;
- other rights defined by legislation of the Republic of Kazakhstan and the Bank's Charter.

To fulfill rights of its shareholders, the Bank ensures a safe, reliable and valid recording of the ownership rights of the Bank's shareholders to the shares issued by it, and does not prevent its shareholders from managing of the Bank's shares owned by them (including disposal of these shares). A convenient procedure for shareholders is used to exercise their right of pre-emptive purchase of the placed shares of the Bank or other securities of the Bank that are convertible into its shares or are being sold by the Bank of its own shares previously bought-back or any other securities of the Bank that are convertible into its shares. The Bank shall promptly inform its shareholders in accordance with the Bank's Charter of date, time and place of the General Meeting of Shareholders of the Bank. The convenient for the Bank's shareholders procedure to exercise their rights to request convening of a General Meeting of the Bank's Shareholders or a meeting of the Board of Directors, to make proposals to supplement agenda of the General Meeting of the Bank's Shareholders, to nominate candidates for election to the Board of Directors, to require audit of the Bank by an audit organization at the expense of the Bank's shareholders.

SHAREHOLDERS ARE PROVIDED WITH REASONED RESPONSES TO THEIR WRITTEN REQUESTS ABOUT THE BANK'S ACTIVITIES.

During 2020, the Bank received 11 requests from 9 shareholders on ownership of shares, accrual and payment of dividends on the Bank's shares. Based on results of consideration of these requests, the Bank sent letters to these shareholders with relevant explanations. There were no complaints from shareholders about actions of the Bank and its officials during 2020.

MEETINGS OF SHAREHOLDERS

On May 4, 2020, the Bank's Annual General Meeting of Shareholders was held, which approved the Bank's results of operations for 2019, a procedure for distributing the Bank's net income for 2019, the amount of dividend per ordinary share of the Bank, the report of the Board of Directors for the past financial year; considered the appeals of shareholders to the Bank actions and its officials and the results of their consideration, amount and composition of remuneration for members of the Board of Directors and the Management Board in 2019, as well as definition of an audit organization that audits and reviews the Bank's financial statements in 2020-2022 and 2020-2022, and amendments to the Bank's Charter.

On October 16, 2020, an extraordinary general meeting of shareholders was held, which approved amendments No. 3 to the Corporate Governance Code, developed to bring the Corporate Governance Code in line with the Rules for Formation of a Risk Management System and Internal Control for second-tier banks, approved by Resolution No. 188 of the Management Board of the National Bank of Kazakhstan dated November 12, 2019.

STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors provides general management of the Bank's activities, ensures effective control over activities of the Management Board and is accountable to the General Meeting of Shareholders of the Bank.

Structure of the Board of Directors:

- Corporate Secretary. Ensures proper functioning of the corporate governance system in the Bank, including by ensuring timely and high-quality corporate decision-making by the Board of Directors and shareholders, as well as by improving corporate communications system and providing effective control over the Bank's compliance with the legislation on corporate governance to protect the rights and interests of the Bank's shareholders, as well as to minimize the risks of corporate conflicts and other risks of the Bank.
- Compliance Control Service. Responsible for development, implementation of compliance risk management and coordination of the Bank's compliance risk management, including anti-money laundering and countering the financing of terrorism.
- Internal Audit Service. Internal audit ensures an independent, objective assessment of the effectiveness of risk management, internal control and governance processes.
- Committees under the Board of Directors.

COMPOSITION OF THE BOARD OF DIRECTORS

The composition of the Board of Directors complies with the Law of the Republic of Kazakhstan "On Joint-Stock Companies", the Bank's Charter and the Corporate Governance Code, as well as is balanced in terms of skills, experience and independence, which allows its members to effectively perform their functions.

Members of the Board of Directors meet the qualifying requirements and business reputation requirements established by the current legislation, have knowledge and experience in the areas corresponding to the main areas of the Bank's activities: finance, banking operations, banking regulation, corporate governance, risk management, internal control, audit.

Members of the Board of Directors represented by different age groups and nationalities also have knowledge of the functional features of working in various positions in various companies, have knowledge of the international markets specifics and foreign business cultures.

Independent directors are elected to the Board of Directors to ensure effectiveness of decisions taken and to maintain a balance of interests of different groups of shareholders.

An independent director is a member of the Board of Directors who has sufficient professionalism, experience and independence to form own position, is able to make objective and fair judgments, regardless of influence of an executive body, individual groups of shareholders or other interested parties. Representation of independent directors in the Board of Directors fully complies with the legislation of the Republic of Kazakhstan and the Bank's internal documents.

The composition of the Board of Directors did not change in 2020. As of December 31, 2020, the Board of Directors consisted of six members, including Chairman of the Board of Directors and five members of the Board of Directors, two of whom are independent directors:

- M. Mirzabekov (Chairman of the Board of Directors, representative of the shareholder's interests),
- E. Abdrazakov (Independent Director),
- A. Utemuratov (representative of the shareholder's interests),
- R. Bekturov[1] (representative of the shareholder's interests),
- T. Isatayev (representative of the shareholder's interests),
- H. Pandza (Independent Director).

TERM OF OFFICE OF THE BOARD OF DIRECTORS EXPIRES AT TIME OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE BANK IN 2022.

Composition of the Board of Directors

Full name of a member of the Board of Directors	Position	Election date
M. Mirzabekov	Chairman of the Board of Directors – representative of the shareholder's interests	14.06.2019
A. Utemuratov	Member of the Board of Directors – representative of the shareholder's interests	30.12.2014
E. Abdrazakov	Member of the Board of Directors – Independent Director	04.03.2019
R. Bekturov	Member of the Board of Directors – representative of the shareholder's interests	14.06.2019
T. Isatayev	Member of the Board of Directors – representative of the shareholder's interests	30.12.2014
H. Pandza	Member of the Board of Directors – Independent Director	03.11.2015

[1] *Since February 5, 2021, the powers of R. Bekturov have been terminated prematurely on his initiative.*

BACKGROUND OF MEMBERS OF THE BOARD OF DIRECTORS

MARLENE MIRZABEKOV

CHAIRMAN OF THE BOARD OF DIRECTORS, MEMBER OF THE BOARD OF DIRECTORS – REPRESENTATIVE OF THE INTERESTS OF THE BANK'S SHAREHOLDER

BORN IN 1970

Work experience:

- **From June 14, 2019 to the present –** ForteBank JSC, Chairman of the Board of Directors – representative of the interests of the Bank's shareholder.
- **From June 10, 2019 to the present –** Nova Leasing JSC, member of the Board of Directors.
- **From May 13, 2019 to the present –** Verny Investments Holding LLP, First Deputy Director General.
- **2014–2019 –** Kazzinc Holdings LLP, Executive Director, General Director.
- **2012–2019 –** Altyntau Resources JSC, President, Managing Director.

Education:

- T. Ryskulov Kazakh Economic University (1989)
- Ilmenau University of Technology, Germany (1994)
- Kazakh Polytechnic Institute (2006)

TIMUR ISATAYEV

MEMBER OF THE BOARD OF DIRECTORS – REPRESENTATIVE OF THE INTERESTS OF THE BANK'S SHAREHOLDER

BORN IN 1969

Work experience:

- **From October 10, 2013 to the present –** ForteBank JSC, member of the Board of Directors.
- **2013–2015 –** ForteBank JSC (formerly Alliance Bank JSC) – Chairman of the Management Board.
- **2012–2013 –** ABC Bank JSC (formerly ForteBank JSC, formerly Metrocombank JSC), member of the Board of Directors.
- **2010–2012 –** Metrocombank JSC, Chairman of the Board of Directors.

Education:

- S. M. Kirov Kazakh State University (1991)
- Yale University (1993)

ANUAR UTEMURATOV

MEMBER OF THE BOARD OF DIRECTORS – REPRESENTATIVE OF THE INTERESTS OF THE BANK'S SHAREHOLDER

BORN IN 1983

Work experience:

- **From October 23, 2015 to the present –** Alassio Capital LLP, Director.
- **From December 30, 2014 to the present –** ForteBank JSC (previously – Alliance Bank JSC), member of the Board of Directors.
- **2013–2016 –** ABC Bank JSC (formerly ForteBank JSC, formerly Metrocombank JSC), member of the Board of Directors.
- **2012–2013 – F**orteBank JSC (formerly Metrocombank JSC), Member of the Management Board – Chief Risk Manager.

Education:

- Huron University USA in London (2004)

RUSTEM BEKTUROV

MEMBER OF THE BOARD OF DIRECTORS – REPRESENTATIVE OF THE INTERESTS OF THE BANK'S SHAREHOLDER

BORN IN 1963

Work experience:

- **From June 9, 2017 to the present –** PetroKazakhstan Inc., Vice President for Strategic Commu-nications.
- **December 30, 2014 – February 5, 2021 –** ForteBank JSC (formerly Alliance Bank JSC), Member of the Board of Directors.
- **2013–2016 –** ABC Bank JSC (formerly ForteBank JSC, formerly Metrocombank JSC), member of the Board of Directors.
- **2010–2017 –** KMG Processing and Marketing JSC, Deputy Director General.

Education:

- M.V. Lomonosov Moscow State University, Candidate of Economic Sciences (1985)
- Gubkin Russian State University of Oil and Gas (National Research University) (2019)

HUBERT ALBERT PANDZA

MEMBER OF THE BOARD OF DIRECTORS – INDEPENDENT DIRECTOR

BORN IN 1948

Work experience:

- **From November 3, 2015 to the present –** ForteBank JSC (previously – Alliance Bank JSC), member of the Board of Directors – Independent Director.
- **From June 2017 to the present –** Deutsche Bank Polska (Warszawa), independent member of the Board of Directors.
- **2015–2017 –** Rosenergobank PJSC (Moscow), independent member of the Board of Directors.
- **2013–2015 –** Rosenergobank JSC (Moscow), Adviser to the Management Board.
- **2013–2014 –** TransCapitalBank PJSC (Moscow), independent member of the Board of Directors.
- **2010–2014 –** Alliance Bank JSC, member of the Board of Directors – Independent Director.

Education:

- Saarland University, Saarbrücken, Germany, Master of Science in International Economic Rela-tions (1975)
- INSEAD Advanced Management Program, Fontainebleau, France

ELDAR ABDRAZAKOV

MEMBER OF THE BOARD OF DIRECTORS – INDEPENDENT DIRECTOR

BORN IN 1972

Work experience:

- **From March 4, 2019 to the present –** ForteBank JSC (previously – Alliance Bank JSC), member of the Board of Directors – Independent Director.
- **From May 2012 to the present –** Kazakhstan Stock Exchange JSC, member of the Board of Di-rectors.
- **From April 2005 to the present –** owner of the Centras Group, Centras Capital LLP, Chairman of the Board of Directors of Kommesk-Omir Insurance Company JSC, Centras Securities JSC, Centras Insurance Company JSC, Centras Invest LLP.

Education:

- Harvard Business School (USA) (2010)
- Khoja Akhmet Yasawi International Kazakh-Turkish University, Master of Science and Tech-nology, Master of International Economic Relations (1996)
- Khoja Akhmet Yasawi International Kazakh-Turkish University, specialty "International Eco-nomic Relations" (1995)

ACTIVITIES OF THE BOARD OF DIRECTORS

The Board of Directors determines strategic goals and directions of the Bank's development, the main principles and approaches to the risk management and internal control system, controls activi-ties of the executive bodies, including compliance of such activities with the approved Bank Devel-opment Strategy, is responsible for formation, development and monitoring of effectiveness of the corporate governance system, as well as for ensuring information transparency of the Bank's activi-ties.

In carrying out its activities, the Board of Directors was guided in 2020 by the legislation of the Re-public of Kazakhstan, the Bank's Charter, the Corporate Governance Code, and the Regulations on the Board of Directors.

Responsibility of all members of the Board of Directors related to performance of their duties in the Bank was insured in 2020 under the liability insurance contract for directors, officers and companies.

In 2020, the Board of Directors considered the Bank's priority areas of activity, including the fol-lowing:

- information technology, cybersecurity, Data Lake;
- credit, financial and operational risk and capital management;
- implementation of projects for development of retail business and ecosystem, service and quality of services provided;
- monitoring the implementation of the Bank Development Strategy;
- corporate governance, organizational structure and HR issues;
- appointing and terminating the powers of the members of the Management Board, as well as the heads of the Bank's subsidiaries;
- approval of management reports on the Bank's financial performance,
- related party transactions and other issues.

An important practice is arranging annual strategic sessions by the Board of Directors, aimed at de-veloping, together with the management, proposals (main planned measures to optimize the Bank's expenses and increase its income) to adjust the Bank Development Strategy in the current conditions of the pandemic, general stagnation in economy, falling living standards of the population and con-sumer demand, a decline in business activity as a result of falling prices for raw materials and semi-finished products exported by the Republic of Kazakhstan, and a corresponding reduction in the country's export revenue.

During 2020, 16 meetings of the Board of Directors and 28 absentee ballots of its members were held, during which 311 issues were considered, including:

- 138 questions (44.5% of the total number of questions) – during the meetings;
- 173 questions (55.6% of the total number of questions) – by absentee voting.

Effective work of the Board of Directors was ensured by regularity of its meetings, number and na-ture of issues considered by the Board of Directors, regularity of its consideration of the Bank's management reports, reports of the Bank's Risk Divisions, the Internal Audit Service and the Com-pliance Control Service, as well as participation of members of the Board of Directors in its meetings and absentee voting, and the Bank's compliance with deadlines for providing members of the Board of Directors with materials on issues considered by them, with some exceptions.

An analysis of the decisions taken by the Board of Directors, an assessment of impact of these deci-sions on the Bank's work, their timeliness, their contribution to the implementation of the Bank's business plans, as well as their compliance with the interests of the Bank and its shareholders allow concluding about quality of the work of the Bank's Board of Directors.

Information on Participation of Members of the Board of Directors in its Meetings and Absentee Voting in 2020

Surnames and initials of the BoD members	Degree of participation in meetings		Degree of participation in absentee voting	
	in absolute terms	in relative terms	in absolute terms	in relative terms
M. Mirzabekov (Chairman)	16 of 16	100%	28 of 28	100%
E. Abdrazakov	16 of 16	100%	28 of 28	100%
R. Bekturov	16 of 16	100%	24 of 28	85,7%
T. Isatayev	15 of 16	93,8%	28 of 28	100%
H. Pandza	16 of 16	100%	28 of 28	100%
A. Utemuratov	15 of 16	93,8%	28 of 28	100%

COMMITTEES UNDER THE BOARD OF DIRECTORS

At the end of 2020, there were five committees under the Board of Directors:

- on strategic planning,
- on human resources, remuneration and social issues,
- on internal audit,
- on risk management, lending, asset and liability management,
- on digitalization.

The Committees are accountable to the Board of Directors in their activities. The Committee Chairmen provide the Board of Directors with information on work done by the committees, content of the issues considered and the decisions taken.

DURING 2020, 41 MEETINGS OF THE COMMITTEES OF THE BOARD OF DIRECTORS WERE HELD, DURING WHICH 141 ISSUES WERE CONSIDERED

Activities of the Committees under the Board of Directors in 2020

Committee names	Number of meetings	Number of issues
Audit Committee	5	14
HR and Remuneration Committee	9	21
Strategy Committee	10	44
Risk Management, Lending, Asset and Liability Management Committee	16	61
Digitalization Committee	1	1
Total	**41**	**141**

Composition of Committees at the End of 2020

Full name of a member of the Board of Directors	Position	Committee membership: Strategic Planning Committee	HR and Remuneration Committee	Audit Committee	Risk Management, Lending, Asset and Liability Management Committee	Digitalization Committee
M. Mirzabekov	Chairman of the Board of Directors – representative of the shareholder's interests	Member	Member	Member	Member	Chairman
A. Utemuratov	Member of the Board of Directors – representative of the shareholder's interests	Member				Member
E. Abdrazakov	Member of the Board of Directors – Independent Director	Chairman	Chairman			Member
R. Bekturov	Member of the Board of Directors – representative of the shareholder's interests	Member	Member	Member	Member	
T. Isatayev	Member of the Board of Directors – representative of the shareholder's interests	Member	Member	Member	Member	
H. Pandza	Member of the Board of Directors – Independent Director			Chairman	Chairman	
G. Andronikashvili	Chairman of the Management Board	Member				Member

Chairman of the Committee

Member of the Committee

PERFORMANCE EVALUATION VALUATION OF THE BOARD OF DIRECTORS

Evaluation of quality of the work of the Board of Directors is aimed at determining degree of effectiveness of work of the Board of Directors, members of the Board of Directors and committees of the Board of Directors, compliance of their work with the needs of the Bank's development, activation of the work of members of the Board of Directors and identification of areas in which their activities can be improved.

Decision of the Board of Directors approved the Regulation on Evaluation of Activities of the Board of Directors and Members of the Board of Directors, which was developed in accordance with Rules No. 188[2] and regulates procedures for evaluating activities of the Board of Directors and its members, as well as regulates the evaluating activities of the Board of Directors and each member of the Board of Directors.

Report on evaluation of the Board of Directors and members of the Board of Directors is submitted to the Bank's shareholders for consideration at the General Meeting of Shareholders.

MANAGING CONFLICTS OF INTEREST

The Bank takes measures for timely prevention and settlement of conflicts between the Bank's bodies and its shareholders, as well as between shareholders, if such a conflict affects the interests of the Bank.

The conflicts of interest are prevented by unconditional compliance with the legislation, as well as by conscientious and reasonable behavior in relations with the Bank's shareholders.

Full and detailed responses are prepared to all requests of shareholders, and if the shareholder is denied to satisfy his request, the reasons for refusal are simultaneously communicated.

The main task of the Bank's bodies in resolving corporate conflicts of interest is to find a solution that, being legitimate and reasonable, would meet the interests of the Bank.

In the reporting year, no corporate conflicts of interest were identified, and there were no complaints or appeals from shareholders.

MANAGEMENT BOARD

The Bank's activities are managed by the Management Board, which includes Chairman of the Management Board, his deputies and other employees of the Bank by decision of the Board of Directors.

AS OF JANUARY 5, 2020, THE MANAGEMENT BOARD CONSISTED OF CHAIRMAN OF THE MANAGEMENT BOARD AND 7 MEMBERS.

In May 2020, the powers of Deputy Chairman of the Management Board, Adil Batyrbekov, who was engaged in supervision of corporate business and SMEs, were terminated.

In June 2020, two new Management Board members were elected to the membership. These are Nurlan Sarsebekov and Bekzhan Pirmatov, as curators of IT and corporate business and SME blocks, respectively. Later, in November 2020, Vladimir Kirushko, an experienced specialist in retail business development from Ukraine, who joined the Forte team in May of the same year, was elected to the Management Board.

On January 5, 2021, the Board was expanded. Sholpan Nurumbet was elected Deputy Chairwoman of the Management Board in charge of SME.

[2] *Rules for formation of a risk management and internal control system for second-tier banks, approved by Resolution No. 188 of the Board of the National Bank of Kazakhstan dated November 12, 2019 (as amended on June 18, 2020)*

GURAM ANDRONIKASHVILI

CHAIRMAN OF THE MANAGEMENT BOARD

BORN IN 1979

Work experience:

- **From February 12, 2018 to the present –** ForteBank JSC, Chairman of the Management Board.
- **2016–2018 –** ForteBank JSC, First Deputy Chairman of the Management Board.
- **2015–2016 –** ForteBank JSC, Deputy Chairman of the Management Board.
- **2012–2016 –** ABC Bank JSC (previously – ForteBank JSC), Chairman of the Management Board.
- **2010–2012 –** Metrocombank JSC, Chairman of the Management Board.
- **2001–2010 –** Financial company JP Morgan (London), Group of European Financial Institutions, various positions.

Education:

- Durham University, UK (2001)

ALIYA DYKANBAYEVA

FIRST DEPUTY CHAIRWOMAN OF THE MANAGEMENT BOARD (CFO)

BORN IN 1973

Work experience:

- **From January 13, 2020 to the present –** ForteBank JSC, First Deputy Chairwoman of the Management Board (CFO), Member of the Management Board.
- **From April 15, 2019 to January 12, 2020 –** ForteBank JSC, Deputy Chairwoman of the Management Board (CFO), Member of the Management Board.
- **2018–2019 –** BI Group, Deputy Chairwoman of the Management Board (CFO – Financial Director).
- **2013–2018 –** Kazpost JSC, Deputy Chairman of the Management Board (CFO).
- **2008–2013 –** PetroKazakhstan Oil Products LLP (Shymkent Oil Refinery), Director of Economics and Planning – Financial Director.
- **2006–2007 –** Orient Energy Trade Ltd., Head of the Representative Office.
- **2007 –** KIMEP University, lecturer.
- **1995–2006 –** various positions in Kazakh and foreign companies.

Education:

- American University, College of Humanities and Natural Sciences, Washington, USA, Master's degree, specialty "Financial Economics" (2001)
- Al-Farabi Kazakh State National University (KazSU), Bachelor's degree, specialty "International Economic Relations" (1995)

AYDIN AUEZKANOV

DEPUTY CHAIRMAN OF THE MANAGEMENT BOARD

BORN IN 1977

Work experience:

- **From September 15, 2014 to the present –** ForteBank JSC, Deputy Chairman of the Management Board, Member of the Management Board.
- **2013–2014 –** Alliance Bank JSC, Managing Director.
- **2006–2008 –** ATF Bank JSC, Managing Director, Member of the Management Board.
- **2006–2009 –** ATF Leasing JSC, Chairman of the Board of Directors.
- **2004–2006 –** ATF-Leasing JSC, President.
- **2002–2004 –** AOF of Halyk Bank of Kazakhstan JSC, Deputy Director of the Branch for Corporate Business.
- **1998–2002 –** EBRD Small and Medium Business Program, Senior Banking Consultant.

Education:

- T. Ryskulov Kazakh Economic University, Almaty, PhD (Doctor of Philosophy) (2009)
- K.Satpayev KazNTU, Almaty, «Oil and Gas» Faculty, Development of Oil and Gas Fields (2008)
- Kazakh State Academy of Management, Almaty, Finance and Credit Faculty, Banking (1998)

GAUKHAR BISSEMBIYEVA

DEPUTY CHAIRWOMAN OF THE MANAGEMENT BOARD

BORN IN 1976

Work experience:

- **From February 27, 2017 to the present –** ForteBank JSC, Deputy Chairwoman of the Management Board, Member of the Management Board.
- **2015–2017 –** ForteBank JSC, Managing Director.
- **2009–2015 –** ForteBank JSC (former METROCOMBANK JSC), Acting Chairwoman of the Management Board, Chairwoman of the Management Board, Deputy Chairwoman of the Management Board.
- **2008–2009 –** BTA Bank LLC, Executive Director.
- **2001–2008 –** TEXAKABANK JSC, Director of the Operations Department, Executive Director, Managing Director, First Deputy Chairman of the Management Board.
- **1998–2001 –** Demir Kazakhstan Bank JSC, Senior Specialist / Head of Client Service Department.

Education:

- Kazakhstan Institute of Management, Economics and Forecasting, Master of Business Administration (2006)
- Kazakh State Academy of Management, International Economic Relations Faculty (1997)

BEKZHAN PIRMATOV

DEPUTY CHAIRMAN OF THE MANAGEMENT BOARD

BORN IN 1985

Work experience:

- **From June 4, 2020 to the present –** ForteBank JSC, Deputy Chairman of the Management Board, Member of the Management Board.
- **2019–2020 –** First Heartland Jysan Bank JSC (former Tsesnabank JSC), Chhairman of the Management Board, Advisor to the Chairman of the Board of Directors.
- **2018–2019 –** First Heartland Jysan Invest JSC, Deputy Chairman of the Management Board.
- **2016–2018 –** European Bank for Reconstruction and Development (EBRD), Principal banker.
- **2015–2016 –** Kazkommertsbank JSC, Director of the Corporate Business Department.
- **2010–2015 –** HSBC Kazakhstan BS JSC.
- **2005–2007 –** Bank TuranAlem JSC, Chief Specialist of the Department of International Relations and Trade Finance.
- **2004–2005 –** Bank Caspian JSC, Business Manager of the Corporate Relations Department.

Education:

- George Washington University, Washington, USA, Business School, Master of Science in Project Management (2009)
- T. Rysskulov Kazakh Economic University, Management (2005)

NURLAN SARSEBEKOV

DEPUTY CHAIRMAN OF THE MANAGEMENT BOARD

BORN IN 1976

Work experience:

- **From June 4, 2020 to the present –** ForteBank JSC, Deputy Chairman of the Management Board, Member of the Management Board.
- **From October 10, 2019 to June 2020 –** ForteBank JSC, Deputy Chairman of the Management Board – not a member of the Management Board (CIO).
- **2017–2019 –** Bank Center Credit JSC, Managing Director (IT Group).
- **2015–2016 –** DAR ecosystem LLP (Green Apple Group of Companies), Director General.
- **1997–2015 –** Halyk Bank of Kazakhstan JSC, Leading Engineer, Chief Engineer of the Communication and Liaison Office of the Informatization Department, Technical Director of the Technical Service.

Education:

- Academy of National Economy under the Government of the Russian Federation, Information Management (CIO) (2008)
- International Academy of Business (Kazakhstan), Master of Business Administration (2008)
- I. Zhansuguriv Taldykorgan Pedagogical University, Computer Science and Management (1997)

VLADIMIR KIRUSHKO

DEPUTY CHAIRMAN OF THE MANAGEMENT BOARD

BORN IN 1980

Work experience:

- **From November, 2020 to the present –** ForteBank JSC, Deputy Chairman of the Management Board, Member of the Management Board.
- **From May to November 2020 –** ForteBank JSC, consulting services for development of retail business in the retail business direction.
- **2008–2020 –** Raiffeisen Bank Aval, Kiev, Ukraine, Director of Sales and Distribution Channels Department.
- **2007–2008 –** OTP Bank, Kiev, Ukraine, Deputy Head of the Sales Network Department / Head of the Information Center.
- **2003–2007 –** Raiffeisenbank, Kiev, Ukraine, Head of the Information Center of the Sales Network Management.
- **2000–2003 –** McDonald's Corp, Kiev, Ukraine, LSM-Coordinator (Local Store Marketing Coordinator).

Education:

- National Aviation University, Kiev, Radio-Electronic Devices, Systems and Complexes (2003)
- Kiev Institute of International Economics and Entrepreneurship, Kiev, Ukraine, International Economics (2002)
- National Aviation University, Kiev, Ukraine, Radio Engineering (2001)

SHOLPAN NURUMBET

DEPUTY CHAIRWOMAN OF THE MANAGEMENT BOARD

BORN IN 1980

Work experience:

- **From January 5, 2021 to the present –** ForteBank JSC, Deputy Chairwoman of the Management Board, Member of the Management Board.
- **2016–2020 –** Kassa Nova Bank JSC, Chairwoman of the Management Board.
- **2014–2016 –** ForteBank JSC, Deputy Chairwoman of the Management Board, Member of the Management Board.
- **2013–2014 –** Temirbank JSC, Member of the Management Board – Deputy Chairwoman of the Management Board, Director of Astana Branch, Managing Director.
- **2009–2013 –** Alliance Bank JSC, Acting Deputy Chairwoman of the Management Board, Deputy Chairwoman of the Management Board.
- **2009 –** Damu Entrepreneurship Development Fund JSC, Deputy Chairwoman of the Management Board.
- **2004–2009 –** ATF Bank JSC, Deputy Director of SME Department, Director of the Kaskelen Branch.
- **2003–2004 –** Tsesnabank OJSC, Almaty Branch, Head of the Credit Department.
- **2001–2003 –** BankTuranAlem JSC, various positions from credit expert in Almaty Branch to Leading Specialist of the SME Credit Department.

Education:

- Kazakh State Academy of Management, Finance and Credit (2000)

COMMITTEES UNDER THE MANAGEMENT BOARD

1. **The Asset and Liability Management Committee** is a permanent specialized working body established by the Management Board, which participates in definition and implementation of the Bank's asset and liability management policy.
2. **The Credit Committee of the Parent Bank (CCPB)** is a permanent collegial working body of the Head Bank that implements the development strategy and credit policy of the Bank and has powers within the limits approved by the Management Board.
3. **The Credit Committee of the Parent Bank for Small and Medium-Sized Businesses (CCMSB)** is a permanent collegial working body of the Parent Bank that implements the development strategy for small, medium and corporate businesses on lending and credit policy of the Bank, with powers within the limits approved by the CCPB.
4. **The Small Credit Committee of the Parent Bank for Small and Medium-Sized Businesses (SCCSMB)** is a permanent collegial working body of the Parent Bank that implements the development strategy for small and medium-sized businesses on lending and credit policy of the Bank, with powers within the limits approved by the CCMSB.
5. **The Credit Committee of the Parent Bank for Retail Business** is a permanent collegial working body of the Parent Bank that implements the retail business development strategy on lending and credit policy of the Bank, with powers within the limits approved by the CCPB, the Management Board.
6. **The Problem Debt Committee of the Parent Bank** is a permanent collegial body of the Bank under the Management Board, which main objectives are to organize, ensure and control repayment of problem debts.
7. **The Small Committee on Problem Debts of the Parent Bank** is a permanent collegial body of the Bank under the Problem Debt Committee of the Parent Bank, which main objectives are to organize, ensure and control repayment of problem debts.
8. **The Budget Committee** is an authorized collegial body that reports to the Management Board and is responsible for budget management and budget discipline.
9. **The Tariff Committee** is a permanent collegial working body of the Bank, which is accountable in its activities to the Management Board and which objectives are to review and implement the Bank's tariff policy.
10. **The Information Security Committee** is a collegial coordinating body of the Bank, accountable in its activities to the Management Board, which objectives are to implement and develop the Bank's information security management system, make management decisions on information security issues and implement projects on information security.
11. **The Operating Committee** is a permanent collegial working body of the Bank, accountable in its activities to the Management Board, coordinating the management of internal business processes and performing its functions in accordance with the legislation of the Republic of Kazakhstan, the Bank's Charter, the Regulations on the Operating Committee and other internal documents of the Bank.
12. **The Quality Control Committee** is a working body of the Bank's Management Board, which objective is to improve quality of client service. The Bank focuses on high-quality service to external and internal clients, partners of the Bank, offering a range of banking products and services, as well as providing the best working conditions and cooperation.
13. **The Digitalization and Ecosystem Committee** is an authorized collegial body of the Bank, accountable to the Management Board and established to consider individual issues related to informatization.

INFORMATION ON WORK OF THE MANAGEMENT BOARD AND ITS COMMITTEES

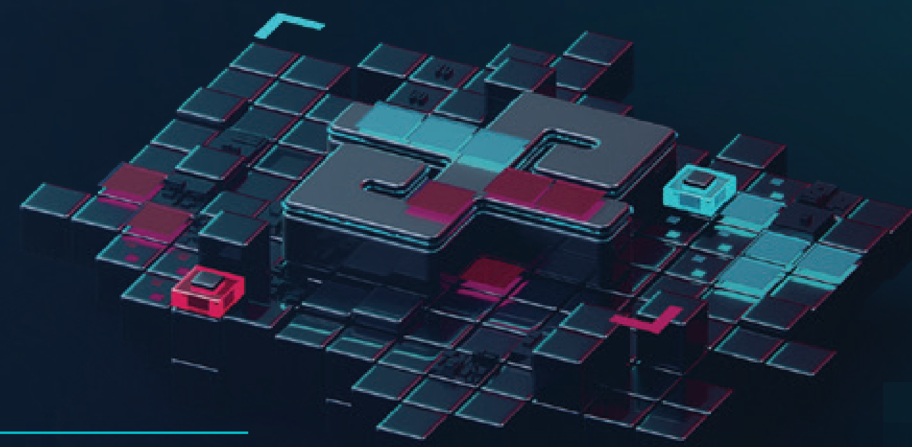
Name of a remote service channel	Number of meetings held in 2020
Management Board	123
Asset and Liability Management Committee	94
Tariff Committee	88
Budget Committee	77
Operating Committee	79
Quality Control Committee	23
Problem Debt Committee of the Parent Bank	39
Small Problem Debt Committee of the Parent Bank	31
Credit Committee of the Parent Bank	96
Credit Committee of the Parent Bank for Small and Medium-Sized Businesses	148
Small Credit Committee of the Parent Bank for Small and Medium-Sized Businesses	172
Credit Committee of the Parent Bank for Retail Business	148
Information Security Committee	2
Digitalization and Ecosystem Committee	50

MANAGEMENT REMUNERATION

The ForteBank remuneration policy of senior employees is implemented as required by the legislation of the Republic of Kazakhstan, the National Bank of Kazakhstan and the Bank's Charter.

The total remuneration of 15 members of the Board of Directors and the Management Board in 2020 amounted to 3.1 billion tenge. This amount includes monetary remuneration to members of the Board of Directors and the Management Board and related taxes.

THE STANDARDS OF CORPORATE CONDUCT OF FORTEBANK EMPLOYEES, AIMED AT MAINTAINING ETHICAL STANDARDS, QUALITY OF SERVICE AND CONVENIENCE FOR CLIENTS



CORPORATE ETHICS

The standards of corporate conduct of ForteBank employees, aimed at maintaining ethical standards, quality of service and convenience for clients, improving profitability, financial stability and efficiency of the Bank, are regulated by the Code of Corporate Conduct of Employees, approved in 2018.

This Code contains all the mandatory rules and principles of corporate conduct, which apply to absolutely all employees, regardless of their position.

ANTI-CORRUPTION MEASURES

According to the Code of Corporate Conduct of the Bank's Employees, employees are not entitled to give and accept gifts and provide the Bank's services to provide property benefits or advantages when receiving the Bank's services by other persons, to demand money and information from clients and partners, which submission is not provided for by the legislation of the Republic of Kazakhstan, to commit and admit grounds for committing corruption violations.

INTERNAL AUDIT SERVICE

The internal audit in the Bank is arranged and performed by the Internal Audit Service (IAS), which is directly subordinated and accountable to the Board of Directors. The IAS activities are supervised by the Audit Committee of the Board of Directors.

In carrying out its activities, the IAS is guided by the legislation of the Republic of Kazakhstan, internal documents of the Bank and International Professional Standards of Internal Audit.

THE PURPOSE OF THE INTERNAL AUDIT IS TO PROVIDE THE BOARD OF DIRECTORS WITH INDEPENDENT AND OBJECTIVE INFORMATION DESIGNED TO ENSURE EFFECTIVE MANAGEMENT OF THE BANK BY INTRODUCING A SYSTEMATIC APPROACH TO IMPROVING THE BANK'S RISK MANAGEMENT, INTERNAL CONTROL AND CORPORATE GOVERNANCE SYSTEMS.

The IAS consists of three specializations: internal audit, monitoring and methodology of internal audit, and IT audit. IAS employees have knowledge, skills and competencies necessary for performance of their official duties, and are qualified in applying internal audit procedures, methods and standards.

In accordance with the annual audit plan approved by the Board of Directors, in 2020, the IAS implemented 13 audit tasks, as well as 3 unscheduled activities on behalf of the Board of Directors. Within the framework of the planned tasks, the IAS assessed the internal processes and risks inherent in the Bank's activities, which included an assessment of:

- effectiveness of the risk management and internal control system;
- effectiveness of the Bank's policies and procedures;
- reliability of the accounting and information system;
- reliability and integrity of management reporting systems;
- preservation of assets and capital.

Based on the audit results, the IAS issues recommendations aimed at improving the Bank's activities and optimizing business processes. During the reporting year, the IAS continuously monitored implementation of the measures proposed as a result of the internal audit, and notified the Board of Directors of significant deficiencies in the internal control system, as well as a status of the management's implementation of corrective actions to eliminate the identified deficiencies and improve the internal control and risk management procedures in the Bank.

COMPLIANCE CONTROL SERVICE

In accordance with the Rules for Formation of a risk management and internal control system for second-tier banks, approved by the resolution of the Board of the National Bank of Kazakhstan, the Bank has implemented a compliance risk management system aimed at effective control by the Bank's bodies and compliance risk management through timely identification, measurement, control and monitoring. The Bank has established and operates a Compliance Control Service.

The Compliance Control Service is guided in its activities by the legislation of the Republic of Kazakhstan and is accountable to the Chief Compliance Controller. Employees of the Compliance Control Service have necessary qualifications, work experience

and professional qualities sufficient to perform functions on compliance risk management and anti-money laundering and combating the financing of terrorism (AML/CFT).

The Compliance Control Service is a structural division of the Bank (second line of defense), independent of any activity of the Bank's structural divisions that make up the first line of defense, and is responsible for developing the compliance risk management policy, ensuring compliance risk management and coordinating the Bank's compliance risk management activities, as well as for implementing the AML/CFT policy in the Bank.

In 2020, the Service implemented activities aimed at improving and maintaining the following processes:

- group compliance risk and AML/CFT management system, including coordination of the Bank's subsidiaries;
- compliance risk management;
- AML/CFT;
- interaction with a regulator;
- control of transactions with related parties;
- support of external and internal audits.

These processes are implemented in accordance with the legislation of the Republic of Kazakhstan, as well as the international standards and best international practices.

IN 2020, THE COMPLIANCE CONTROL SERVICE ORGANIZED THE FORTE COMPLIANCE DAY, AIMED AT DEVELOPING THE COMPLIANCE CULTURE AND ETHICS, WHICH WAS ATTENDED BY EMPLOYEES OF THE BANK, ITS SUBSIDIARIES AND OTHER ORGANIZATIONS FROM KAZAKHSTAN AND ABROAD, AND ALSO CREATED THE FORTE COMPLIANCE SCHOOL, DESIGNED TO RAISE AWARENESS AND INVOLVEMENT OF EMPLOYEES IN THE PROCESSES OF COMPLIANCE RISK MANAGEMENT, AML/CFT AND ETHICS.

CLIENT EXPERIENCE

ForteBank has several channels through which clients can send their requests, complaints, suggestions, and thanks, namely:

- contact center;
- ForteBank mobile app;
- Bank outlets;
- offices of the Head Quarters and branches;
- forte.kz website (the "Feedback" section);
- social networks.

In any convenient way, a client can give any feedback, including suggestions and appreciations. Everything is accepted and processed.

To improve the client service and the most effective processing of complaints and client requests, in 2019, the Client Experience Management Department was established and a separate dedicated team of ForteBank Rangers was formed, which helps clients solve their issues. The Department constantly makes suggestions for adjusting a processes of providing services, making them the most convenient for clients.

All client requests and complaints are registered in the request monitoring system, sent to the Client Experience Management Department, and then sent to the competent departments to resolve the client's issue. After that, within the time limits established by legislation, an applicant is provided with a response to the request. The Client

Experience Management Department classifies and routes client requests based on quality of service to the necessary Bank's structural division, monitors and controls the terms of consideration of requests, and provides clients with feedback and notification of a decision upon the resolution of a request.

IN CONNECTION WITH THE COVID-19 PANDEMIC AND ANNOUNCED QUARANTINE MEASURES, IN THE SECOND QUARTER OF 2020, THE MAIN TOPIC OF APPEALS TO THE BANK (MAINLY THROUGH THE CALL CENTER AND REMOTE FEEDBACK CHANNELS) WAS TO OBTAIN A DEFERRAL ON EXISTING LOANS, AS WELL AS STATE TARGETED ASSISTANCE THROUGH FORTEBANK ACCOUNTS.

INFORMATION POLICY

The principle of transparency and objectivity of disclosure of information about the Bank and its activities is aimed at providing external readers with accessible, up-to-date, truthful and understandable information in the necessary and sufficient volume.

The Bank's key stakeholders include shareholders, clients, counterparties, partners of the Bank, existing and potential investors, rating agencies, stock exchanges where the Bank's securities are listed or have been listed, government agencies that perform regulatory and supervisory functions in relation to the Bank, and the mass media.

Reasonable information transparency is aimed to ensure transparency of the Bank's corporate governance, with exception of matters that are commercial, operating, banking and other secrets protected by law.

The principle of transparency and objectivity of disclosure of information about the Bank and its activities implies the following:

1. the Bank's shareholders and investors (including potential ones) are given an opportunity to have free and easy access, in accordance with a procedure established by the legislation of Kazakhstan and the Bank's internal documents, to the information about the Bank and its activities that is necessary for the Bank's shareholders and investors to make appropriate decisions;
2. The Bank promptly discloses information about the main results, plans and prospects of its activities, which may significantly affect the rights and legitimate interests of the Bank's shareholders and investors;
3. The Bank regularly discloses information about significant corporate actions and/or events in its activities, while observing measures to protect confidential information, which list is determined by the Board of Directors.

The Bank discloses information as required by the legislation of Kazakhstan and the recommendations of an authorized body.

Information about the Bank is disclosed in accordance with the Bank's internal documents, which contain a list of information that the Bank considers necessary to disclose (in addition to those provided for by legislation), rules for its disclosure, and procedures for providing the disclosed information.

The main forms of disclosure of information about the Bank are:

- issue prospectus;
- securities reports;
- Bank's annual report;
- reports on facts of significant importance to the Bank's shareholders;
- financial statements.

EXTERNAL AUDIT

Since 2015, the Bank's external auditor is Ernst & Young LLP.

The audit organization that audits and reviews the Bank's financial statements is determined by the Annual General Meeting of Shareholders. The Annual General Meeting of Shareholders dated May 4, 2020 appointed Ernst & Young LLP as ForteBank's auditor to review the financial statements for 2020-2022.

RISK MANAGEMENT

The basic principles of risk management are defined in the Bank's Risk Management Policy and Risk Appetite Strategy. Identification of the types of risks to which the Bank is exposed, in order to identify weaknesses and prioritize subsequent actions within the risk management system, is defined in the Risk Map in accordance with the Bank's Risk Management Policy.

An integral part of the integrated risk management system is a risk culture formed in the Bank, which is constantly improved. This work is aimed at developing employees' behavior when they openly discuss and respond to existing and potential risks, as well as show intolerance to ignoring risks.

For risk management, the Bank has the Strategic Risk Department and the Credit Risk Department.

When implementing the Strategy, the Bank determines compliance of the risk profile of a potential transaction with the NBK regulatory requirements, the intrabank limits at the time of making a decision on banking operations.

Assessment of the risk profile, as well as the Bank's position in the financial market and a degree of influence of a particular risk factor on the financial result from banking activities, reflected in the Bank's Development Strategy, form the Bank's risk appetite.

Risk Management Bodies

The Board of Directors is responsible for proper functioning of the risk management control system, for managing key risks and approving risk management policies and procedures, as well as for approving major transactions.

The Management Board is responsible for monitoring and implementing risk mitigation measures, as well as ensuring that the Bank operates within the established risk limits.

Credit risk is controlled by a system of credit committees. To improve efficiency of the decision-making process, the Bank has created a hierarchical structure of credit committees, depending on a type and amount of risk exposure.

Market risks, liquidity risks, as well as credit risks in terms of counterparties and country risks are managed and controlled by **the Asset and Liability Management Committee (ALMC)** both at the portfolio level as a whole and at the level of individual transactions.

Operational risks, including information technology and information security risks, are controlled by **the Operating Committee.**

The responsibilities of a Head of **the Risk Management Service (Credit Risk Department, Strategic Risk Department and Collateral Department)** include general risk management and monitoring of compliance with the current legislation, as well as monitoring the application of general principles and methods for detecting, evaluating, 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.

The Strategic Risk Department manages market risks (interest rate, currency, price), liquidity risk, country risk and counterparty risk, including on a consolidated basis; calculates provisions (reserves) in accordance with IFRS, including controls over formation and calculation of provisions on a consolidated basis.

The Credit Risk Department minimizes risks at the stage of making a decision on financing clients of the Corporate business, SMEs, Retail segment and Private banking.

Risk Description

Credit Risk

One of types of risks that the Bank is exposed to is **credit risk** – a probability of losses arising from failure of a borrower or counterparty to fulfill obligations in accordance with the Bank loan agreement.

The Bank has developed policies and procedures for managing credit risk (both for recognized financial assets and for unrecognized contractual liabilities), including requirements for setting and meeting limits on concentration of credit risk, as well as through the establishment of credit committees whose functions include active monitoring of credit risk.

The credit policy provides for:
- procedures for reviewing and approving loan applications;
- methodology to assess creditworthiness of borrowers (corporate and retail clients);
- methodology to assess creditworthiness of counterparties, banks and insurance companies;
- methodology to assess the proposed software;
- credit documentation requirements;
- procedures for continuous monitoring of loans and other products that carry credit risk.

The Bank's credit risk is managed on a consolidated basis and includes:
- limiting credit risk through the current system of internal limits and limits that meet the mandatory standards and other requirements of a regulator, with mandatory regular review and approval by authorized collegial bodies;
- analysis of credit risk at the stage of consideration of credit applications, as well as by taking timely measures to identify credit risk factors during monitoring;
- minimization of credit risks through accepted collateral and its insurance, the establishment of an adequate payment for credit risk and the formation of sufficient reserves for possible losses on the loan portfolio;
- control of a level of credit risks as part of regular monitoring of the credit portfolio (analysis of loan portfolio, monitoring, conclusions and recommendations), individual clients, transactions and collateral, as well as by assessing the credit risk assumed by the Bank on the counterparty.

The Bank uses the following main credit risk assessment methods:
- determining a level of creditworthiness of clients based on results of analysis of financial and non-financial performance indicators and expert evaluation (preliminary selection of clients in accordance with the credit rating class, taking into account the standards for coefficient analysis of the project). Retail credit risk is assessed using scoring models and automated credit decision-making procedures, as well as verification/examination of client data (client's financial condition, social parameters, credit history information);

- analysis of a level of concentration of credit risks accepted by the Bank for individual borrowers (groups of related borrowers), industries, countries, client segments, types of credit products;
- identification and monitoring of anxious borrowers (Watch list);
- procedures for assessing quality of loans and collateral; assessing the risks associated with offer of new banking products by the Bank;
- assessment of possible losses due to implementation of credit risk as part of calculating and forming reserves for possible losses (as required by a regulator and IFRS standard);
- stress testing of losses on the loan portfolio, taking into account various macroeconomic scenarios.

Main types of credit risk limits and restrictions on a consolidated basis:

- acceptable (aggregated) level of credit risk;
- credit limits that limit concentration of credit risks (by currency, by country, by business category and product, by industry, by type of collateral),
- credit limits for decision-making powers (for credit committees; limits for problem debt committees);
- ban on financing borrowers, which list is reflected in the internal documents of the Bank;
- participation in the Credit Committee of at least two members, including mandatory employees of the Credit Risk Department and the Lending Department;
- limits in accordance with requirements (mandatory standards) of a regulator (limits on one borrower or a group of related borrowers not related to the Bank by special relations for any type of obligation to the Bank, as well as on one borrower or a group of related borrowers that are related to the Bank by special relations for any type of obligation to the Bank);
- control and compliance with NBK (AFR) resolution (Rules for early response measures for loan portfolio factors affecting deterioration of the Bank financial condition).

Lending to related parties with the Bank is carried out in strict accordance with the legislation of the Republic of Kazakhstan and internal documents of the Bank. The Bank related parties are determined in accordance with the legislation of the Republic of Kazakhstan.

The relevant internal documents regulating the Bank's credit activities determine the main requirements for borrowers, indicators for assessing creditworthiness of borrowers, conditions, rules, lending processes for legal entities and individuals (individual entrepreneurs), including a description of the participants in the credit process and a procedure for interaction between them, including information exchange, procedures for approving and confirming credit instruments, taking into account the specific features of credit instruments and services, a form and purpose of lending, as well as the maximum amount of loans.

Requirements for professional qualities of employees performing credit functions are defined in the relevant job descriptions of employees.

All projects, as well as changes in the current financing conditions, are financed based on decisions of the relevant credit committees and the Board of Directors, if necessary, adopted for each specific credit project.

THE KEY RISK FOR 2020 WAS THE PANDEMIC ASSOCIATED WITH THE SPREAD OF COVID-19, WHICH RESULTED IN PRESSURE ON OIL PRICES AND, AS A RESULT, ON THE NATIONAL CURRENCY, WHICH CAUSED ITS DEPRECIATION, AS WELL AS A COMPLETE/PARTIAL SHUTDOWN OF BUSINESS DUE TO GOVERNMENT RESTRICTIONS. IN ORDER TO SUPPORT BORROWERS OPERATING IN THE SECTORS MOST AFFECTED BY THE PANDEMIC, THE BANK PROVIDED RESTRUCTURING SERVICES (DEPENDING ON A FINANCIAL CONDITION), AS WELL AS PARTICIPATED IN GOVERNMENT SUPPORT MEASURES FOR BUSINESSES (SUBSIDY OF RATES, GRANTING DEFERRALS).

Market Risk

Market risk includes currency, interest rate, and price risks.

Currency risk. The Bank is exposed to fluctuations in exchange rates of foreign currencies during its activities. To minimize this risk, the Bank monitors its open currency positions, as well as analyzes the Bank's position on income/expenses from currency revaluation, calculates the currency VaR to estimate the maximum possible amount of losses due to negative revaluation of the Bank's open currency positions, has restrictions on open currency positions as required by the National Bank of Kazakhstan, as well as in accordance with its internal documents. In the presence of speculative currency positions, the Bank uses the system of maximum loss/income limits stop-loss/take-profit.

Interest rate risk. The Bank is exposed to interest rate risk due to adverse changes in market interest rates on assets, liabilities and off-balance sheet instruments. To manage interest rate risk, the Bank analyzes gaps in assets and liabilities that are sensitive to changes in interest rates, analyzes and controls the modified duration to assess absolute sensitivity of the securities portfolio to changes in interest rates, calculates interest rate risk for financial instruments with floating interest rates, and limits interest rate risk.

Price risk. The Bank is exposed to price risk due to adverse changes in the market value of financial instruments. In order to minimize the price risk, the price VaR is calculated to estimate the maximum possible amount of losses due to a negative revaluation of the market value of the Bank's securities portfolio, monitoring correctness of determining a value of securities portfolio for analysis and control of income/expenses from operations with financial instruments that are sensitive to changes in market factors, monitoring the Bank's profitability from the use of financial instruments in order to analyze the Bank's income/expenses from purchase/sale and changes in the value of financial instruments as a result of revaluation, a system of limits is used, which includes limits on the structure of securities portfolio and limits on the volume of investments in securities of an individual bank. If there are securities in portfolio for speculative purposes, the system of maximum loss/income limits stop-loss/take-profit is used.

Liquidity risk is a risk associated with possible non-fulfillment or untimely fulfillment of the Bank's obligations. When managing liquidity risk, the Bank monitors performance of current and term liquidity ratios, including foreign currency; the liquidity coverage ratio and net stable funding ratio at the request of the NBK, as well as performance of internal standards in accordance with its internal documents. In addition, discrepancies in terms of maturities of claims and liabilities (liquidity gaps) are monitored, and scenarios of the Bank's activities in "stressful" situations of liquidity risk are developed and analyzed.

Country risk. The Bank carries out its activities in mostly in the Republic of Kazakhstan, thus, results of its activities largely depend on economic and political conditions prevailing in the Republic. Meanwhile, the Bank provides financing to non-resident clients – loans (cash and non-cash) to legal entities and individuals, and transactions in interbank market with non-resident counterparties. Assessing this credit risk is minimized by studying the economic and political situation of the investment countries and setting country limits.

THE BANK'S STABILITY IN CASE OF POSSIBLE ADVERSE MARKET CONDITIONS IS REGULARLY ASSESSED THROUGH STRESS TESTING. STRESS TESTING IS CARRIED OUT ACCORDING TO THE DEVELOPED SCENARIOS AND TAKES INTO ACCOUNT CHANGES IN THE STATE OF THE MARKET, A SCALE OF THE BANK'S ACTIVITIES, THE ACTUAL EXPERIENCE OF OPERATING IN STRESSFUL SITUATIONS, AS WELL AS THE RECOMMENDATIONS OF A REGULATOR.

Operational Risk

Operational risk is a probability of losses arising as a result of inadequate or insufficient internal processes, human resources and systems, or an impact of external events, with exception of strategic and reputational risk:

- a risk associated with an uncertain, inadequate organizational structure of the Bank, including allocation of responsibility, a structure of accountability and governance;
- a risk caused by inadequate strategies, policies and/or standards in information technology, shortcomings in the use of software;
- a risk associated with inadequate information or its inappropriate use;
- a risk associated with improper management of the Bank's personnel and/or unqualified personnel;
- a risk associated with inadequate business process design or weak control over compliance with internal documents and rules;
- a risk caused by unforeseen or uncontrolled external factors affecting the Bank's operations;
- a risk associated with non-compliance of the Bank's internal documents with legal requirements;
- a risk associated with the actions of the Bank's personnel, which may negatively affect the Bank's activities, fraud.

Information technology risk(s) is a probable damage due to failure (malfunction) of information and communication technologies operated by the Bank, including unsatisfactory processes related to the development and operation of information technologies by the Bank.

Information security risk(s) is a probable damage resulting from a violation of integrity, confidentiality and availability of the Bank's information assets, resulting from deliberate destructive influence by the Bank's employees and/or third parties.

Operational risks, information technology risks and information security risks are managed by the Bank on a consolidated basis at the Bank level, through the use of such tools as collecting statistical data on risk events, limiting through development and approval of key risk indicators, determining acceptable level of operational risk, scenario analysis, self-assessment of operational risk, forming a risk map and developing action plans for identified risk events aimed at preventing such cases in the future.

To identify and minimize risks at a stage of implementation/modification of products, projects and information systems, the Bank constantly analyzes internal business processes, procedures, technical specifications, provides recommendations to minimize risks and ensure information security requirements, including risks of unauthorized access to critical information systems of the Bank and ensuring their proper protection, minimizing a risk of downtime of information resources.

Development of the operational risk management system includes:

- improvement of mechanisms to monitor a level of operational risk at the level of the Bank and the Bank companies as part of the Bank's Risk Appetite Strategy;
- unification of methodological approaches to managing operational risks, information technology risks, and information security risks at the Bank level;
- further development of methodology of the unified system of operational risk management tools at the Bank level;
- improving regular reporting.

IN CONTEXT OF THE PANDEMIC, WHEN MOST OF THE BANK'S EMPLOYEES SWITCHED TO REMOTE MODE OF OPERATION, FROM POINT OF VIEW OF OPERATIONAL RISK MANAGEMENT, ISSUES OF EFFECTIVE COMMUNICATION AND ENSURING UNINTERRUPTED REMOTE WORK, ISSUES OF ENSURING THE REGULAR FUNCTIONING OF INFORMATION SYSTEMS, ENSURING INFORMATION SECURITY HAVE BECOME PARTICULARLY IMPORTANT.

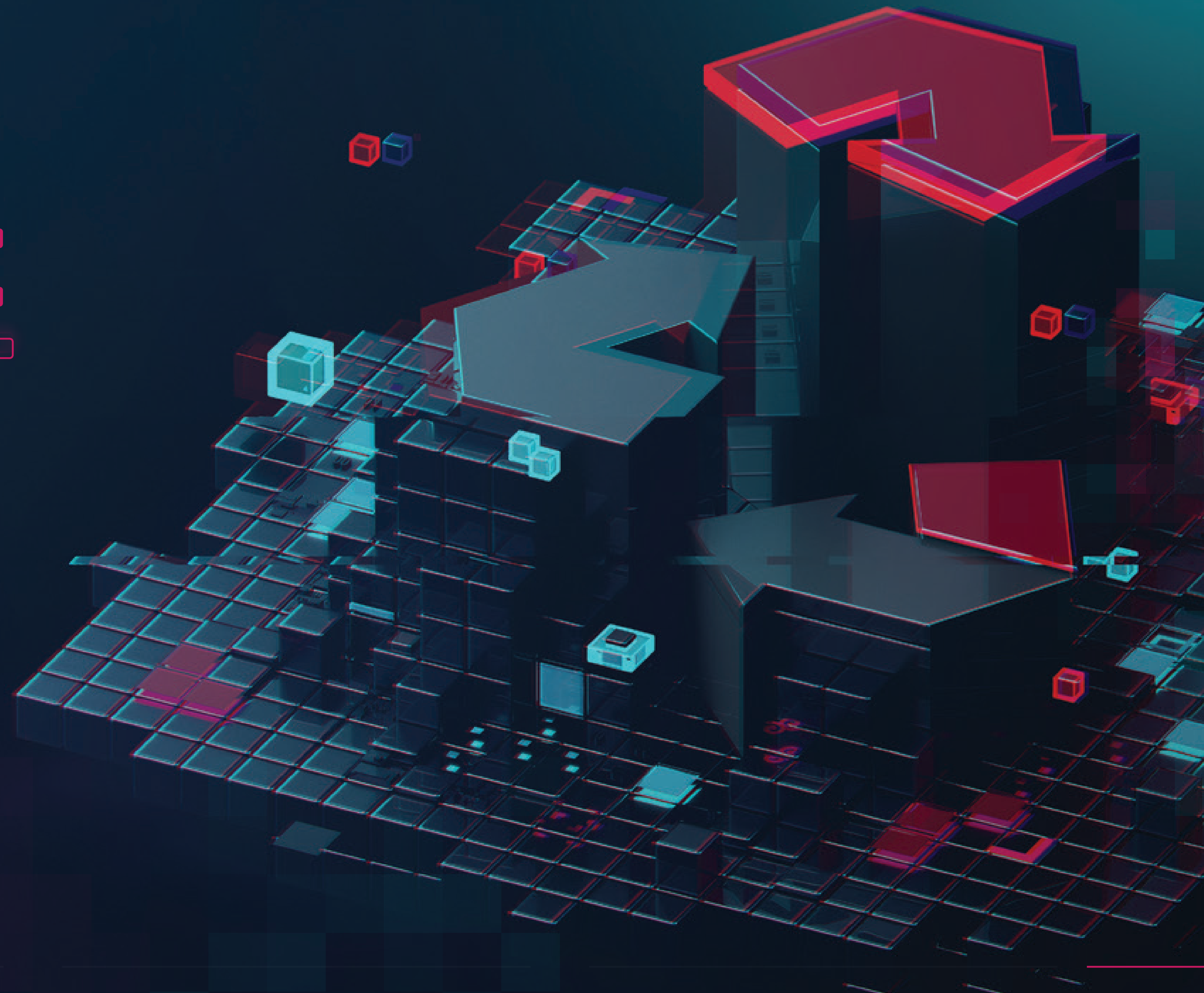
A process of risk identification during introduction of new products/services, business processes, and development of internal documents remained unchanged. The employees had the required capabilities to perform remotely the functions of risk coordinators. During transition of employees to remote operation, measures were taken to minimize the information security risks associated with leakage of confidential information and protection of Bank data.

The Bank continues improving the risk culture among employees, involving all employees of the Bank in risk management process ("each employee is a risk manager"), ongoing training is conducted, and each new Bank employee is familiarized with the operational risk management system.

#change2020

REPORT ON SUSTAINABLE DEVELOPMENT

ForteBank strives to maintain a status of attractive employer and actively develops the personnel management system using modern approaches that meet the economic and socio-political conditions.



MARKETING ACTIVITIES

Forte as universal Bank rapidly improves its market position and client base in all business segments, including the retail market, the SME and corporate business segments, and private banking. Balanced development and good capitalization ensure reliability of the Bank, which gains the trust of both retail and corporate clients.

In recent years, Forte has been actively working on digitalization and development of an ecosystem that includes a wide range of services that go beyond the classic banking services.

In 2020, in addition to the ForteMarket digital store, which sells thousands of different products from small electronics to home furniture, ForteTravel was added – a service for buying travel packages and air tickets. As an innovative non-banking product, Forte has a mobile connection – ForteMobile. The service immediately aroused great interest. The exclusive product is ForteForex service – a trading platform that allows the Bank's clients to buy and sell foreign currency at their own exchange rate. The Forte ecosystem is constantly replenished with new services and shows good results – this year, sales of ForteMarket online store increased several times, despite the pandemic.

Forte's dynamic development with a focus on innovation means that new opportunities are constantly emerging for our clients. Active development of both internal processes and client solutions did not stop even during the state of emergency in the country.

As part of our marketing activities, we set ourselves the task of presenting new solutions and services that are now available to our current and potential clients.

In its marketing activities, the Bank uses a wide range of communication channels, including Internet (contextual advertising, YouTube, GDN, YAN), SMM (posts in its own social media), republican radio, outdoor advertising, and printing production. Content and communication channels are selected and adapted according to the interests and preferences of audience to best convey the information.

In 2020, Forte presented its products and services in a new format – Forte Digital Week. For three days, Guram Andronikashvili, Chairman of the Forte Management Board, introduced the participants online to the new and updated services of the Bank, which are designed to make life of clients easier and relationship with the Bank more comfortable. A number of products were presented: ForteMobile mobile communication, ForteForex currency trading platform, a new Forte app and a section for domestic entrepreneurs on ForteMarket – "Made in Kazakhstan".

In addition, the following advertising campaigns were conducted in 2020:

- Tender Guarantees;
- Express-Credit;
- ForteMobile;
- Forte Days (Express credit);
- ForteForex – online currency trading platform;
- Snowfall of Gifts – prize drawing with VISA MPS;
- Fireworks of Gifts – raffle of certificates on ForteMarket together with MasterCard MPS.

TWO ADVERTISING CAMPAIGNS WERE HIGHLY APPRECIATED LAST YEAR.

CONTRACT WITH THE MOTHER

On International Women's Day, almost all people call to their mothers to congratulate them. And then within a year they call less often. We came up with a special "Contract with the Mother", which we added to each agreement for product. By signing it, ForteBank clients promised to call their mother more often.

www.facebook.com/190555857738884/videos/823139588162895

#SAVENAURYZ

In 2020, Nauryz holiday was held under strict quarantine, which was introduced in the country to combat the pandemic. We tried to support our fellow citizens during this difficult period.

A special challenge was launched, under which it was necessary to stay at home in Nauryz and record a video greeting or sing the song of Abay Kunanbayev "Kozimnin Karasy" – we believe that this song unites Kazakhstanis better than others. Among the participants, we raffled off 10,000,000 tenge for the best greeting or performance of a song – 100,000 tenge for 100 winners.

www.facebook.com/190555857738884/videos/363257167940614

INTERACTION WITH STAKEHOLDERS

ForteBank is committed to creating value for all its stakeholders and ensuring a balanced development based on their interests in both short and long terms. We engage with our stakeholders to keep them as informed as possible about our activities and to ensure that the best results are achieved for them.

Interaction with stakeholders is a key element of responsible decision-making by the Bank's management. We give everyone an opportunity to provide feedback on the Bank's activities through various forums and channels to help shape our business development strategy in accordance with the needs and expectations of stakeholders.

By providing high-quality stakeholder engagement, we strive to strengthen mutual trust, foster engagement, maintain sound risk management, and ultimately make decisions that are in the best interests of our stakeholders.

Through an open dialogue with stakeholders, we have developed clearer understanding of wishes and key interests of stakeholders and how we can best meet these needs.

What is our approach to working with stakeholders?	How do we interact?	What questions are raised most often?	How do we respond?
Shareholders The implementation of our strategy is consistent with the goal of ensuring long-term sustainable returns for shareholders.	We interacted with our shareholders at our general meeting of shareholders, with Management reviewing the Bank's activities, and shareholders were given an opportunity to provide feedback and vote on key decisions.	The main interest of the shareholders is to expand scope of Bank's activities and ensure a stable financial position, as well as to continue a course of digitalization and ecosystem development.	We have created a high-quality risk management system and develop our activities in a balanced manner, ensuring good financial results and expanding our client base and extent of operations. The Bank ensures high-quality financial and non-financial reporting to provide in-depth understanding of its business to investors and shareholders.
Clients The interests of a client are at the heart of everything we do. Innovation, product development, service quality improvement, and reliability are the priorities of our strategy.	Our front office colleagues are an integral part of interaction with our clients, and we gain invaluable insight into how our clients feel about our service and what we can do better.	Clients are increasingly interested in digital solutions. They want to get the most convenient and suitable solutions for them in the shortest possible time. In addition, we see and understand that our clients' requests are not limited to classic banking products.	When developing our offers, we strive for a client-centric approach and put them at the center of the process. Last year, in particular, we worked on development of products and improving quality of service. Technological innovations are developed to create a broad ecosystem of services to meet the various needs of clients.

What is our approach to working with stakeholders?	How do we interact?	What questions are raised most often?	How do we respond?
Employees Our people are the main asset of the Bank. We create a corporate environment that provides equal development opportunities for all employees and better working conditions.	During the year, we communicated with our employees on several forums and through various channels to collect thoughts, opinions and feedback on how we are doing, with an opportunity to ask questions directly to the Bank's top management. We strive to build a culture of open communication. In December 2019, for example, the WORKPLACE corporate social network was launched.	Employees are interested in receiving decent remuneration for their work and providing a social package, as well as in fair and objective procedures for interaction with the Bank at all stages of cooperation.	We strive to create a strong corporate culture based on values of the Bank, and a comfortable atmosphere in the team. An important area is the creation of effective motivation for employees and high-quality social support. The Bank pays great attention to the training and professional development of employees to expand their career opportunities and unlock their potential. In addition, we pay attention to the development of IT infrastructure to improve comfort of the personnel.
Society We make decisions and conduct business to ensure that our clients, shareholders, colleagues, and the communities in which we operate have access to a prosperous and sustainable future.	We are in constant dialogue with the media, non-governmental organizations and other members of the public to improve our understanding of emerging and existing environmental and social issues and to see areas that require our active participation. We also keep regular open communication with regulators, ensuring business transparency and exchanging views and expectations.	Important aspect of our activities is the strict compliance with the legislation on socio-economic and environmental issues. The issues of impact of our activities on the socio-economic situation in the regions where we operate, ensuring high-quality employment, and availability of products and services are also raised.	We ensure transparency and openness of our activities and take into account the interests of various social groups when making decisions. The Bank works to implement the principles of sustainable development in its activities to work most effectively on development of the social and environmental aspects of its activities.

SUSTAINABLE DEVELOPMENT

PERSONNEL MANAGEMENT

ForteBank strives to maintain a status of attractive employer and actively develops the personnel management system using modern approaches that meet the economic and socio-political conditions.

The Bank personnel policy is aimed at formation and development of a cohesive team of professionals capable of efficiently and promptly solving the tasks set. The Bank has established common standards for personnel management, requirements for recruitment, training and evaluation, remuneration and social support of employees, standards for ensuring employee satisfaction with working conditions, and objective and full-fledged personnel Bank reporting.

Corporate governance in the Bank is based on a need to protect the rights of the Bank's employees provided for by the legislation of Kazakhstan and is aimed at developing partnerships between the Bank and its employees in addressing social issues and regulating working conditions. One of the main aspects of the Bank's personnel policy is improvement of working conditions in the Bank, compliance with the norms of social protection of the Bank's employees and further increase of the Bank's social responsibility to its employees.

In case of significant changes related to the Bank's activities, according to the Labor Code of the Republic of Kazakhstan, an employee is sent a written notification of changes in working conditions no later than 15 calendar days in advance.

Personnel management in the Bank is based on the principles of legality, justice, equality, non-discrimination, openness, efficiency, objectivity, improving human resources, encouraging initiative and innovation, and individual responsibility. In 2020, there were no cases of violations of the rights of employees and signs of discrimination. There were no complaints about the Bank's employment practices.

As part of the Bank's Strategy, much attention is paid to evolution of the personnel policy. Our goal is to unlock human potential, inspire professionals, and effectively collaborate in teams to create value for a client.

One of the most important areas of development in personnel management is automation and centralization of operational processes. This requires both updating the IT architecture and revising all business processes. We improve the user experience of our employees, which will create a comfortable working environment for them and contribute to improving work efficiency.

In 2020, 15 processes (20%) requiring routine operations were automated. The pandemic has made this work even more urgent. Along with automation, work is underway to optimize processes that need to be developed in future.

To create effective team interaction, we are working on adapting the corporate culture and values, taking a new look at the required competencies of employees.

Forte Corporate Values

Energy
The Bank values energy and personal involvement of each employee in the goals and objectives of the Bank and its clients.

Innovation
The Bank appreciates all the innovative ideas that help in solving the problems of our clients and the development of the Bank.

Growth
Development of each of the employees is a path to the growth of our Bank.

Human factor
The Bank is proud of our professional and close-knit staff.

Trust
The Bank trusts its personnel to make important decisions for the Bank and for its clients.

Honesty
Honesty within the Bank, with its clients and partners.

Team spirit
Cooperation to achieve better results from joint activities.

High professionalism and commitment to improvement
The high professionalism of the Bank's employees contributes to strengthening the Bank's image, formation of a cohesive team of like-minded people committed to corporate values, focused on implementation of the Bank's strategy, and able to find solutions in the most difficult situations. Employees are constantly striving for improvement and development.

Responsibility
The Bank's performance of its obligations to shareholders, clients, partners and employees depends on personal responsibility of each employee.

Structure and Number of Personnel

At the end of 2020, the Bank's consolidated personnel were 3,782, which is 3% more than a year earlier. The Head Quarters employs 1,098 people and 2,684 people in branches across the country.

In context of gender groups: share of women is 63%, men – 37%. Share of women in senior positions in the Parent Bank is 52%, in branches – 45%. The average age of the Bank's management team was 40-41 years, and the Bank's personnel as a whole was 34 years.

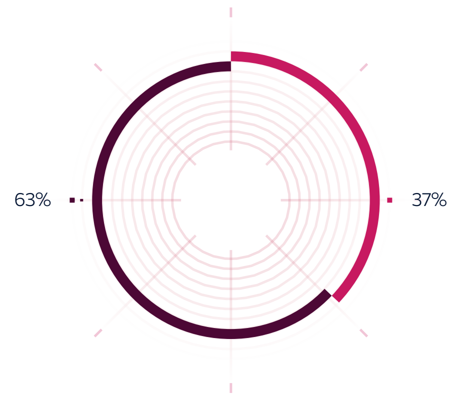
In 2020, 843 people were employed, which is 22% of employees at the end of the year.

The retention rate of key employees in 2020 was 95%.

Personnel Structure

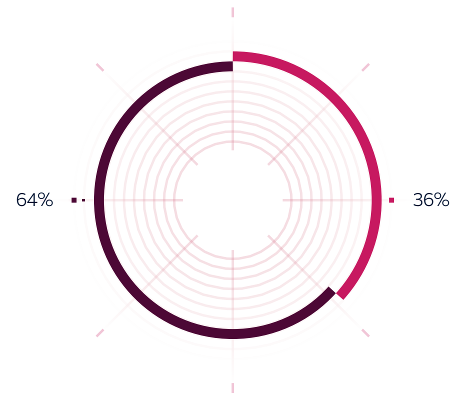
		Including by gender groups		Including by age groups		
Indicator	**Total (pers.)**	**men**	**women**	**up to 30 years old**	**30-50 years old**	**over 50 years old**
Total personnel	**3,782**	**1,386**	**2,390**	**1,248**	**2,271**	**263**
Board of Directors	**6**	**6**	**-**	**-**	**3**	**3**
Parent Bank	**1,098**	**482**	**610**	**303**	**700**	**92**
Management Board	**7**	**5**	**2**	**-**	**6**	**-**
Senior positions	52	25	27	-	47	5
Specialists	1,033	452	581	303	644	87
Branches	**2,684**	**904**	**1,780**	**945**	**1,571**	**168**
Senior positions	146	81	65	4	121	21
Specialists	2,538	823	1,715	941	1,450	147
Personnel turnover, %	23	15.3	8.3	50	37.8	2.5
Number of employees hired in 2020, pers.	843	305	538	482	350	11

Personnel gender structure at the end of 2020



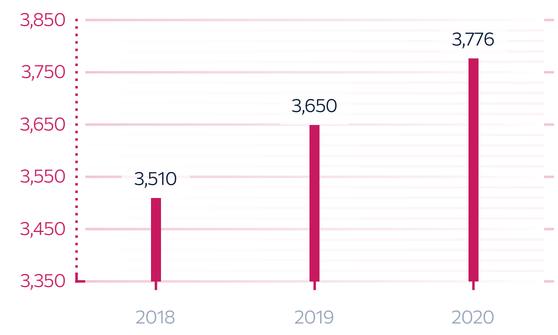
Men | Women

Gender structure of hired employees in 2020

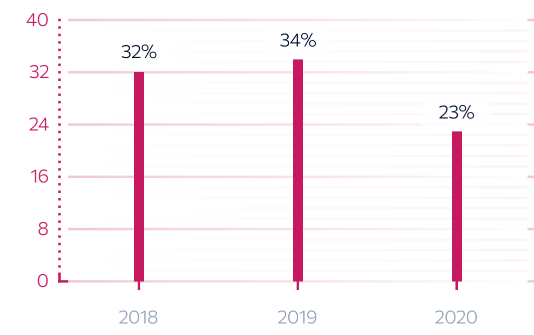


Men | Women

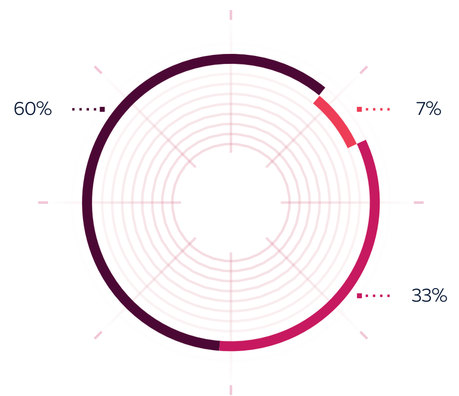
Headcount, pers.



Personnel turnover, %

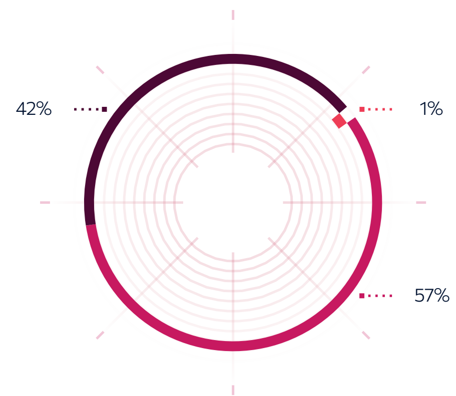


Personnel structure by age groups at the end of 2020



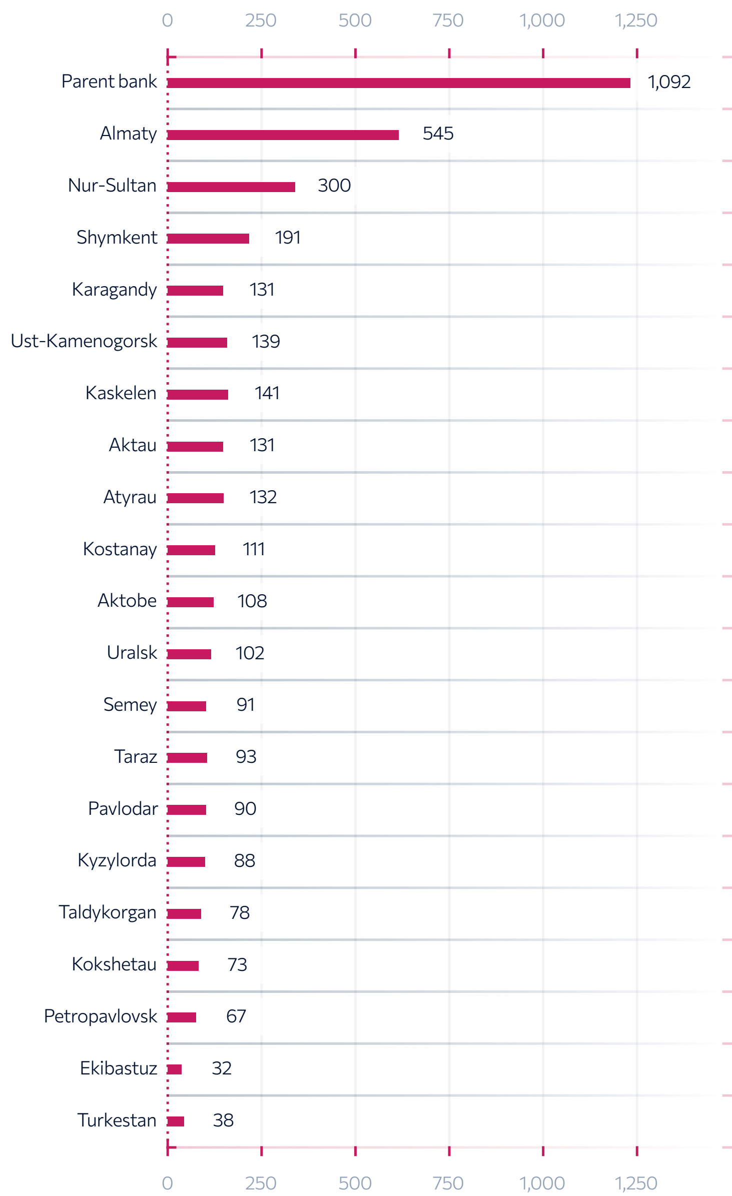
under 30 y.o. | 30–50 y.o. | over 50 y.o.

Structure of hired employees in 2020 by age group

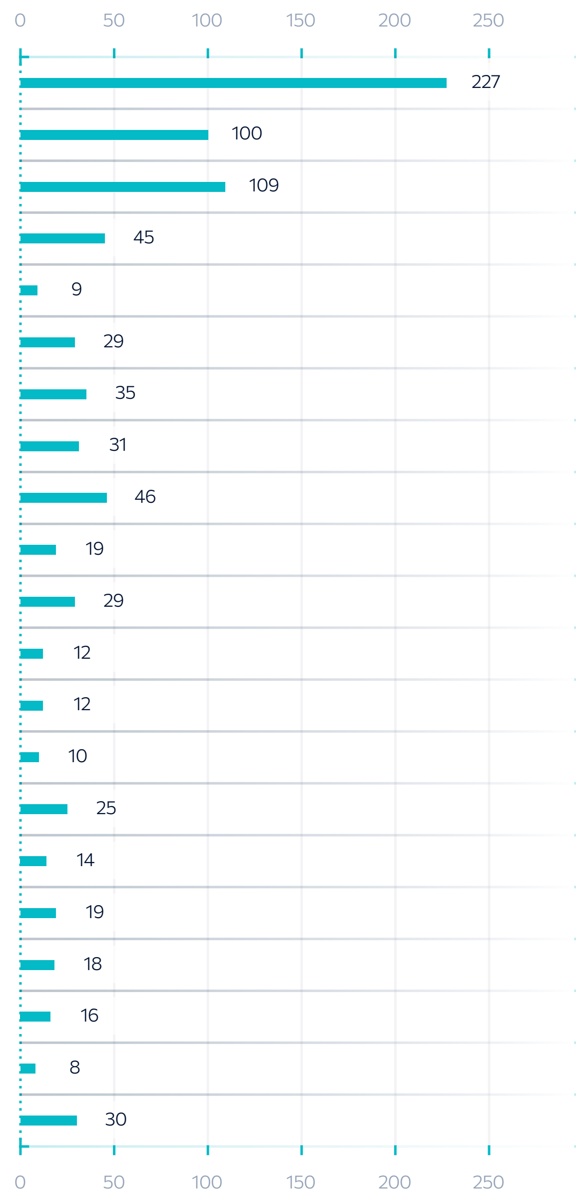


under 30 y.o. | 30–50 y.o. | over 50 y.o

Personnel by region at the end of 2020



Number of employees hired by region at the end of 2020



Recruitment Policy

The Bank personnel policy is aimed at providing the necessary number of personnel with the proper qualifications and motivation to work.

Recruiting is aimed at forming qualitative and quantitative personnel of the Bank, fully corresponding to the Bank goals and objectives, by promptly providing qualified personnel.

Candidates are considered for compliance of their qualifications, personal qualities and abilities with the requirements of the workplace and the corporate culture of the Bank, the necessary experience and impeccable business reputation, ability to manage processes and risks associated with the Bank's activities.

To minimize risks, since 2018, the Bank has been using the Midot Podium testing of candidates. Testing is assigned to all candidates who have passed all the stages of interviews and are recommended for employment.

We strive to ensure that the recruitment process is convenient for applicants and effective for the Bank. In 2020, a selection matrix was developed, including additional stages (SHL tests, panel interviews, recommendations). All candidates pass OPQ tests to determine their suitability for position.

The Bank pays attention to creating conditions for rapid adaptation of new employees to a new workplace, including harmonious and rapid entry of the employee into new professional and socio-economic working conditions. Adaptation includes two directions: professional adaptation of new employee (active development of a profession, its specifics, necessary skills and techniques) and socio-psychological adaptation (to the team, to the traditions and unwritten norms of the Bank, to the style of work of managers, to the corporate culture).

IN 2020, THE BANK APPROVED A WELCOME BOX FOR WELCOMING NEW EMPLOYEES TO THE BANK, AS WELL AS CREATED AN ONLINE GUIDE FOR NEWCOMERS (ON THE TEAMS PLATFORM), WHICH WILL HELP THEM TO GO THROUGH ALL THE STEPS TO ADAPT TO A NEW WORKPLACE IN A CONVENIENT FORM.

For all new employees, Client Day is implemented online – this is a process that helps newcomers understand in detail the real client service process and form their own idea of what clients like and what they don't like.

We strive to introduce new employees to the Bank's management. In 2020, taking into account the situation, 5 CEO business breakfasts with newcomers were held online – the Chairman of the Management Board spoke about the Bank's strategy and objectives and answered questions from new employees.

As part of development of digital business processes and taking into account the quarantine measures in the country last year, interviews with candidates were completely translated into an online format. Description of vacancies for mass positions that are posted on social media was standardized. A single database of the Parent Bank's CVs in the PBX (e-staff) is maintained. An exit interview was developed and approved as part of automation of termination of an employment contract.

Incentive System

The Bank develops an effective incentive system for its personnel to fulfill strategic tasks and retain qualified employees. The Bank's personnel remuneration system is aimed at ensuring that employees receive decent remuneration for their skilled work.

The Bank has four approved bonus programs:
- for the personnel of the Bank's front divisions;
- for the personnel of the Bank's back divisions;
- for employees engaged in collection of problem debts from legal entities/individuals;
- for employees involved in selling non-core assets of the Bank.

In 2020, unified approaches to bonuses for the year were developed and approved, as well as electronic mailing of personal letters to employees about their annual total remuneration for the year. At the same time, the bonus reward now depends on a larger number of factors, in addition to the Bank's profit, for example, on metrics for quality of client service and success in completing digitalization tasks. Such a comprehensive bonus system allows ensuring the Bank's sustainable development, taking into account all the key components.

Last year, significant innovation in the Bank's personnel policy was introduction of a unique grading system. Grading makes the remuneration system more transparent and understandable and positively impacts on employee incentive. Methodology to determine value and contribution of a position and the factors for evaluating the positions was approved. The evaluation methodology was developed jointly with external consultants, but taking into account the specifics and strategic priorities of the Bank. At the end of 2020, results of evaluation of senior positions were approved, and evaluation training was conducted for the working group. As part of the job evaluation project, a new Remuneration Policy for Bank's employees was approved.

To maintain personnel during the pandemic, the Bank decided not to stop payment of salaries to employees who are unable to work with a positive result of PCR tests. If it was possible to work remotely, 100% of the salary was saved, if it was impossible to switch to a remote mode of work – 75%. In case of close contact with a virus carrier, an employee also retained 100% of the salary if remote work was possible, if it was impossible – he was offered labor leave or partial salary retention, depending on a position held.

Personnel Assessment

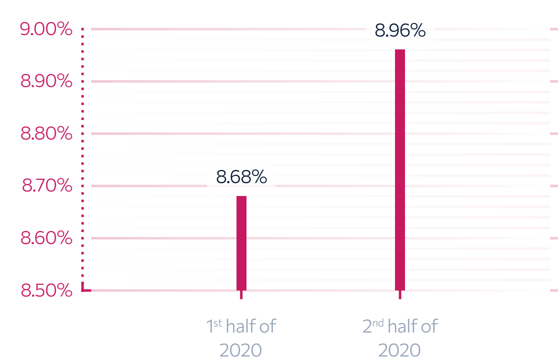
The Bank has a personnel assessment system based on key performance indicators. To ensure the correctness of setting goals and completing tasks, the HR Department checks the KPI cards of employees.

In 2020, 851 employees of the Parent Bank passed the performance assessment. Based on results of the study, a proposal for working on development zones was prepared.

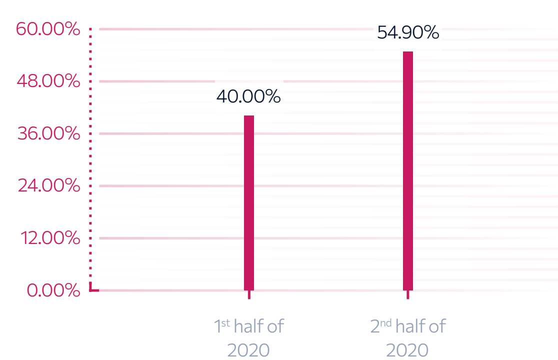
Internal corporate studies of eNPS and CSI were conducted, based on the results of which proposals for improving the personnel management process were considered and adopted.

eNPS (Employee Net Promoter Score) is an assessment method that allows organizations to measure employee loyalty. CSI is satisfaction index.

CSI



ENPS

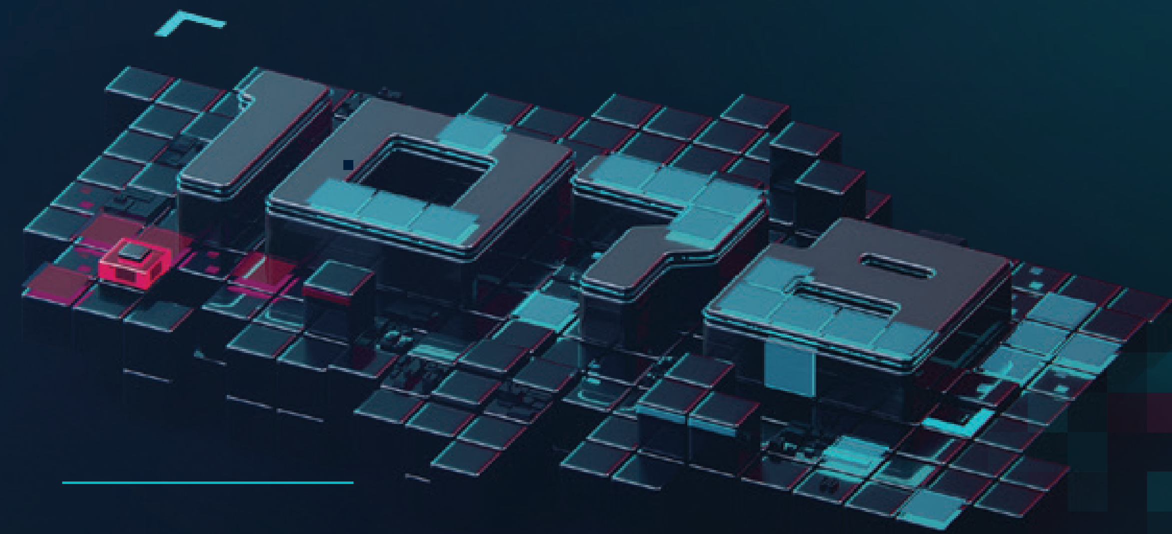


Personnel Development

ForteBank strives to maximize capacity of its employees and provide training and professional development opportunities. At the same time, in 2020, in context of the pandemic, the focus was on online training, which also corresponds to the Bank's strategic priorities.

Responsibility for development of employees lies primarily with the heads of the Bank's structural divisions, who determine the necessary directions for their development and training. However, the process also requires active involvement and interest by the employees themselves.

THE AM I FORTE GAMIFICATION PROJECT, DURING WHICH EMPLOYEES HAD THE OPPORTUNITY TO MASTER NEW COMPETENCIES IN THE FORM OF A GAME, COVERED 1,078 PARTICIPANTS IN 2020



Training Formats

Remote Format

The distance learning system is an accessible internal tool in the Bank for on-the-job training and development of employees. This tool is also used in case of selection and adaptation of personnel.

IN 2020, AS PART OF DISTANCE LEARNING, 35 E-COURSES WERE DEVELOPED AND CONDUCTED FOR 5 BUSINESS AREAS, AND 14 TESTS WERE ASSIGNED. 2,468 EMPLOYEES WERE TRAINED. AT THE MOMENT, A CATALOG HAS MORE THAN 135 COURSES.

External Training

The main areas of external training in 2020 were courses on innovative information technologies, as well as highly specialized courses, which pass is regulated by legislative acts.

Initiatives we Implement:

For employees: We assist in being developed in priority business areas, increasing expertise, and unlocking capacity.

For managers: We give an opportunity to become leaders of change and growth of own and related teams. Become mentors, tutors, coaches.

For the organization: We establish an ecosystem in which both managers and experts can continuously, without being tied to jobs, increase/expand/retain/restrain expertise, knowledge, and skills. The ecosystem preserves all the intellectual property of the organization.

In 2020, the #IAMFORTE corporate competencies model was approved, which helps to get a clear idea of what each employee should be able to do, what knowledge and practical skills they should have in order to "move" the Bank forward.

The corporate competence model is a set of knowledge, skills, business and personal qualities that allow an employee to successfully act to achieve goals. These competencies, which are common to all employees regardless of their position and work experience, are used for selecting candidates, evaluating employees, forming a personnel reserve, corporate culture, and in other HR processes.

As part of implementation of the model, recruiters were trained to conduct structured interviews on competencies. Training program on competencies was prepared for heads of the departments. AM I FORTE gamification was also launched, during which employees had an opportunity to master new competencies in a playful way. The project covered 1,078 participants in 2020.

Last year, Forte Academy was launched, which will strengthen a function of personnel training and development. This is a platform for comprehensive online training. The institute of internal trainers was formed, where 14 people were trained and certified.

Social Protection

The Bank strives to support employees in difficult situations and create comfortable working conditions. In 2020, this work required special attention.

The Bank's traditional social package includes:

- voluntary health insurance and attachment of all the Bank's personnel to the medical center;
- financial assistance to the Bank's personnel in difficult life situations;
- congratulations and gifts for the Bank's women for the International Women's Day – March 8;
- New Year gifts for children of Bank's employees;
- service delivery for personnel of the Parent Bank and Nur-Sultan Bank branch in the autumn-winter period;
- gym in the Parent Bank office;
- cooperation with Fitness Palace and Invictus fitness centers at a special rate for Bank's employees.

In 2020, payments in connection with death of employees or their close relatives were increased.

From May 28 to June 12, the Bank organized a mass PCR test, which was passed by 94% of the Bank's employees. Of those tested, 4% showed a positive result. The Bank decided to conduct a second PCR test for employees with a positive result and close contacts at the Bank's expense.

Together with Interteach and corporate clients, we purchased the most difficult-to-access medical drugs for treating COVID-19 and SARS for gratuitous delivery to employees and their relatives. Assistance was provided in purchasing medical products for One Tech subsidiary.

On June 15, 2020, the "Office without Borders" project was launched, aimed at providing comfortable off-line working conditions for employees. All employees were provided with the necessary equipment and connection to information systems for work. By the end of the year, about 70% of the personnel worked off-line. The Bank's employees have positively accepted the hybrid work format, and we are considering the possibility of its further use.

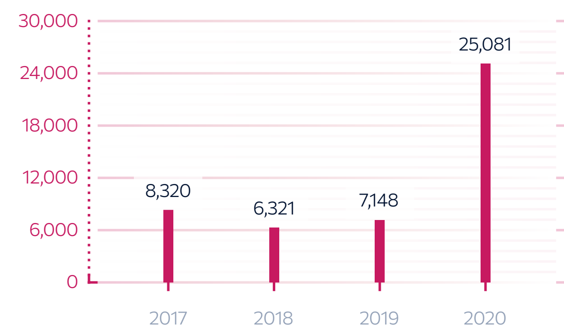
In the autumn-winter period, the Bank's employees are provided with an annual delivery service, so that they do not have to use public transport during the pandemic.

In 2020, 285 people went on maternity/paternity leave. From the leave taken earlier, 194 people went to work during the year.

Forte strives to create a comfortable working environment for people with disabilities. The Bank's head office is fully equipped with necessary infrastructure. About 2% of our employees have special needs.

The Bank pays attention to quality of relations between employees and management. To settle individual labor disputes between an employee and an employer, there is a Conciliation Commission that considers such issues as the collection of wage arrears, changes in terms of an employment contract, disciplinary penalties, reinstatement at work, guarantees and compensation provided for by labor legislation, agreements and/or employment contracts, and other disputes within the framework of the legislation of the Republic of Kazakhstan.

Material assistance, thousand tenge



Corporate Culture and Communication

The Bank strives to build open communication with employees, receive feedback and take into account the interests of employees when making management decisions. In face of a difficult 2020, we tried to provide employees with maximum opportunities to communicate with management and quickly respond to problematic situations, as well as to maintain their morale.

The Bank operates the WORKPLACE corporate social network (from February 2021 – Yammer), where all employees can leave messages, ask questions and conduct a dialogue without any restrictions. At the end of the year, 3,411 employees were registered in WORKPLACE, including 1,720 active users. The network has a number of specialized groups (Forte Career, Forte Project, Forte Finance, Retail Business, Compliance, Forte Kurultay, Staff Society). In 2020, the Office without Borders group was launched to provide information and discuss remote work. In addition, the "DON'T PANIC #COVID-19" group was created, where materials, news, and links to useful resources are published.

In June 2020, the COVID-19 hotline was launched, which operates 24/7 – 5 calls are received daily. 3 times a week, the hotline updates a status of all employees who are ill not only with CVI, but also with concomitant diseases.

The Bank conducted regular surveys throughout the year among employees to assess their situation and psychological state. Town Hall was held twice during the year – this is a general meeting of all employees of the Bank online, where managers talk about the latest events and important changes. We had about 30 live broadcasts of the

Chairman of the Management Board and top managers at WORKPLACE during the year, during which the Bank's managers sought to support employees and answer the most pressing questions. Feedback from employees and the results of surveys became a basis for changes in personnel policy and management decisions.

The Bank also develops a corporate culture aimed at creating a strong external and internal brand of the Bank, fostering a sense of ownership of each employee to the activities and results of the Bank as a whole. The Bank uses team-building trainings, social events, corporate events, creative/intellectual competitions, creates a unified information field, etc. as tools for strengthening the corporate culture.

SOCIAL WELFARE

The Bank has a Regulation on Social Welfare and Health, which defines the regulatory and methodological activities for implementation of organizational, technical, sanitary and hygienic measures aimed at ensuring safety, maintaining health and effective working capacity of a person during work, monitoring compliance by Bank employees with social welfare and health, a procedure for training and testing knowledge on social welfare and health, a procedure for investigating accidents that occurred during performance of functional duties by Bank employees, as well as responsibility of Bank employees for violations of social safety and health.

The general management of compliance with the legislation on social welfare in the Bank is provided by the Chairman of the Management Board or other person authorized by him.

The Social Welfare and Health Inspector provides methodological guidance, work on occupational safety, development and control over implementation of organizational and technical measures aimed at ensuring occupational safety and health, coordination of the work of persons responsible for the safety and health of employees of the Head Office and branches of the Bank when performing work related to the activities of the Bank.

In the Bank structural divisions and its branches, the heads of the relevant structural divisions are directly responsible for safe work of the personnel.

Solving tasks on compliance with the requirements of social welfare and health should be provided by interaction of the Bank's interested structural divisions.

Training and testing of knowledge of social welfare and health among the responsible employees of the Head Office and branches of the Bank are carried out locally or centrally at the Head Office of the Bank in Nur-Sultan.

Responsible employees of the Bank periodically, but at least once every three years, are trained on social welfare and health in the relevant educational institutions.

Timely completion of training and testing of knowledge of responsible employees in the Head Office is controlled by Social Welfare and Health Inspector, in the Bank branches – responsible employees of the Personnel and Documentation Support Department as required by the legislation of the Republic of Kazakhstan.

To ensure compliance with requirements of social welfare and health, the Bank and its branches conduct training sessions in accordance with the regulatory legal acts of the Republic of Kazakhstan regulating issues of occupational safety and health.

Work is being carried out to ensure that the Bank's employees observe social welfare, and mandatory medical examinations are organized in the country's leading medical centers.

The Bank monitors fire safety. A set of measures includes technical means, organizational measures, inspections, theoretical instructions and practical lessons for employees. Only the necessary actions in all directions can ensure a favorable outcome of the emergency. A special place in the set of measures is occupied by fire-fighting training at the enterprise, which is held in the Bank 2 times a year.

SOCIAL POLICY

ForteBank constantly supports various projects on culture and sports. However, a number of events in 2020 were canceled due to the COVID-19 pandemic and quarantine measures in the country. Last year, our main focus was on the safety and health of employees and supporting clients in a difficult socio-economic situation.

About 80% of Forte employees were sent to remote work, and both internal and external processes were rebuilt, allowing banking operations to be carried out from anywhere in the world.

Like all countries, Kazakhstan faced a closure of restaurants, shops, and shopping centers. This led to a decline in both business activity and the purchasing power of the population. Therefore, ForteBank actively supported the government's initiative to restructure clients in trouble. More than 90% of the clients who received the restructuring make payments according to the new schedules without any difficulties.

For legal entities, ForteBank is an active participant in programs to support industries affected by the pandemic with concessional lending at 6% per annum.

During the quarantine period, the Bank did not charge any fees from merchants selling their products through the ForteMarket online store to support small and medium-sized enterprises. This allowed our clients and us to pass these difficult tests together and become stronger.

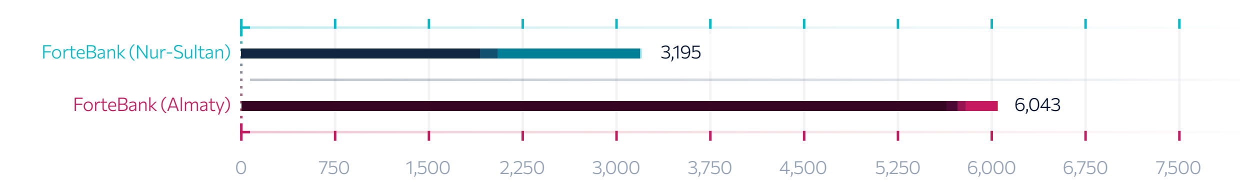
ENVIRONMENTAL PROTECTION POLICY

Due to specific nature of its activities, ForteBank does not have a significant impact on the environment. However, as part of its work, it strives to ensure a careful and rational attitude to the environment and the use of resources.

The buildings of the Bank's Head Office and its branches are equipped with automated water, electricity and heat supply systems. In accordance with the Environmental Code of the Republic of Kazakhstan, hazardous waste is collected for subsequent processing and disposal (lead batteries, accumulators, oil-containing waste, pneumatic tires, solid household waste, mercury-containing lamps, waste oils).

ForteBank continues a practice of separate collection of garbage in offices as part of its "Green Office" project. We are talking about office standards that help develop skills of conscious consumption among employees and take care of the environment. In 2020, the Bank sent 9,238 kg of waste for recycling. Recycling of waste paper, plastic, aluminum and other waste allows saving wood, water, electricity, reducing CO2 emissions – all this is necessary for the primary production of consumables.

Volumes of recycled waste, kg



Waste paper	5,636	1,908
Plastic	90	142
Glass	62	1,135
Polyethylene	251	0
Aluminum	5	9

THE INTERNAL DOCUMENTS OF THE BANK REFLECT THE RULES PROHIBITING THE BANK FROM FINANCING PROJECTS WHICH IMPLEMENTATION HARMS THE ENVIRONMENT, HUMAN LIFE AND HEALTH – THEREBY THE BANK CONTRIBUTES TO THE PROTECTION OF THE ENVIRONMENT.

ADDRESSES AND BANKING DETAILS

FORTEBANK JSC
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TEL. +7 7172 58 75 75
E-MAIL: IR@FORTEBANK.COM

BIN 990 740 000 683
LICENSE NO. 1.2.29/197/36 DATED FEBRUARY 03, 2020
CERTIFICATE DATED FEBRUARY 10, 2015

EXCHANGES

Kazakhstan Stock Exchange JSC
north tower of Almaty Towers MFC
280 Bayzakova Street, Almaty, Kazakhstan
tel. +7 727 237 53 00

Astana International Exchange
55 Mangilik El ave., Nur-Sultan, Kazakhstan
tel. +7 7172 23 53 66

Luxembourg Stock Exchange
35A Boulevard Joseph II, L-1840 Luxembourg
tel. +352 47 79 361

London Stock Exchange
10 Paternoster Square, London,
EC4M 7LS, United Kingdom
tel. +44 0 20 7797 1000

REGISTRAR

Central Securities Depository JSC
28 Samal-1 microdistrict, 050051,
Almaty, Kazakhstan
tel. +7 727 272 4760

AUDITOR

Ernst & Young Kazakhstan LLP
Esentai Tower building, 4-5 floors
77/7, Al-Farabi ave., Almaty, Kazakhstan
tel. +7 727 258 5960

APPENDIX 1. ISSUED SECURITIES

EQUITY SECURITIES:

Type of shares issued	Common shares
Total number of shares	150,003,000,000
Number of outstanding shares	92,387,104,089
Number of shares repurchased	3,391,835,697
Number of shares that are the underlying asset of the GDRs	16,570,918,351

DEBT SECURITIES:

Eurobonds, ISIN US34955XAA90. USY2497PAD51

Type of bonds issued	Coupon eurobonds Issued in terms of the restructuring of liabilities of Temirbank JSC in 2010
Total number of bonds	60,750,000
Nominal value of 1 bond (when issued)	1.00 US dollar
Current nominal value of 1 bond	1.23457 US dollars
Number of bonds placed	59,593,493
Number of bonds repurchased	30,490,332
Number of cancelled bonds	1,156,507
Number of bonds in circulation	25,571,832
Principal debt	31,570,225.27 US dollars
Circulation start date	30.06.2010
State registration of the issue	The issue is registered by The Bank of New York Mellon S. A. (Luxembourg)
Maturity date	30.06.2022
Interest rate	14.00%
Coupon payment frequency	Every 6 months
Purpose of issue	Restructuring

Third bond issue, ISIN KZ2C00001485

Type of bonds issued	Coupon, subordinated, unsecured
Total number of bonds	220,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	53,853,184,117
Number of bonds repurchased	1,185,992,487
Number of bonds in circulation	52,667,191,630
Principal debt	526,671,916.30 tenge
Circulation start date	20.10.2002
State registration of the issue	A64
Maturity date	20.10.2022
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

First issue under the First Bond Program, ISIN KZ2C00000024

Type of bonds issued	Coupon, subordinated, unsecured
Total number of bonds	500,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	63,735,000,520
Number of bonds repurchased	520
Number of bonds in circulation	63,735,000,000
Principal debt	637,350,000.00 tenge
Circulation start date	07.07.2005
State registration of the issue	B55-1
Maturity date	07.07.2025
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Third issue under the First Bond Program, ISIN KZ2C00000032

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	400,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	307,611,090,375
Number of bonds repurchased	76,267,969,125
Number of bonds in circulation	231,343,121,250
Principal debt	2,313,431,212.50 tenge
Circulation start date	30.12.2005
State registration of the issue	B55-3
Maturity date	30.12.2022
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Fourth issue under the First Bond Program, ISIN KZ2C00000040

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	300,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	241,466,866,667
Number of bonds repurchased	23,136,000,000
Number of bonds in circulation	218,330,866,667
Principal debt	2,183,308,666.67 tenge
Circulation start date	01.06.06
State registration of the issue	B55-4
Maturity date	01.06.2025
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Fifth issue under the First Bond Program, ISIN KZ2C00000057

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	350,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	281,164, 200,000
Number of bonds repurchased	10,550,000,000
Number of bonds in circulation	270,614,200,00
Principal debt	2,706,142,000.00 tenge
Circulation start date	01.06.06
State registration of the issue	B55-5
Maturity date	01.06.2022
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Seventh issue under the First Bond Program, ISIN KZ2C00000065

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	450,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	197,492,307,035
Number of bonds repurchased	36,303,000,000
Number of bonds in circulation	161,189,307,035
Principal debt	1,611,893,070.35 tenge
Circulation start date	29.11.2006
State registration of the issue	B55-7
Maturity date	29.11.2026
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Eighth issue under the First Bond Program, ISIN KZ2C00000073

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	400,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	316 313 200 133
Number of bonds repurchased	2 600
Number of bonds in circulation	316,313,197,533
Principal debt	3,163,131,975.33 tenge
Circulation start date	29.11.2006
State registration of the issue	B55-8
Maturity date	29.11.2031
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

TThird issue under the Second Bond Program, ISIN KZ2C00000107

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	600,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	96,380,320,616
Number of bonds repurchased	1,130
Number of bonds in circulation	96,380,319,486
Principal debt	963,803,194.86 tenge
Circulation start date	14.04.2007
State registration of the issue	C33-3
Maturity date	14.04.2026
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Second issue under the Second Bond Program, ISIN KZ2C00000081

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	800,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	44,213,741,579
Number of bonds repurchased	9,200
Number of bonds in circulation	44,213,732,379
Principal debt	442,137,323.79 tenge
Circulation start date	14.04.2007
State registration of the issue	C33-2
Maturity date	14.04.2022
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Fourth issue under the Second Bond Program, ISIN KZ2C00000115

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	600,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	87,902,947,079
Number of bonds repurchased	87,900,000,000
Number of bonds in circulation	2,947,079
Principal debt	29,470.79 tenge
Circulation start date	14.04.2007
State registration of the issue	C33-4
Maturity date	14.04.2026
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Fifth issue under the Second Bond Program, ISIN KZ000A1AT8V6

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	600,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	553,950,525,639
Number of bonds repurchased	105,855,630,119
Number of bonds in circulation	448,094,895,520
Principal debt	4,480,948,955.20 tenge
Circulation start date	14.04.2007
State registration of the issue	C33-5
Maturity date	14.04.2027
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Sixth issue under the Second Bond Program, ISIN KZ2C00000123

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	600,000,000,000
Nominal value of 1 bond	0.01 tenge
Number of bonds placed	116,510,937,500
Number of bonds repurchased	0
Number of bonds in circulation	116,510,937,500
Principal debt	1,165,109,375.0 tenge
Circulation start date	14.04.2007
State registration of the issue	C33-6
Maturity date	14.04.2027
Interest rate	8%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

First issue under the bond program, ISIN KZ2C00003374

Type of bonds issued	Subordinated, coupon, unsecured
Total number of bonds	50,000,000
Nominal value of 1 bond	1,000.00 tenge
Number of bonds placed	49,958,859
Number of bonds repurchased	0
Number of bonds in circulation	49,958,859
Principal debt	49,958,859,000.00 tenge
Circulation start date	27.07.2015
State registration of the issue	F04-1
Maturity date	26.07.2025
Interest rate	10,13%
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Second issue under the bond program, ISIN KZ2C00003473

Type of bonds issued	Coupon, unsecured
Total number of bonds	65,000,000
Nominal value of 1 bond	1,000.00 tenge
Number of bonds placed	0
Number of bonds repurchased	0
Number of bonds in circulation	0
Principal debt	0.00 tenge
Circulation start date	Not placed
State registration of the issue	F04-2
Maturity date	-
Interest rate	-
Coupon payment frequency	Every 6 months
Purpose of issue	Raising funds for general banking purposes

Third issue under the bond program, ISIN KZ2C00003556

Type of bonds issued	Indexed, unsecured
Total number of bonds	18,000,000
Nominal value of 1 bond	1,000.00 tenge indexed in US dollars
Number of bonds placed	0
Number of bonds repurchased	0
Number of bonds in circulation	0
Principal debt	0.00 tenge
Circulation start date	Not placed
State registration of the issue	F04-3
Maturity date	-
Interest rate	-
Coupon payment frequency	Once a year
Purpose of issue	Raising funds for general banking purposes

Coupon bonds, ISIN KZ2C00004364

Type of bonds issued	Coupon, unsecured
Total number of bonds	220,000,000
Nominal value of 1 bond	1,000.00 tenge
Number of bonds placed	220,000,000
Number of bonds repurchased	0
Number of bonds in circulation	220,000,000
Principal debt	220,000,000,000.00 tenge
Circulation start date	13.09.2018
State registration of the issue	F91
Maturity date	15.12.2024
Interest rate	4,00%
Coupon payment frequency	Once a year
Purpose of issue	Raising funds for general banking purposes

APPENDIX 2. CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020 together with independent auditor's report

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of ForteBank Joint Stock Company and its subsidiaries (the "Group"), which comprise the consolidated statement of comprehensive income for the year ended 31 December 2020, the consolidated statement of financial position as at 31 December 2020, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated 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 consolidated financial statements section of our report. We are independent of the Group 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How the matter was addressed in the audit
Allowance for expected credit losses of loans to customers	
Estimation of allowance for expected credit losses on loans to customers in accordance with IFRS 9 is a key area of the Group's management judgment. Identification of factors of significant increase in credit risk since initial recognition, including identification of changes in default risk during the remaining term of a financial instrument, as well as determination of probability of default and loss given default rates, requires significant use of professional judgment, assumptions and analysis of various historical, current and forward-looking information. The use of different models and assumptions may significantly affect the amount of allowance for expected credit losses on loans to customers. Due to the materiality of loans to customers of the Group as at 31 December 2020, as well as the significant use of professional judgment, the estimation of the allowance for expected credit losses was a key audit matter. Information on expected credit losses on loans to customers is presented in Note 4 *Significant accounting judgments and estimates*, Note 8 *Credit loss expense*, Note 15 *Loans to customers* and Note 25 *Risk management* to the consolidated financial statements.	Our audit procedures included analyzing the methodology for estimating the allowance for expected credit losses on the loan portfolio. We also performed analysis and testing controls over the process of identification of factors of significant increase in credit risk on loans to customers since initial recognition and events of default, including the term of overdue debt and changes in internal credit ratings. We analyzed the judgments used by the Group's management in determining the significant increase in credit risk and default criteria for loans to customers in connection with the ongoing COVID-19 pandemic. We performed, on a sample basis, testing of input data and analysis of the assumptions used by the Group in estimation of allowance for expected credit losses, including historical information on debt servicing, borrower's financial and non-financial information, expected recoveries in the events of default from sale of collateral held. We also performed analysis of the forward-looking information, including macroeconomic forecasts and scenario weights, used by the Group in its expected credit loss model, taking into account the uncertainty associated with the COVID-19 pandemic. We made recalculations on the allowance for expected credit losses. We have analyzed information on the allowance for expected credit losses on loans to customers disclosed in the Notes to the consolidated financial statements.

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Assessment of loans received from financial institutions	
We consider this issue to be a key audit matter due to the substantial amounts recognized and use of judgment to determine the fair values of liabilities at initial recognition by the Group's management. Information on loans received is presented in Note 15 *Loans to customers* and Note 20 *Amounts due to banks and other financial institutions* to the consolidated financial statements.	Our audit procedures included the analysis of the valuation methodology, the model and testing of inputs used by the Group to determine the fair values of loans received at initial recognition. We engaged valuation specialists for assessment of key inputs used in the estimation, such as risk-free interest rate and credit spread, and compared them with the observable market data. We have reviewed information on loans received disclosed in the Notes to the consolidated financial statements.

Other information included in the Annual report of the Group for 2020

Other information consists of the information included in the Annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

The Annual report is expected to be made available to us after the date of this audit report.

Our opinion on the consolidated financial statements does not cover other information and we do not express any conclusion providing assurance in any form with regard to this information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibility of management and the Board of Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for the supervision of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. Besides, we perform the following:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to these risks, obtain audit evidence, which is sufficient and appropriate to serve as a basis for our audit 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- 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 Group's ability to continue as a going concern. If we determine the existence of material uncertainty, we shall draw attention in our opinion to the related disclosure in the consolidated financial statements or, if such disclosure is 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 result in the Group's loss of ability to continue as a going concern;
- evaluate the overall presentation of the consolidated financial statements, their structure and content, including disclosure of information, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Olga Khegay.

Ernst & Young LLP

Olga Khegay Auditor	Rustamzhan Sattarov General Director Ernst and Young LLP
Auditor's 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 July 15, 2005

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

9 March 2021

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

Millions of tenge	Notes	2020	2019
Interest revenue calculated using effective interest rate	5	**184,078**	162,803
Other interest revenue	5	**1,426**	750
Interest expense	5	**(90,475)**	(85,259)
Net interest income		**95,029**	78,294
Fee and commission income	6	**35,473**	33,203
Fee and commission expense	6	**(14,271)**	(11,058)
Net gains/(losses) on derecognition of investment securities at fair value through other comprehensive income		**226**	(107)
Net gains on initial recognition of financial assets measured at amortized cost	16	**–**	7,053
Net gains from foreign currencies	7	**13,340**	10,603
Net gains/(losses) on derecognition of financial assets measured at amortized cost	20	**11,209**	(4,133)
Net gains on derecognition of financial liabilities as a result of modification	20	**17,956**	–
Other income	10	**3,666**	4,378
Non-interest income		**67,599**	39,939
Credit loss expense	8	**(38,947)**	(20,417)
Net losses from financial instruments at fair value through profit or loss		**(1,583)**	(4,274)
General and administrative expenses	9	**(48,760)**	(42,751)
Loss from disposal of subsidiaries	28	**(587)**	–
Other expenses	10	**(8,784)**	(5,800)
Non-interest expense		**(98,661)**	(73,242)
Profit before corporate income tax expense		**63,967**	44,991

Millions of tenge	Notes	2020	2019
Corporate income tax expense	11	**(11,005)**	(2,758)
Profit for the year		**52,962**	42,233
Attributable to:			
▪ shareholders of the Bank		**52,962**	42,233
▪ non-controlling interests		**–**	–
		52,962	42,233
Other comprehensive income			
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		**3,183**	4,276
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		**338**	(217)
Reclassification of cumulative (gain)/loss on disposal of debt instruments measured at fair value through other comprehensive income to profit or loss		**(226)**	107
Income tax relating to components of other comprehensive income		**54**	(667)
Other comprehensive income for the year, net of tax		**3,349**	3,499
Total comprehensive income for the year		**56,311**	45,732
Total совокупный доход за год		**56.311**	45.732
Attributable to:			
▪ shareholders of the Bank		**56,311**	45,732
▪ non-controlling interests		**–**	–
		56,311	45,732
Basic and diluted earnings per common share (in tenge)	24	**0.59**	0.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

Millions of tenge	Notes	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	12	**311,632**	347,242
Amounts due from financial institutions	13	**73,707**	28,205
Trading securities	14	**7,377**	6,452
Loans to customers	15	**749,742**	785,068
Investment securities	16	**780,095**	719,466
Property and equipment	17	**65,814**	70,655
Intangible assets		**11,162**	9,839
Other assets	18	**89,735**	103,043
Total assets		**2,089,264**	2,069,970
Liabilities			
Current accounts and deposits of customers	19	**1,387,167**	1,336,949
Amounts due to banks and other financial institutions	20	**130,470**	117,806
Amounts payable under repurchase agreements	27	**21,670**	116,741
Debt securities issued	21	**240,202**	229,263
Deferred tax liabilities	11	**11,171**	1,621
Subordinated debt	22	**20,503**	25,951
Other liabilities		**14,750**	12,687
Total liabilities		**1,825,933**	1,841,018

Millions of tenge	Notes	31 December 2020	31 December 2019
Equity			
Share capital	23	**332,815**	332,815
Additional paid-in capital		**21,109**	21,109
Treasury shares	23	**(5,260)**	(4,438)
Fair value reserve		**9,207**	5,858
Accumulated losses		**(94,540)**	(126,392)
Total equity attributable to shareholders of the Bank		**263,331**	228,952
Non-controlling interests		**–**	–
Total equity		**263,331**	228,952
Total equity and liabilities		**2,089,264**	2,069,970

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

Millions of tenge	Notes	2020	2019
Cash flows from operating activities			
Interest income received	5	**156,774**	145,874
Interest expense paid	5	**(78,242)**	(74,175)
Fee and commission income received		**35,414**	32,802
Commission expense paid		**(14,271)**	(11,058)
Net realized loss from financial instruments at fair value through profit or loss		**(1,574)**	(4,360)
Net realised gains from foreign currencies		**12,828**	10,904
General and administrative expenses paid		**(38,472)**	(41,792)
Other operating expenses paid		**(10,662)**	(623)
(Increase)/decrease in operating assets			
Amounts due from financial institutions		**(42,022)**	(7,568)
Trading securities		**(1,282)**	3,221
Loans to customers		**16,553**	(50,058)
Other assets		**24,250**	24,041
Increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		**32,468**	170,342
Amounts due to banks and other financial institutions		**59,047**	39,464
Amounts payable under repurchase agreements		**(83,006)**	60,281
Other liabilities		**2,212**	1,709
Net cash from operating activities before income tax		**70,015**	299,004
Corporate income tax paid		**(736)**	(240)
Net cash from operating activities		**69,279**	298,764

Millions of tenge	Notes	2020	2019
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		**–**	30,163
Acquisition of non-controlling interest		**–**	(480)
Proceeds from disposal of a subsidiary, net of cash disposed of	28	**(37,012)**	–
Purchase of investment securities at fair value through other comprehensive income		**(493,004)**	(925,995)
Proceeds from sale of investment securities at fair value through other comprehensive income		**5,198**	108,820
Redemption of investment securities at fair value through other comprehensive income		**460,956**	757,162
Acquisition of investment securities at amortized cost		**(50,085)**	(73,610)
Redemption of investment securities at amortized cost		**20,855**	–
Purchase of property and equipment and intangible assets		**(14,914)**	(18,263)
Proceeds from sale of property and equipment and intangible assets		**15**	138
Net cash used in investing activities		**(107,991)**	(122,065)
Cash flows from financing activities			
Repurchase of own shares	23	**(822)**	(3,127)
Repayment of subordinated debt		**(2,200)**	–
Dividends paid to shareholders of the Bank	23	**(21,110)**	(11,376)
Proceeds from issue of debt securities	29	**1,533**	14,992
Repurchase of debt securities issued	29	**(1,264)**	(4)
Redemption of debt securities issued	29	**(3,901)**	(51,005)
Repayment of lease liability		**(650)**	(1,250)
Net cash used in financing activities		**(28,414)**	(51,770)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2020

Millions of tenge	Notes	2020	2019
Effect of exchange rate changes on cash and cash equivalents		31,509	(2,832)
Effect of expected credit losses on cash and cash equivalents		7	(2)
Net change in cash and cash equivalents		**(35,610)**	122,095
Cash and cash equivalents, beginning		347,242	225,147
Cash and cash equivalents, ending	12	**311,632**	347,242
Non-monetary transactions			
Repossession of collateral on loans to customers	15	7,717	12,592

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Equity attributable to shareholders of the Bank							
Millions of tenge	**Share capital**	**Additional paid-in capital**	**Treasury shares**	**Fair value reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
At 1 January 2020	332,815	21,109	(4,438)	5,858	(126,392)	228,952	–	228,952
Profit for the year	–	–	–	–	52,962	52,962	–	52,962
Other comprehensive income for the year	–	–	–	3,349	–	3,349	–	3,349
Total comprehensive income for the year	**–**	**–**	**–**	**3,349**	**52,962**	**56,311**	**–**	**56,311**
Transactions with owners recorded directly in equity								
Repurchase of own shares (Note 23)	–	–	(822)	–	–	(822)	–	(822)
Dividends declared (Note 23)	–	–	–	–	(21,110)	(21,110)	–	(21,110)
At 31 December 2020	**332,815**	**21,109**	**(5,260)**	**9,207**	**(94,540)**	**263,331**	**–**	**263,331**
At 1 January 2019	**332,815**	**21,116**	**(1,311)**	**2,359**	**(155,051)**	**199,928**	**711**	**200,639**
Effect of adoption of IFRS 16	–	–	–	–	(428)	(428)	–	(428)
Restated balance in accordance with IFRS 16 at the beginning of the year	**332,815**	**21,116**	**(1,311)**	**2,359**	**(155,479)**	**199,500**	**711**	**200,211**
Profit for the year	–	–	–	–	42,233	42,233	–	42,233
Other comprehensive income for the year	–	–	–	3,499	–	3,499	–	3,499
Total comprehensive income for the year	**–**	**–**	**–**	**3,499**	**42,233**	**45,732**	**–**	**45,732**
Transactions with owners recorded directly in equity								
Repurchase of own shares (Note 23)	–	(7)	(3,127)	–	–	(3,134)	–	(3,134)
Acquisition of non-controlling interests	–	–	–	–	228	228	(711)	(483)
Acquisition of subsidiaries	–	–	–	–	(1,998)	(1,998)	–	(1,998)
Dividends declared (Note 23)	–	–	–	–	(11,376)	(11,376)	–	(11,376)
At 31 December 2019	**332,815**	**21,109**	**(4,438)**	**5,858**	**(126,392)**	**228,952**	**–**	**228,952**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Corporate structure and activities

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

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

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

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

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

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

			Ownership, %	
Name	**Country of incorporation**	**Principal activities**	**31 December 2020**	**31 December 2019**
ForteLeasing JSC	Republic of Kazakhstan	Leasing operations	100.0	100.0
OUSA Alliance LLP	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
OUSA-F LLP	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
ONE Technologies LLP	Republic of Kazakhstan	Software development	100.0	100.0
ForteFinance JSC	Republic of Kazakhstan	Brokerage and dealer activities, investment portfolio management activities	100.0	–
Bank Kassa Nova JSC	Republic of Kazakhstan	Banking operations	–	100.0

On 29 July 2020 the Bank signed an agreement on sale of 100% common shares in Bank Kassa Nova JSC to the subsidiary of the Bank, investment company FREEDOM FINANCE JSC. On 25 December 2020, the transaction was completed by re-registering 100% of common shares of Kassa Nova Bank with Central Securities Depository JSC.

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

2. BASIS OF PREPARATION

Shareholders

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

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

General

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

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for trading securities, derivative financial assets, investment securities measured at fair value through other comprehensive income carried at fair value.

Functional and presentation currency of consolidated financial statements

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

The Kazakhstani tenge is also the presentation currency for the purposes of these consolidated financial statements.

All information of the consolidated financial statements has been rounded to the nearest million tenge, unless otherwise stated.

Effect of COVID-19 pandemic

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

Support measures were introduced by the Government and the National Bank of the Republic of Kazakhstan to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and other.

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

To the extent that information was available as at 31 December 2020, the Bank has reflected revised estimates of expected future cash flows in estimating ECL (Note 15).

Reclassifications

The following reclassification has been made in the consolidated statement of comprehensive income for the year ended 31 December 2019 to conform to the 2020 presentation:

Millions of tenge		As previously reported	Reclassification	As reclassified
Net gains/(losses) on derecognition of financial assets measured at amortized cost	[1]	–	(4,133)	(4,133)
Other expenses	[1]	(9,933)	4,133	(5,800)

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

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

Amendments to IFRS 16: COVID-19 Related Rent Concessions

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

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies 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. Furthermore, it 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 consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

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

The amendments to IFRS 7, IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide 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 consolidated financial statements of the Group as it does not have any hedge relationships that can be affected by the interest rate benchmark reform.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments 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 consolidated financial statements of, nor is there expected to be any future impact to the Group.

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, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The revision of this document did not have an impact on the Group's consolidated financial statements.

Basis of consolidation

Subsidiaries, i.e. those entities, which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to manage the significant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all significant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights or potential voting rights belonging to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Basis of consolidation (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. If necessary, the accounting policies of subsidiaries are changed to bring it into conformity with the accounting policies of the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Fair value measurement

The Group measures financial instruments at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI), 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;
- 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 Group. 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.

The Group 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.

In the event of assets and liabilities recognized in the financial statements on a regular basis, the Group determines the fact of transfer between levels of hierarchy sources by analysing the classification once again (based on initial data of the lowest level that are significant for fair value evaluation in whole) at the end of each reporting period.

Financial instruments

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 Group 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 Group 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Financial instruments (continued)

Initial recognition (continued)

Measurement categories of financial assets and liabilities (continued)

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group 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 financial institutions, loans to customers, investment securities at amortised cost

The Group only measures Amounts due from financial 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 (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

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

The Group'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 Group'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 Group's original expectations, the Group 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 Group 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 Group 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 Group measures debt instruments at FVOCI if 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.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Financial instruments (continued)

Initial recognition (continued)

Debt instruments at FVOCI (continued)

The expected credit losses (ECL) for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain 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.

Equity instruments at FVOCI

Sometimes, upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of such instruments, accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and undrawn loan commitments

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

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group 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 Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are initially recognized 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 Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2020.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amount due from the National Bank of the Republic of Kazakhstan and amounts due from credit organizations that mature within ninety days of the date of origination and are free from contractual encumbrances.

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 consolidated 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Financial instruments (continued)

Initial recognition (continued)

Repurchase and reverse repurchase agreements and securities lending (continued)

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.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties. In this case the purchase and sale transaction is recorded within gains less losses from trading securities in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments, including forwards, swaps and options on currency markets and capital 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 recorded in the consolidated 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 (dealing), depending on the nature of the financial instrument.

Derivatives embedded in liabilities and non-financial host contacts are treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the consolidated statement of comprehensive income.
Financial assets are classified based on the business model and SPPI assessments.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group 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 banks and other financial institutions, current accounts and deposits of customers, debt securities issued and other borrowed funds. 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.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Lease

i. Group as lessee

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

Right-of-use assets

The Group recognizes the right-of-use assets at the commencement date of the lease (that is, the date on which the underlying asset becomes 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. 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 Company 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 Group recognises lease liabilities measured at the present value of lease payments, which will 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Lease (continued)

i. Group as lessee (continued)

Lease liabilities

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group 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 Group applies the short-term lease recognition exemption to short-term leases of vehicles and equipment (i.e. contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option). The Group also applies the low value assets lease recognition exemption to contracts of lease of office equipment whose value is considered to be low. Lease payments on short-term leases and lease of assets of low value are recognised as lease expense on a straight-line basis over the lease term.

ii. Operating lease – Group as lessor

Leases for which the Group does not transfer substantially all of the risks and rewards incidental to ownership of the asset are classified as operating leases. The resulting rental income is recognized on a straight-line basis over the lease term and included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and entering into operating leases are included in the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent lease payments are recognized as revenue in the period in which they are received.

iii. Finance lease – Group as lessor

The Group recognizes lease receivables in an amount equal to the net investment in the lease from the commencement date of the lease term. Finance income is calculated using a pattern that reflects a constant periodic rate of return on the carrying amount of the net investment. Initial direct costs are included in the initial amount of the lease receivable.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Renegotiated loans

Where possible, the Group 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 Group 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 purchased or originated credit-impaired (POCI). When assessing whether or not to derecognise a loan to a customer, amongst others, the Group 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Renegotiated loans (continued)

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 Group records a modification gain or loss that is presented within other income in the consolidated statement of comprehensive income, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Group 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 from the statement of financial position where:

- The rights to receive cash flows from the asset have expired;
- The Group 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 Group 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.

Where the Group 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 Group'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 Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written 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 Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated ECL 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. A write-off results in a derecognition event.

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.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Such grants are deducted from the related expense when recognized in the consolidated financial statements.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

A benefit from a loan provided by the government at a below market rate of interest are treated as a government grant. The loan is recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit from using a below market rate of interest is measured as the difference between the original carrying amount of the loan determined in accordance with IFRS 9, and the proceeds received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Property and equipment

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

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

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group. Land, construction-in-progress and assets to be installed are not depreciated. The estimated useful lives are as follows:

	Years
Buildings	10-100
Computer hardware	5-7
Vehicles	5-7
Other	2-25

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 capitalization.

Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets.
The estimated useful lives of intangible assets are 1 to 8 years.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated asset's selling price in the ordinary course of business of the Group, less the estimated costs to sell.

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State pension system of Kazakhstan, which requires withholdings by the employer calculated as a percentage from current gross salary payments. Such expense is charged in the period the related salaries are earned, and are accounted in "General and administrative expenses" in the consolidated statement of comprehensive income. The Group contributes social tax to the budget of the Republic of Kazakhstan for its employees. The Group has no post-retirement benefits.

Provisions

Provisions are recognised when the Group 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.

Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated 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 consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Equity

Share capital

Common shares and non-redeemable preferred 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Equity (continued)

Treasury shares

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

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 consolidated financial statements are authorised for issue.

Taxation

Corporate income tax comprises current and deferred tax. Corporate income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and deferred tax liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and deferred tax liabilities are not recognized in respect of the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired financial 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 Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income and expense.

When a financial asset becomes credit-impaired, the Group 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 Group reverts to calculating interest revenue on a gross basis.

For POCI financial assets, the Group 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 consolidated statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Recognition of income and expenses (continued)

Fee and commission income

The Group 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 Group'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.

Customer loyalty programs

The Group offers a number customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. For point-based programs, the Group generally recognized a liability for the accumulated points that are expected to be utilized by the customers, which is reversed to profit or loss as the points expire. Cashbacks on plastic card transactions reduce fee and commission income.

Dividend income

Dividends are recognised when the Group's right to receive the payment is established.

Segment reporting

An operating segment is a component of a Group that is engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Foreign currency translation

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 into KZT at the market exchange rate established by KASE at the date of the consolidated statement of financial position. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of comprehensive income as gains less losses from foreign currencies – translation differences. 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.

Differences between the contractual exchange rate of a transaction in a foreign currency and the KASE exchange rate on the date of the transaction are included in gains less losses from foreign currencies dealing.

As at 31 December 2020 the official exchange rate used for translation of monetary balances on foreign currency accounts was KZT 420.91 for 1 US Dollar (31 December 2019: KZT 382.59 for USD 1).

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt those standards 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

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 comes into force for reporting periods beginning on or after 1 January 2023, with comparative information required. Earlier application is permitted provided that the entity also applies IFRS 9 and IFRS 15 at the date of first application. The Group is currently assessing the impact of the application of IFRS 17 on its consolidated financial statements.

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.

This amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The Group will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Group first applies the amendment. The amendment is not expected to have a significant impact on the Group's consolidated 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.

These amendments include 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 amendments come into effect from 1 January 2021, but entities may choose to apply them earlier. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimation uncertainty

In the process of applying the Group's accounting policies, management used its judgment and made estimates in determining the amounts recognized in the consolidated financial statements. Below are the most significant uses of judgment and estimates:

COVID-19

The rapid spread of the COVID-19 pandemic in 2020, as well as related public health and social measures, have impacted organizations in various sectors of the economy. The following changes in the economic environment continue to have an impact on the Group's operations:

- A decline in industrial production and activity in many sectors of the economy as a result of government-imposed restrictions related to the COVID-19 pandemic;
- Implementation of state support measures to the population and business related to the COVID 19 pandemic;
- Significant depreciation of the tenge against major foreign currencies, high volatility in the foreign exchange market;
- Offering to clients changes in some loan conditions, including those under government support programs;
- Expanding the product offer to customers through remote service channels; and
- Changes in macroeconomic indicators used in models for estimating reserves for expected credit losses (ECL).

Due to the high level of uncertainty, as well as the limited up-to-date and consistent information about the actual financial position of the Group's counterparties and borrowers, it is not possible to present in these consolidated financial statements a comprehensive quantitative assessment of the impact of changes in the economic environment on the Group's operating results in 2020.

To the extent that information was available as at 31 December 2020, the Group has reflected revised estimates of expected future cash flows in estimating ECL (Note 15).

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional information is presented in Note 34.

Collateral assessment

The Bank management performs monitoring of collateral on a regular basis. The Bank's management uses internal valuation approaches based on Kazakhstani and international requirements or independent valuation to adjust the value of collateral in light of the current market situation.

Expected credit losses from financial assets

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

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

Determining the lease term of contracts with renewal options

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimation uncertainty (continued)

Determining the lease term of contracts with renewal options (continued)

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

Rent – an estimate of the rate of attracting additional borrowed funds

The Group cannot easily determine the interest rate implicit in the lease, therefore it uses the incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest at which the Group would be able to borrow, for a similar period and with similar collateral, to obtain an asset with a value similar to the value of a right-of-use asset in a similar economic environment. Thus, the incremental borrowing rate reflects the percentage that the Group “would have to pay” and its determination requires the use of estimates if observable rates are not available (for example, in the case of subsidiaries that do not themselves participate in financing transactions) or if observed rates need to be adjusted to reflect the terms of the lease (for example, if the currency of the lease entered into by the subsidiary differs from its functional currency).

Taxation

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

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

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

The management believes that deferred 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 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 utilized.

5. NET INTEREST INCOME

Net interest income comprises:

Millions of tenge	2020	2019
Interest revenue calculated using the effective interest rate		
Loans to customers	**125,601**	115,126
Investment securities at FVOCI	**37,607**	25,341
Investment securities at amortised cost	**16,957**	15,486
Amounts due from financial institutions	**2,531**	5,383
Amounts receivable under reverse repurchase agreements	**1,382**	1,467
	184,078	162,803
Other interest revenue		
Trading securities	**626**	304
Finance lease receivables	**800**	446
	185,504	163,553
Interest expense		
Current accounts and deposits of customers	**(51,392)**	(47,415)
Debt securities issued	**(28,170)**	(30,686)
Amounts due to banks and other financial institutions	**(7,096)**	(3,849)
Subordinated debt	**(2,040)**	(2,037)
Amounts payable under repurchase agreements	**(1,777)**	(1,272)
	(90,475)	(85,259)
	95,029	78,294

Interest revenue calculated using the effective interest rate for 2020 includes interest income of KZT 11,801 million accrued on impaired loans to customers and interest income of KZT 8,315 million representing amortization of discount on loans to customers (2019: KZT 9,611 million and KZT 6,162 million, respectively).

Interest income received is as follows:

Millions of tenge	2020	2019
Interest revenue received		
Loans to customers	**102,286**	100,073
Debt investment securities at FVOCI	**31,979**	23,557
Investment securities measured at amortised cost	**17,733**	15,229
Amounts due from financial institutions	**2,783**	5,382
Amounts receivable under reverse repurchase agreements	**1,386**	1,468
Trading securities	**607**	165
	156,774	145,874

Interest expense paid comprise:

Millions of tenge	2020	2019
Interest expenses paid		
Current accounts and deposits of customers	**(51,599)**	(47,375)
Debt securities issued	**(16,574)**	(20,407)
Amounts due to banks and other financial institutions	**(6,249)**	(3,174)
Subordinated debt	**(1,937)**	(2,015)
Amounts payable under repurchase agreements	**(1,883)**	(1,204)
	(78,242)	(74,175)

6. FEE AND COMMISSION INCOME AND EXPENSES

Fee and commission income is as follows:

Millions of tenge	**2020**	**2019**
Card transactions	**18,942**	18,689
Settlement transactions	**8,752**	7,095
Cash transactions	**4,451**	4,255
Commissions on guarantees and letters of credits	**1,783**	1,805
Foreign currency transactions and transactions with securities	**426**	338
Other	**1,119**	1,021
	35,473	33,203

Fee and commission expense is as follows:

Millions of tenge	**2020**	**2019**
Maintenance of card accounts	**(12,124)**	(9,299)
Maintenance of nostro accounts	**(389)**	(343)
Settlement transactions	**(323)**	(271)
Customer accounts services by financial agents	**(124)**	(254)
Foreign currency transactions and transactions with securities	**(91)**	(87)
Other	**(1,220)**	(804)
	(14,271)	(11,058)

Revenue from contracts with customers recognized in the consolidated statement of comprehensive income for the years ended 31 December 2020 and 2019 primarily represents fee and commission income of KZT 35,473 million and KZT 33,203 million, respectively.

At 31 December 2020 and 2019 in the consolidated statement of financial position within other assets, the Group recognized revenue from contracts with customers in the amount of KZT 2,590 million and KZT 2,403 million, respectively.

The Group typically charges fees before the completion of the transaction for which it is due or immediately after completion (in the case of contracts where a performance obligation is satisfied at a point in time, such as settlement transactions).

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose any remaining performance obligations under the contracts with an initial expected life of one year or less.

7. NET GAINS FROM FOREIGN CURRENCIES

Net gains from foreign currencies is presented as follows:

Millions of tenge	**2020**	**2019**
Dealing transactions, net	**12,857**	10,903
Translation differences, net	**483**	(300)
	13,340	10,603

8. CREDIT LOSS EXPENSE

Credit loss expenses comprised the following for 2020 and 2019:

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Cash and cash equivalents	**(5)**	**–**	**–**	**–**	**(5)**
Amounts due from financial institutions	**(38)**	**–**	**–**	**–**	**(38)**
Loans to customers (Note 15)	**(2,067)**	**(10,235)**	**(21,069)**	**(3,187)**	**(36,558)**
Investment securities measured at amortised cost	**(16)**	**(72)**	**–**	**–**	**(88)**
Investment securities measured at FVOCI	**(345)**	**7**	**–**	**–**	**(338)**
Other financial assets	**–**	**–**	**(1,456)**	**–**	**(1,456)**
Financial guarantees, letters of credit and undrawn loan commitments	**203**	**107**	**(154)**	**–**	**(464)**
	(2,674)	**(10,407)**	**(22,679)**	**(3,187)**	**(38,947)**

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Amounts due from financial institutions	94	–	–	–	94
Loans to customers (Note 15)	(1,584)	(4,814)	(16,212)	2,602	(20,008)
Investment securities measured at amortised cost	(99)	–	–	–	(99)
Investment securities measured at FVOCI	217	–	–	–	217
Other financial assets	–	–	(535)	–	(535)
Financial guarantees, letters of credit and undrawn loan commitments	(86)	–	–	–	(86)
	(1,458)	(4,814)	(16,747)	2,602	(20,417)

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise:

Millions of tenge	**2020**	**2019**
Salary and related taxes	**(25,109)**	(23,701)
Depreciation and amortization	**(7,516)**	(5,764)
Charity and sponsorship	**(3,020)**	(427)
Taxes other than corporate income tax	**(2,698)**	(2,815)
Repair and maintenance	**(2,637)**	(1,841)
Advertising and marketing	**(1,529)**	(1,630)
Maintenance of buildings	**(1,489)**	(1,473)
Security	**(922)**	(921)
Telecommunication and information services	**(734)**	(807)
Transportation	**(403)**	(352)
Lease	**(402)**	(524)
Encashment	**(385)**	(429)
Insurance	**(255)**	(145)
Other professional services	**(248)**	(705)
Office supplies	**(134)**	(137)
Business trips	**(101)**	(321)
Legal services	**(66)**	(22)
Entertainment	**(10)**	(13)
Other	**(1,102)**	(724)
	(48,760)	(42,751)

General administrative expenses comprise:

Millions of tenge	**2020**	**2019**
Sales and marketing	**(22,957)**	(25,756)
Technologies and development of new products	**(6,051)**	(2,120)
Other	**(19,752)**	(14,875)
	(48,760)	(42,751)

10. OTHER INCOME AND EXPENSES

Other income and expenses comprise:

Millions of tenge	2020	2019
Other income		
Income on operating lease	**1,904**	2,245
Net income on participation in government programs	**512**	–
Net income on sale of repossessed collateral	**–**	1,203
Other	**1,250**	930
	3,666	4,378
Other expenses		
Net loss on modification of loans to customers that does not result in derecognition	(2,164)	–
Net loss on sale of inventories	(1,461)	–
Other expenses from non-banking activities	(1,097)	(1,361)
Loss on change in net rezlizable value of repossessed collateral	(1,070)	–
Loss on early redemption of issued debt securities	–	(1,282)
Other	(2,992)	(3,157)
	(8,784)	(5,800)

In 2020 net income on participation in government programs includes income from government subsidies received unders the state program to support domestic car manufacturers by attracting long-term loans from the Development Bank of Kazakhstan JSC at rates below market rates, as well as under the state program to support small and medium-sized businesses affected by the COVID-19 pandemic, by attracting short-term deposits from Kazakhstan Stability Fund JSC at rates below market rates less losses from preferential car loans. The fair value of loans issued under the programs at initial recognition was determined by the Group using market rates ranging from 11.00% to 13.93% per annum. The fair values of mortgage loans resulting from a significant modification at initial recognition was determined by the Group using market rates ranging from 15.00% to 20.95% per annum.

Net losses on modification of loans to customers, which does not lead to derecognition, includes expenses from the suspension of payments of principal and interest on loans to customers affected by the introduction of the state of emergency in the Republic of Kazakhstan in connection with the COVID-19 pandemic in the amount of KZT 2,005 million.

11. CORPORATE INCOME TAX EXPENSE

Corporate income tax expense comprise the following:

Millions of tenge	2020	2019
Current corporate income tax expense	**(828)**	(522)
Deferred corporate income tax charge – origination and reversal of temporary differences	**(10,177)**	(2,236)
Corporate income tax expense	**(11,005)**	(2,758)

The income of the Bank and its subsidiaries is subject to taxation in the Republic of Kazakhstan. Kazakhstan legal entities have to file corporate income tax returns to the tax authorities. The statutory corporate income tax rate in 2020 and 2019 was 20%.

Below is the reconciliation of income tax expenses based on statutory rate with income tax expenses recorded in the consolidated financial statements:

Millions of tenge	2020	2019
Profit before corporate income tax expenses	**63,967**	44,991
Statutory corporate income tax rate	20%	20%
Theoretical corporate income tax expense at the statutory rate	**(12,793)**	(8,998)
Non-taxable income on state securities and securities officially listed at KASE	10,383	7,467
Change in tax loss carried forward and unrecognised deferred tax assets	(4,549)	2,180
Adjustment of corporate income tax (expense)/benefit for prior years	(202)	1,109
Non-deductible credit loss expenses	(2,527)	(224)
Other	(1,317)	(4,292)
Corporate income tax expense	**(11,005)**	(2,758)

11. CORPORATE INCOME TAX EXPENSE (CONTINUED)

Deferred tax assets and liabilities as at 31 December, as well as their movements for the respective years comprise the following:

Millions of tenge	2018	Effect of adopting IFRS 16	Effect of business combination (Note 5)	Origination and reversal of temporary differences within profit or loss	Origination and reversal of temporary differences within other comprehen-sive income	2019	Origination and reversal of temporary differences within profit or loss	Origination and reversal of temporary differences within other comprehen-sive income	Disposal of a subsidiary (Note 28)	2020
Tax loss carry forward	31,260	–	–	(6,847)	–	24,413	**(11,546)**	**–**	**–**	**12,867**
Loans to customers	1,778	–	167	1,627	–	3,572	**528**	**–**	**1**	**4,101**
Investment securities measured at FVOCI	(494)	–	–	817	(667)	(344)	**–**	**54**	**–**	**(290)**
Investment securities measured at amortised cost	(110)	–	–	(1,158)	–	(1,268)	**(1,379)**	**–**	**(5)**	**(2,652)**
Debt securities issued	(16,668)	–	–	1,489	–	(15,179)	**2,334**	**–**	**–**	**(12,845)**
Subordinated debt	–	–	(347)	5	–	(342)	**3**	**–**	**339**	**–**
Amounts due to banks and other financial institutions	(2,477)	–	(581)	(1,418)	–	(4,476)	**(9,740)**	**–**	**–**	**(14,216)**
Property and equipment and intangible assets	2,410	–	(240)	824	–	2,994	**1,278**	**–**	**286**	**4,558**
Other	(238)	103	84	245	–	194	**1,348**	**–**	**(48)**	**(1,494)**
Deferred tax assets	15,461	103	(917)	(4,416)	(667)	9,564	**(17,174)**	**54**	**573**	**(6,983)**
Unrecognised deferred tax assets	(13,365)	–	–	2,180	–	(11,185)	**6,997**	**–**	**–**	**(4,188)**
Deferred tax assets/ (liabilities), net	2,096	103	(917)	(2,236)	(667)	(1,621)	**(10,177)**	**54**	**573**	**(11,171)**
Deferred tax assets	2,279	103	–	(2,382)	–	–	**–**	**–**	**–**	**–**
Deferred tax liability	(183)	–	(917)	146	(667)	(1,621)	**(10,177)**	**54**	**573**	**(11,171)**

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

Millions of tenge	31 December 2020	31 December 2019
Cash on hand	**65,827**	61,370
Cash on current accounts with the NBRK rated at BBB-	**37,855**	35,762
Cash on current bank accounts, other banks:		
- rated from AA- to AA+	**74**	–
- rated from A- to A+	**44,449**	32,573
- rated from BBB- to BBB+	**3,810**	6,888
- rated from BB- to BB+	**1,963**	1,831
- rated below B+	**97**	203
- not rated	**19**	543
Time deposits with the NBRK rated at BBB- with contractual maturity of 90 days or less	**114,992**	152,640
Accounts receivable under reverse repurchase agreements with contractual maturity of 90 days or less (Note 27)	**42,547**	55,440
Cash and cash equivalents before allowance for ECL	**311,633**	347,250
Allowance for ECL	**(1)**	(8)
Cash and cash equivalents	**311,632**	347,242

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

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

As at 31 December 2020, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these contracts are government bonds, the fair value of which as at 31 December 2020 was KZT 42,545 million (31 December 2019: KZT 56,857 million).

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 (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 December 2020, combined minimum reserve requirements of the Bank amount to KZT 31,863 million (31 December 2019: KZT 27,712 million).

Concentration of cash and cash equivalents

As at 31 December 2020, the Group has accounts with one bank whose balances exceed 10% of total cash and cash equivalents (31 December 2019: one bank). The total aggregate balance of the accounts with the above counterparties as at 31 December 2020 amounts to KZT 152,847 million (31 December 2019: KZT 188,402 million).

13. AMOUNTS DUE FROM FINANCIAL INSTITUTIONS

Amounts due from financial institutions comprise:

Millions of tenge	31 December 2020	31 December 2019
Current accounts with the NBRK rated at BBB- restricted in use	**34,984**	8,221
Deposits with other banks:		
▪ rated below B+	**–**	3,209
▪ not rated	**610**	622
Contingent deposits and deposits pledged as a collateral:		
▪ rated at AAA	**25,245**	–
▪ rated from AA- to AA+	**21**	150
▪ rated from A- to A+	**5,326**	5,185
▪ rated from BBB- to BBB+	**105**	3,147
▪ not rated	**8,203**	8,368
Amounts due from financial institutions before allowance for ECL	**74,494**	28,902
Allowance for ECL	**(787)**	(697)
Amounts due from financial institutions	**73,707**	28,205

13. AMOUNTS DUE FROM FINANCIAL INSTITUTIONS (CONTINUED)

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

Amounts on current accounts with NBRK restricted in use represent funds received by the Bank as part of participation in the state program of lending businesses. As at 31 December 2020, these funds also include amounts allocated by Kazakhstan Sustainability Fund JSC (hereinafter, the "KSF") in favor of the Bank to support small and medium businesses as part of the implementation of measures introduced by the government due to the consequences of the COVID-19 pandemic. The carrying amount of these funds as at 31 December 2020 was KZT 27,789 million, the accrual and payment of interest are not provided until the moment these funds are utilized by the Bank (Note 20).

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

As at 31 December 2020 contingent deposits and deposits pledged as collateral include contingent deposits restricted for use on transactions with providers of payment operation services in the amount of KZT 7,172 million (as at 31 December 2019: KZT 6,987 million).

In accordance with the loan agreements between the Bank and European Bank of Reconstruction and Development (hereinafter, the "EBRD"), during 2020, the Bank placed escrow deposits with EBRD totalling USD 66 million (equivalent in tenge – 24,888 million) for a period until 2023. As at 31 December 2020, the carrying amount of escrow deposits was KZT 25,245 million.

Concentration of amounts due from financial institutions

As at 31 December 2020, the Group has amounts due from two financial institutions (31 December 2019: five) whose balances exceed 10% of total due from financial institutions. The total value of these balances as at 31 December 2020 is KZT 60,229 million (as at 31 December 2019: KZT 25,693 million).

14. TRADING SECURITIES

Trading securities comprise:

Millions of tenge	2020	2019
Corporate bonds		
▪ rated from BB- to BB+	423	–
Total corporate bonds	**423**	–
Bonds of banks		
▪ rated from BB- to BB+	5,514	5,012
Total bonds of banks	**5,514**	5,012
Equity instruments	1,440	1,440
Trading securities	**7,377**	6,452

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

15. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Individually significant loans	183,974	7,117	58,536	–	249,627
Total individually significant loans	183,974	7,117	58,536	–	249,627
Individually insignificant					
Corporate loans	122,538	1,620	38,055	1,366	163,579
Mortgage loans	27,662	416	16,555	10,730	55,363
Consumer loans	176,203	4,051	21,352	1	201,607
Car loans	4,657	5	485	–	5,147
Credit cards	4,224	124	1,131		5,479
Other loans secured by collateral	83,713	1,954	48,121	18,437	152,225
Total individually insignificant loans	418,997	8,170	125,699	30,534	583,400
Loans to customers before allowance for ECL	602,971	15,287	184,235	30,534	833,027
Allowance for ECL	(11,941)	(3,152)	(68,921)	729	(83,285)
Loans to customers	591,030	12,135	115,314	31,263	749,742

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

15. 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:

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

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

Millions of tenge	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Individually significant loans				
Stage 1 loans	188,466	(1,250)	187,216	0.66
Stage 2 and Stage 3 loans				
▪ not overdue	11.201	(1.825)	9.376	16.29
▪ overdue for less than 90 days	3.624	(1.689)	1.935	46.61
▪ overdue for 90 days to 360 days	3.220	(1.392)	1.828	43.23
▪ overdue for more than 360 days	27.855	(21.270)	6.585	76.36
Stage 2 and Stage 3 loans	45,900	(26,176)	19,724	57.03
Total individually significant loans	234,366	(27,426)	206,940	11.70

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually significant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance

Analysis of movements in gross carrying amount and related ECL for individually significant loans for 2020 is as follows:

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	188,466	7,563	38,337	–	234,366
New assets originated or purchased	238,784	–	–	–	238,784
Assets derecognised or repaid (excluding write-offs)	(196,005)	(15,238)	(4,936)	–	(216,179)
Transfers to Stage 1	540	(540)	–	–	–
Transfers to Stage 2	(28,428)	28,428	–	–	–
Transfers to Stage 3	(24,097)	(13,465)	37,562	–	–
Transfers between categories	(2,410)	–	(2,609)	–	(5,019)
Net change in accrued interest	2,575	135	944	–	3,654
Unwinding of discount	–	–	2,774	–	2,774
Recoveries	–	–	825	–	825
Write-off	–	–	(15,787)	–	(15,787)
Effect from changes in exchange rates	4,549	234	1,426	–	6,209
At 31 December	**183,974**	**7,117**	**58,536**	**–**	**249,627**

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	(1,250)	(35)	(26,141)	–	(27,426)
New assets originated or purchased	(3,244)	–	–	–	(3,244)
Assets derecognised or repaid (excluding write-offs)	1,694	45	1,146	–	2,885
Transfers to Stage 1	(6)	6	–	–	–
Transfers to Stage 2	35	(35)	–	–	–
Transfers to Stage 3	–	17	(17)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(477)	7	(1,009)	–	(1,479)
Transfers between categories of materiality of loans	–	–	(422)	–	(422)
Unwinding of discount	–	–	(2,774)	–	(2,774)
Recoveries	–	–	(825)	–	(825)
Write-off	–	–	15,787	–	15,787
Effect from changes in exchange rates	(88)	(17)	(211)	–	(316)
At 31 December	**(3,336)**	**(12)**	**(14,466)**	**–**	**(17,814)**

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually significant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for individually significant loans for 2019 is as follows:

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	190,875	15,999	45,765	–	252,639
Acquisition of subsidiaries	2,149	1,311	1,162	–	4,622
New assets originated or purchased	197,437	–	–	–	197,437
Assets derecognised or repaid (excluding write-offs)	(216,575)	(1,247)	(8,331)	–	(226,153)
Transfers to Stage 1	11,303	(10,277)	(1,026)	–	–
Transfers to Stage 2	(1,737)	2,231	(494)	–	–
Transfers to Stage 3	(410)	(4,255)	4,665	–	–
Transfers between categories of materiality of loans	538	–	(3,700)	–	(3,162)
Net change in accrued interest	5,564	3,797	4,073	–	13,434
Unwinding of discount	–	–	2,722	–	2,722
Recoveries	–	–	2,012	–	2,012
Write-off	–	–	(8,383)	–	(8,383)
Effect from changes in exchange rates	(678)	4	(128)	–	(802)
At 31 December	188,466	7,563	38,337	–	234,366

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	(1,635)	(558)	(26,963)	–	(29,156)
Acquisition of subsidiaries	–	–	(4)	–	(4)
New assets originated or purchased	(1,700)	–	–	–	(1,700)
Assets derecognised or repaid (excluding write-offs)	2,094	73	2,382	–	4,549
Transfers to Stage 1	(30)	30	–	–	–
Transfers to Stage 2	1	(1)	–	–	–
Transfers to Stage 3	–	582	(582)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(70)	(162)	(5,510)	–	(5,742)
Transfers between categories of materiality of loans	(8)	–	899	–	891
Unwinding of discount	–	–	(2,722)	–	(2,722)
Recoveries	–	–	(2,012)	–	(2,012)
Write-off	–	–	8,383	–	8,383
Effect from changes in exchange rates	98	1	(12)	–	87
At 31 December	(1,250)	(35)	(26,141)	–	(27,426)

15. 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:

Millions of tenge	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
	31 December 2020			
Individually insignificant corporate loans				
Not overdue	134,407	(859)	133,548	0.64
Overdue for less than 30 days	1,715	(6)	1,709	0.35
Overdue for 30 to 89 days	3,763	(392)	3,371	10.42
Overdue for 90 to 179 days	2,322	(311)	2,011	13.39
Overdue for 180 to 360 days	1,479	(69)	1,410	4.67
Overdue for more than 360 days	18,528	(7,767)	10,761	41.92
POCI	1,365	(543)	822	39.78
Total individually insignificant corporate loans	**163,579**	**(9,947)**	**153,632**	**6.08**
Mortgage loans				
Not overdue	27,177	(108)	27,069	0.40
Overdue for less than 30 days	1,249	(6)	1,243	0.48
Overdue for 30 to 89 days	518	(16)	502	3.09
Overdue for 90 to 179 days	238	(68)	170	28.57
Overdue for 180 to 360 days	452	(61)	391	13.50
Overdue for more than 360 days	15,000	(10,514)	4,486	70.09
POCI	10,729	523	11,252	(4.87)
Total mortgage loans	**55,363**	**(10,250)**	**45,113**	**18.51**

Millions of tenge	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
	31 December 2020			
Consumer loans				
Not overdue	169,848	(6,142)	163,706	3.62
Overdue for less than 30 days	7,117	(2,256)	4,861	31.70
Overdue for 30 to 89 days	4,213	(2,886)	1,327	68.50
Overdue for 90 to 179 days	5,900	(4,826)	1,074	81.80
Overdue for 180 to 360 days	7,838	(6,366)	1,472	81.22
Overdue for more than 360 days	6,690	(5,368)	1,322	80.24
POCI	1	–	1	0.00
Total consumer loans	**201,607**	**(27,844)**	**173,763**	**13.81**
Car loans				
Not overdue	4,634	(1)	4,633	0.02
Overdue for less than 30 days	25	–	25	0.00
Overdue for 30 to 89 days	8	–	8	0.00
Overdue for 90 to 179 days	–	–	–	–
Overdue for 180 to 360 days	3	(1)	2	33.33
Overdue for more than 360 days	477	(130)	347	27.25
Total car loans	**5,147**	**(132)**	**5,015**	**2.56**

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Millions of tenge	31 December 2020 Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Credit cards				
Not overdue	3,934	(424)	3,510	10.78
Overdue for less than 30 days	245	(94)	151	38.37
Overdue for 30 to 89 days	163	(121)	42	74.23
Overdue for 90 to 179 days	206	(143)	63	69.42
Overdue for 180 to 360 days	340	(234)	106	68.82
Overdue for more than 360 days	591	(358)	233	60.58
Total credit cards	5,479	(1,374)	4,105	25.08
Other loans secured by collateral				
Not overdue	84,268	(270)	83,998	0.32
Overdue for less than 30 days	7,387	(143)	7,244	1.94
Overdue for 30 to 89 days	3,099	(162)	2,937	5.23
Overdue for 90 to 179 days	1,839	(71)	1,768	3.86
Overdue for 180 to 360 days	3,364	(107)	3,257	3.18
Overdue for more than 360 days	33,832	(15,919)	17,913	47.05
POCI	18,436	748	19,184	(4.06)
Total other loans secured by collateral	152,225	(15,924)	136,301	10.46
Total individually insignificant loans	583,400	(65,471)	517,929	11.22

Millions of tenge	31 December 2019 Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Individually insignificant corporate loans				
Not overdue	126,435	(730)	125,705	0.58
Overdue for less than 30 days	2,272	(9)	2,263	0.40
Overdue for 30 to 89 days	2,352	(25)	2,327	1.06
Overdue for 90 to 179 days	1,005	(24)	981	2.39
Overdue for 180 to 360 days	1,209	(136)	1,073	11.25
Overdue for more than 360 days	19,546	(8,676)	10,870	44.39
POCI	31	16	47	(51.61)
Total individually insignificant corporate loans	152,850	(9,584)	143,266	6.27
Mortgage loans				
Not overdue	33,170	(266)	32,904	0.80
Overdue for less than 30 days	1,557	(14)	1,543	0.90
Overdue for 30 to 89 days	668	(21)	647	3.14
Overdue for 90 to 179 days	306	(23)	283	7.52
Overdue for 180 to 360 days	554	(61)	493	11.01
Overdue for more than 360 days	22,632	(9,362)	13,270	41.37
POCI	9,311	1,112	10,423	(11.94)
Total mortgage loans	68,198	(8,635)	59,563	12.66

Information on the quality of individually insignificant loans collectively assessed for impairment at 31 December 2019 is presented in the table below:

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

	31 December 2019			
Millions of tenge	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Consumer loans				
Not overdue	176,889	(3,274)	173,615	1.85
Overdue for less than 30 days	5,506	(795)	4,711	14.44
Overdue for 30 to 89 days	3,376	(1,686)	1,690	49.94
Overdue for 90 to 179 days	3,378	(2,681)	697	79.37
Overdue for 180 to 360 days	1,328	(1,046)	282	78.77
Overdue for more than 360 days	590	(434)	156	73.56
Total consumer loans	191,067	(9,916)	181,151	5.19
Car loans				
Not overdue	1,498	(2)	1,496	0.13
Overdue for less than 30 days	6	–	6	0.00
Overdue for 30 to 89 days	4	–	4	0.00
Overdue for 90 to 179 days	4	(2)	2	50.00
Overdue for 180 to 360 days	5	(1)	4	20.00
Overdue for more than 360 days	438	(86)	352	19.63
Total car loans	1,955	(91)	1,864	4.65

	31 December 2019			
Millions of tenge	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Credit cards				
Not overdue	4,801	(988)	3,813	20.58
Overdue for less than 30 days	206	(101)	105	49.03
Overdue for 30 to 89 days	149	(131)	18	87.92
Overdue for 90 to 179 days	139	(116)	23	83.45
Overdue for 180 to 360 days	152	(125)	27	82.24
Overdue for more than 360 days	244	(211)	33	86.48
Total credit cards	5,691	(1,672)	4,019	29.38
Other loans secured by collateral				
Not overdue	119,588	(229)	119,359	0.19
Overdue for less than 30 days	9,279	(34)	9,245	0.37
Overdue for 30 to 89 days	5,896	(39)	5,857	0.66
Overdue for 90 to 179 days	2,106	(42)	2,064	1.99
Overdue for 180 to 360 days	3,162	(169)	2,993	5.34
Overdue for more than 360 days	49,996	(16,210)	33,786	32.42
POCI	13,200	1,761	14,961	(13.34)
Total other loans secured by collateral	203,227	(14,962)	188,265	7.36
Total individually insignificant loans	622,988	(44,860)	578,128	7.20

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance

Analysis of movements in gross carrying amount and related ECL for individually insignificant corporate loans for 2020 is as follows:

Individually insignificant corporate loans

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	120,258	6,758	25,803	31	152,850
New assets originated or purchased	211,353	–	–	1,159	212,512
Disposal of a subsidiary	(250)	–	–	–	(250)
Assets derecognised or repaid (excluding write-offs)	(198,588)	(4,250)	(7,026)	–	(209,864)
Transfers to Stage 1	7,297	(5,834)	(1,463)	–	–
Transfers to Stage 2	(10,132)	12,001	(1,869)	–	–
Transfers to Stage 3	(12,486)	(7,150)	19,636	–	–
Transfers between categories of materiality of loans	2,410	–	2,609	–	5,019
Net change in accrued interest	1,752	82	(781)	112	1,165
Unwinding of discount	–	–	1,125	–	1,125
Recoveries	–	–	5,469	–	5,469
Write-off	–	–	(6,700)	–	(6,700)
Effect from changes in exchange rates	924	13	1,252	64	2,253
At 31 December	**122,538**	**1,620**	**38,055**	**1,366**	**163,579**

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	(294)	(203)	(9,103)	16	(9,584)
New assets originated or purchased	(742)	–	–	–	(742)
Assets derecognised or repaid (excluding write-offs)	435	31	5,570	8	6,044
Transfers to Stage 1	(57)	54	3	–	–
Transfers to Stage 2	18	(223)	205	–	–
Transfers to Stage 3	14	236	(250)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	77	(10)	(5,290)	(154)	(5,377)
Transfers between categories of materiality of loans	–	–	422	–	422
Unwinding of discount	–	–	(1,125)	–	(1,125)
Recoveries	–	–	(5,469)	–	(5,469)
Write-off	–	–	6,700	–	6,700
Effect from changes in exchange rates	(53)	(25)	(737)	(1)	(816)
At 31 December	**(602)**	**(140)**	**(9,074)**	**(131)**	**(9,947)**

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and ECL allowance for individually insignificant corporate loans for 2019 is as follows:

Individually insignificant corporate loans

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	86,701	5,884	22,475	69	115,129
Acquisition of subsidiaries	23,278	1,497	4,213	–	28,988
New assets originated or purchased	167,536	–	–	25	167,561
Assets derecognised or repaid (excluding write-offs)	(149,683)	(6,660)	(11,766)	(64)	(168,173)
Transfers to Stage 1	1,444	(663)	(781)	–	–
Transfers to Stage 2	(9,182)	9,492	(310)	–	–
Transfers to Stage 3	(2,094)	(2,981)	5,075	–	–
Transfers between categories of materiality of loans	(539)	–	3,700	–	3,161
Net change in accrued interest	2,800	192	1,101	1	4,094
Unwinding of discount	–	–	972	–	972
Recoveries	–	–	3,728	–	3,728
Write-off	–	–	(2,541)	–	(2,541)
Effect from changes in exchange rates	(3)	(3)	(63)	–	(69)
At 31 December	120,258	6,758	25,803	31	152,850

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	–	(30)	(5,881)	13	(5,898)
Acquisition of subsidiaries	(6)	(4)	(1,123)	–	(1,133)
New assets originated or purchased	(245)	–	–	–	(245)
Assets derecognised or repaid (excluding write-offs)	555	166	3,830	4	4,555
Transfers to Stage 1	(73)	70	3	–	–
Transfers to Stage 2	22	(169)	147	–	–
Transfers to Stage 3	40	125	(165)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(596)	(361)	(2,845)	(1)	(3,803)
Transfers between categories of materiality of loans	8	–	(899)	–	(891)
Unwinding of discount	–	–	(972)	–	(972)
Recoveries	–	–	(3,728)	–	(3,728)
Write-off	–	–	2,541	–	2,541
Effect from changes in exchange rates	1	–	(11)	–	(10)
At 31 December	(294)	(203)	(9,103)	16	(9,584)

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2020 is as follows:

Mortgage loans

	2020				
Millions of tenge	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	32,797	1,463	24,627	9,311	68,198
New assets originated or purchased	4,128	–	–	1,628	5,756
Disposal of subsidiary	(16)	–	–	–	(16)
Assets derecognised or repaid (excluding write-offs)	(9,752)	(527)	(4,123)	–	(14,402)
Transfers to Stage 1	2,221	(1,605)	(616)	–	–
Transfers to Stage 2	(1,618)	1,781	(163)	–	–
Transfers to Stage 3	(607)	(705)	1,312	–	–
Net change in accrued interest	377	6	(564)	167	(14)
Unwinding of discount	–	–	1,792	–	1,792
Recoveries	–	–	2,011	–	2,011
Write-off	–	–	(7,798)	(429)	(8,227)
Effect from changes in exchange rates	132	3	77	53	265
At 31 December	**27,662**	**416**	**16,555**	**10,730**	**55,363**

	2020				
Millions of tenge	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(81)	(10)	(9,656)	1,112	(8,635)
New assets originated or purchased	(22)	–	–	–	(22)
Assets derecognised or repaid (excluding write-offs)	114	5	2,289	710	3,118
Transfers to Stage 1	(57)	19	38	–	–
Transfers to Stage 2	10	(18)	8	–	–
Transfers to Stage 3	–	18	(18)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	–	(40)	(7,288)	(1,750)	(9,078)
Unwinding of discount	–	–	(1,792)	–	(1,792)
Recoveries	–	–	(2,011)	–	(2,011)
Write-off	–	–	7,798	429	8,227
Effect from changes in exchange rates	9	24	(90)	–	(57)
At 31 December	**(27)**	**(2)**	**(10,722)**	**501**	**(10,250)**

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2019 is as follows:

Mortgage loans

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	37,512	1,826	32,796	5,644	77,778
Acquisition of subsidiaries	1,943	130	390	809	3,272
New assets originated or purchased	7,801	–	–	6,163	13,964
Assets derecognised or repaid (excluding write-offs)	(14,590)	(384)	(11,650)	(3,831)	(30,455)
Transfers to Stage 1	312	(216)	(96)	–	–
Transfers to Stage 2	(657)	770	(113)	–	–
Transfers to Stage 3	(485)	(702)	1,187	–	–
Net change in accrued interest	961	45	3,594	287	4,887
Unwinding of discount	–	–	1,378	–	1,378
Recoveries	–	–	5,086	270	5,356
Write-off	–	–	(7,902)	(31)	(7,933)
Effect from changes in exchange rates	–	(6)	(43)	–	(49)
At 31 December	**32,797**	**1,463**	**24,627**	**9,311**	**68,198**

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	(92)	(22)	(10,087)	108	(10,093)
Acquisition of subsidiaries	–	–	(68)	–	(68)
New assets originated or purchased	(22)	–	–	–	(22)
Assets derecognised or repaid (excluding write-offs)	172	25	5,102	419	5,718
Transfers to Stage 1	(54)	31	23	–	–
Transfers to Stage 2	5	(18)	13	–	–
Transfers to Stage 3	–	18	(18)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(90)	(44)	(6,059)	832	(5,361)
Unwinding of discount	–	–	(1,378)	–	(1,378)
Recoveries	–	–	(5,086)	(270)	(5,356)
Write-off	–	–	7,902	23	7,925
At 31 December	**(81)**	**(10)**	**(9,656)**	**1,112**	**(8,635)**

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2020 is as follows:

Consumer loans

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	182,768	3,326	4,972	1	191,067
New assets originated or purchased	106,981	–	–	–	106,981
Assets derecognised or repaid (excluding write-offs)	(96,914)	(476)	(1,222)	(1)	(98,613)
Transfers to Stage 1	6,172	(5,078)	(1,094)	–	–
Transfers to Stage 2	(16,534)	16,801	(267)	–	–
Transfers to Stage 3	(8,662)	(10,544)	19,206	–	–
Net change in accrued interest	2,392	65	343	1	2,801
Unwinding of discount	–	–	2,931	–	2,931
Recoveries	–	–	52	–	52
Write-off	–	(43)	(3,576)	–	(3,619)
Effect from changes in exchange rates	–	–	7	–	7
At 31 December	**176,203**	**4,051**	**21,352**	**1**	**201,607**

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	(4,006)	(1,603)	(4,307)	–	(9,916)
New assets originated or purchased	(2,879)	–	–	–	(2,879)
Assets derecognised or repaid (excluding write-offs)	2,366	134	382	–	2,882
Transfers to Stage 1	(4,162)	3,147	1,015	–	–
Transfers to Stage 2	621	(866)	245	–	–
Transfers to Stage 3	322	6,569	(6,891)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	409	(10,291)	(8,623)	(55)	(18,560)
Unwinding of discount	–	–	(2,931)	–	(2,931)
Recoveries	–	–	(52)	–	(52)
Write-off	–	43	3,576	–	3,619
Effect from changes in exchange rates	–	–	(7)	–	(7)
At 31 December	**(7,329)**	**(2,867)**	**(17,593)**	**(55)**	**(27,844)**

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2019 is as follows:

Consumer loans

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	120,789	1,756	9,755	–	132,300
Acquisition of subsidiaries	3,007	130	313	–	3,450
New assets originated or purchased	169,420	–	–	–	169,420
Assets derecognised or repaid (excluding write-offs)	(104,535)	(1,398)	(4,256)	–	(110,189)
Transfers to Stage 1	668	(446)	(222)	–	–
Transfers to Stage 2	(9,499)	9,555	(56)	–	–
Transfers to Stage 3	(2,458)	(6,373)	8,831	–	–
Net change in accrued interest	5,376	102	220	–	5,698
Unwinding of discount	–	–	2,174	–	2,174
Recoveries	–	–	704	–	704
Write-offs	–	–	(12,490)	–	(12,490)
At 31 December	182,768	3,326	4,973	–	191,067

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	(2,074)	(688)	(7,667)	–	(10,429)
Acquisition of subsidiaries	(266)	(60)	(227)	–	(553)
New assets originated or purchased	(2,875)	(2)	(3)	–	(2,880)
Assets derecognised or repaid (excluding write-offs)	1,945	338	4,091	–	6,374
Transfers to Stage 1	(1,479)	1,075	404	–	–
Transfers to Stage 2	593	(673)	80	–	–
Transfers to Stage 3	371	2,888	(3,259)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(221)	(4,481)	(7,338)	–	(12,040)
Unwinding of discount	–	–	(2,174)	–	(2,174)
Recoveries	–	–	(704)	–	(704)
Write-off	–	–	12,490	–	12,490
At 31 December	(4,006)	(1,603)	(4,307)	–	(9,916)

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for car loans for 2020 is as follows:

Car loans

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	1,495	2	458	–	1,955
New assets originated or purchased	5,986	–	–	–	5,986
Assets derecognised or repaid (excluding write-offs)	(2,880)	–	(25)	–	(2,905)
Transfers to Stage 1	4	(2)	(2)	–	–
Transfers to Stage 2	(24)	24	–	–	–
Transfers to Stage 3	–	(19)	19	–	–
Net change in accrued interest	64	–	7	–	71
Unwinding of discount	–	–	22	–	22
Recoveries	–	–	20	–	20
Write-off	–	–	(15)	–	(15)
Effect from changes in exchange rates	12	–	1	–	13
At 31 December	**4,657**	**5**	**485**	**–**	**5,147**

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	–	–	(91)	–	(91)
New assets originated or purchased	(7)	–	–	–	(7)
Assets derecognised or repaid (excluding write-offs)	3	–	14	–	17
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	3	–	(26)	–	(23)
Unwinding of discount	–	–	(22)	–	(22)
Recoveries	–	–	(20)	–	(20)
Write-off	–	–	15	–	15
Effect from changes in exchange rates	–	–	(1)	–	(1)
At 31 December	**(1)**	**–**	**(131)**	**–**	**(132)**

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for car loans for 2019 is as follows:

Car loans

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	1,401	5	2,120	–	3,526
Acquisition of subsidiaries	26	–	–	–	26
New assets originated or purchased	752	–	–	–	752
Assets derecognised or repaid (excluding write-offs)	(722)	(4)	(924)	–	(1,650)
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	(2)	5	(3)	–	–
Transfers to Stage 3	(2)	(2)	4	–	–
Net change in accrued interest	42	(2)	875	–	915
Unwinding of discount	–	–	45	–	45
Recoveries	–	–	182	–	182
Write-offs	–	–	(1,841)	–	(1,841)
At 31 December	**1,495**	**2**	**458**	**–**	**1,955**

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	–	–	(483)	–	(483)
New assets originated or purchased	(1)	–	–	–	(1)
Assets derecognised or repaid (excluding write-offs)	–	–	896	–	896
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	1	–	(2,118)	–	(2,117)
Unwinding of discount	–	–	(45)	–	(45)
Recoveries	–	–	(182)	–	(182)
Write-off	–	–	1,841	–	1,841
At 31 December	**–**	**–**	**(91)**	**–**	**(91)**

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for credit cards for 2020 is as follows:

Credit cards

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	4,903	168	620	–	5,691
New assets originated or purchased	29,905	–	–	–	29,905
Disposal of subsidiary	(105)	(3)	(55)	–	(163)
Assets derecognised or repaid (excluding write-offs)	(29,264)	(6)	(3)	–	(29,273)
Transfers to Stage 1	361	(231)	(130)	–	–
Transfers to Stage 2	(743)	770	(27)	–	–
Transfers to Stage 3	(339)	(556)	895	–	–
Net change in accrued interest	104	–	25	–	129
Unwinding of discount	–	–	94	–	94
Recoveries	–	–	3	–	3
Write-off	–	–	(131)	–	(131)
Effect from changes in exchange rates	(598)	(18)	(160)	–	(776)
At 31 December	**4,224**	**124**	**1,131**	**–**	**5,479**

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	(995)	(156)	(521)	–	(1,672)
New assets originated or purchased	(3,807)	(1)	–	–	(3,808)
Assets derecognised or repaid (excluding write-offs)	4,170	2	3	–	4,175
Transfers to Stage 1	(190)	83	107	–	–
Transfers to Stage 2	116	(137)	21	–	–
Transfers to Stage 3	81	160	(241)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(305)	(75)	(290)	–	(670)
Unwinding of discount	–	–	(94)	–	(94)
Recoveries	–	–	(3)	–	(3)
Write-off	–	–	131	–	131
Effect from changes in exchange rates	407	10	150	–	567
At 31 December	**(523)**	**(114)**	**(737)**	**–**	**(1,374)**

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for credit cards for 2019 is as follows:

Credit cards

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	2,114	56	217	–	2,387
Acquisition of subsidiaries	539	5	84	–	628
New assets originated or purchased	21,751	–	–	–	21,751
Assets derecognised or repaid (excluding write-offs)	(19,309)	(2)	(191)	–	(19,502)
Transfers to Stage 1	97	(69)	(28)	–	–
Transfers to Stage 2	(174)	194	(20)	–	–
Transfers to Stage 3	(323)	(250)	573	–	–
Net change in accrued interest	208	234	26	–	468
Unwinding of discount	–	–	69	–	69
Recoveries	–	–	16	–	16
Write-offs	–	–	(126)	–	(126)
Effect from changes in exchange rates	–	–	–	–	–
At 31 December	4,903	168	620	–	5,691

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	(453)	(48)	(184)	–	(685)
Acquisition of subsidiaries	(16)	(1)	(77)	–	(94)
New assets originated or purchased	(1,069)	–	–	–	(1,069)
Assets derecognised or repaid (excluding write-offs)	832	19	44	–	895
Transfers to Stage 1	(88)	63	25	–	–
Transfers to Stage 2	45	(28)	(17)	–	–
Transfers to Stage 3	49	210	(259)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(295)	(373)	(94)	–	(762)
Unwinding of discount	–	–	(69)	–	(69)
Recoveries	–	–	(16)	–	(16)
Write-off	–	–	126	–	126
Effect from changes in exchange rates	–	2	–	–	2
At 31 December	(995)	(156)	(521)	–	(1,672)

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2020 is as follows:

Other loans secured by collateral

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	124,553	6,801	58,674	13,199	203,227
New assets originated or purchased	17,003	–	–	5,526	22,529
Disposal of subsidiary	(70)	–	–	–	(70)
Assets derecognised or repaid (excluding write-offs)	(53,481)	(1,676)	(12,596)	–	(67,753)
Transfers to Stage 1	4,957	(3,227)	(1,730)	–	–
Transfers to Stage 2	(8,492)	10,014	(1,522)	–	–
Transfers to Stage 3	(2,062)	(10,088)	12,150	–	–
Net change in accrued interest	1,145	126	1,350	260	2,881
Unwinding of discount	–	–	3,560	–	3,560
Recoveries	–	–	3,532	–	3,532
Write-off	–	–	(15,428)	(597)	(16,025)
Effect from changes in exchange rates	160	4	131	49	344
At 31 December	**83,713**	**1,954**	**48,121**	**18,437**	**152,225**

	2020				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	(132)	(28)	(16,563)	1,761	(14,962)
New assets originated or purchased	(167)	–	–	–	(167)
Assets derecognised or repaid (excluding write-offs)	26	15	3,724	160	3,925
Transfers to Stage 1	(131)	61	70	–	–
Transfers to Stage 2	14	(52)	38	–	–
Transfers to Stage 3	32	44	(76)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	286	(57)	(11,671)	(2,106)	(13,548)
Unwinding of discount	–	–	(3,560)	–	(3,560)
Recoveries	–	–	(3,532)	–	(3,532)
Write-off	–	–	15,428	597	16,025
Effect from changes in exchange rates	–	–	(105)	–	(105)
At 31 December	**(72)**	**(17)**	**(16,247)**	**412**	**(15,924)**

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2019 is as follows:

Other loans secured by collateral

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	99,135	6,816	66,365	6,723	179,039
Acquisition of subsidiaries	29,915	885	4,219	1,032	36,051
New assets originated or purchased	64,540	–	–	12,560	77,100
Assets derecognised or repaid (excluding write-offs)	(66,004)	(2,363)	(8,816)	(7,547)	(84,730)
Transfers to Stage 1	2,894	(1,798)	(1,096)	–	–
Transfers to Stage 2	(6,803)	7,608	(805)	–	–
Transfers to Stage 3	(1,938)	(4,543)	6,481	–	–
Net change in accrued interest	2,820	196	1,285	391	4,692
Unwinding of discount	–	–	2,711	–	2,711
Recoveries	–	–	6,455	–	6,455
Write-off	–	–	(18,071)	40	(18,031)
Effect from changes in exchange rates	(6)	–	(54)	–	(60)
At 31 December	124,553	6,801	58,674	13,199	203,227

	2019				
Millions of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	(72)	(23)	(16,767)	453	(16,409)
Acquisition of subsidiaries	(4)	(9)	(222)	–	(235)
New assets originated or purchased	(287)	–	–	–	(287)
Assets derecognised or repaid (excluding write-offs)	270	27	6,802	69	7,168
Transfers to Stage 1	(98)	41	57	–	–
Transfers to Stage 2	17	(80)	63	–	–
Transfers to Stage 3	24	55	(79)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	18	(39)	(15,392)	1,279	(14,134)
Unwinding of discount	–	–	(2,711)	–	(2,711)
Recoveries	–	–	(6,455)	–	(6,455)
Write-off	–	–	18,071	(40)	18,031
Effect from changes in exchange rates	–	–	70	–	70
At 31 December	(132)	(28)	(16,563)	1,761	(14,962)

15. LOANS TO CUSTOMERS (CONTINUED)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

The table below includes an analysis of credit impaired loans presented at Stage 3 and POCI loans:

Millions of tenge	31 December 2020	31 December 2019
Stage 3 and POCI		
Non-performing loans that are not past due	**8,823**	12,309
Past due non-performing loans and renegotiated loans	**52,966**	60,933
Other credit-impaired loans	**152,980**	102,791
	214,769	176,033
Allowance for ECL	**(68,192)**	(63,493)
	146,577	112,540

Non-performing loans in the table above represent loans that were credit-impaired as at 1 October 2014 and were transferred to the Bank's bad debts division.

The amounts of undiscounted ECL at initial recognition on purchased credit-impaired loans to customers that were initially recognised in 2020 and 2019 were as follows:

Millions of tenge	2020	2019
Mortgage loans	**629**	626
Other loans secured by collateral	**702**	1,101
Total undiscounted ECL at initial recognition of POCI	**1,331**	1,727

In 2020, the Group converted and forgiven foreign currency loans as part of the government program for refinancing mortgage and housing loans to customers. At the time of conversion and forgiveness, the carrying amount of these loans was KZT 23,768 million. All loans were at the time of conversion in Stage 3. Conversion and forgiveness were also subject to previously written off loans, for which the right of claim was not terminated. As a result of loan conversion and forgiveness, the Group recognized a loss on derecognition of loans to customers in the amount of KZT 15,670 million.

Under this government program, the Group attracted deposits from Kazakhstan Stability Fund JSC with a nominal interest rate of 0.10% to 2.99% per annum and maturing at the end of the term in 2038-2050 (Note 20). Gain on initial recognition of borrowed funds amounted to KZT 26,879 million and was recognized net of loss as a result of derecognition of loans to customers under "Net gains/(losses) on derecognition of financial assets measured at amortized cost".

Modified and restructured loans

For 2020, the Group modified the terms of some mortgage and consumer loans, including granting loan holidays, as part of the measures imposed by the government in response to the impact of the COVID-19 pandemic. As a result, the Group recognized a loss on modification of the terms of loans to customers in the amount of KZT 2,005 million in other expenses of the consolidated statement of comprehensive income.

In 2020, the Group made some changes to the process for assessing expected credit losses due to the ongoing COVID-19 pandemic. In particular, it revised the indicators of a significant increase in credit risk and did not automatically conclude that there was a significant increase in credit risk if the loan was modified as a result of the implementation of government support measures. The group also updated its forward-looking information, including forecasts of macroeconomic indicators.

In addition, the Group's management made additional adjustments to the already recognized expected credit losses as at 31 December 2020 in the amount of KZT 617 million.

Collateral and other credit enhancements

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

Guarantees and suretyship from individuals such as shareholders of borrowers represented by small and medium-sized businesses are not taken into account in assessing the impairment.

15. LOANS TO CUSTOMERS (CONTINUED)

Collateral and other credit enhancements (continued)

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

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

The main types of collateral obtained are as follows:

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

As at 31 December 2020, loans net of ECL allowance overdue over 90 days amount to KZT 55,157 million (as at 31 December 2019: KZT 80,961 million). As at 31 December 2020, the total fair value of collateral securing such loans, limited to the gross value of the respective loans, amounted to KZT 69,011 million (31 December 2018: KZT 121,345 million).

Repossessed collateral

In 2020, the Group received property classified within other assets with a carrying amount of KZT 7.717 million (2019: KZT 12,592 million) by obtaining control over collateral for loans to customers (Note 18). The Group's policy assumes sale of these assets as soon as it is practicable.

Concentration of loans to customers

As at 31 December 2020, the Group had a concentration of loans represented by KZT 130,709 million due from the ten largest independent borrowers or 16% of gross loan portfolio (31 December 2019: KZT 120,211 million or 14% of gross loan portfolio). Allowance for ECL on these loans is KZT 2,431 million (31 December 2019: KZT 1,201 million).

Industry and geographical analysis of loans

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

Millions of tenge	31 December 2020	31 December 2019
Loans to retail customers	**419,821**	470,138
Metallurgy	**60,180**	61,447
Real estate activities	**49,556**	50,495
Wholesale trading	**48,433**	60,512
Services provided by small and medium businesses	**44,486**	40,185
Retail services	**35,793**	33,624
Food industry	**21,514**	18,696
Financial services	**20,831**	15,748
Construction	**20,475**	34,082
Transportation	**16,543**	12,063
Textile production	**7,154**	5,943
Agriculture	**6,752**	2,907
Post and communications	**6,100**	1,111
Production of crude oil and natural gas	**5,924**	6,763
Production of metal goods	**3,026**	3,233
Chemical industry	**2,326**	1,373
Manufacturing	**1,924**	2,429
Machine-building	**554**	462
Other	**61,635**	36,143
	833,027	857,354
Allowance for ECL	**(83,285)**	(72,286)
	749,742	785,068

16. INVESTMENT SECURITIES

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

Millions of tenge	31 December 2020	31 December 2019
Debt securities at amortised cost		
Government bonds		
Bonds of the National Bank of the Republic of Kazakhstan rated BBB-	**6,543**	–
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**17,128**	19,398
Bonds of foreign countries rated at BB- to BB+	**848**	771
Total government bonds	**24,519**	20,169
Corporate bonds		
Rated from BBB- to BBB+	**82,935**	76,655
Rated from BB- to BB+	**160,804**	160,266
Total corporate bonds	**243,739**	236,921
Bonds of banks		
Rated from BB- to BB +	**1,639**	–
Rated from B- to B+	**5,208**	4,760
Total bonds of banks	**6,847**	4,760
Investment securities measured at amortised cost before ECL allowance	**275,105**	261,850
Allowance for ECL	**(932)**	(808)
Investment securities measured at amortised cost	**274,173**	261,042
Debt securities at FVOCI		
Government bonds		
Bonds of the National Bank of the Republic of Kazakhstan rated BBB-	**91,083**	265,726
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**276,764**	90,793
Bonds of the Sultanate of Oman rated at BB	**1,265**	1,156
Total government bonds	**369,112**	357,675

Millions of tenge	31 December 2020	31 December 2019
Corporate bonds		
Rated from AA- to AA+	–	794
Rated from BBB- to BBB+	**81,341**	36,517
Rated from BB- to BB+	**435**	–
Total corporate bonds	**81,776**	37,311
Bonds of banks		
Rated from A- to A+	–	8,259
Rated from BBB- to BBB+	**12,124**	18,723
Rated from BB- to BB+	**38,455**	30,521
Rated below B+	**4,455**	5,935
Total bonds of banks	**55,034**	63,438
Investment securities measured at FVOCI	**505,922**	458,424

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

As at 31 December 2020, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of KZT 23,466 million, were pledged under the repurchase agreements entered into at the KASE (Note 27).

As at 31 December 2019, investment securities at FVOCI represented by treasury bills of the Ministry of Finance of the Republic of Kazakhstan, NBRK notes and corporate bonds of Baspana Mortgage Organization JSC with the fair value of KZT 44,238 million, KZT 59,667 million and KZT 15,185 million, respectively, were pledged under the repurchase agreements entered into on KASE (Note 27).

16. INVESTMENT SECURITIES (CONTINUED)

In September 2019, the Group purchased new bonds of NAC Kazatomprom JSC indexed to the US Dollar and maturing on 27 October 2024 with a nominal value of KZT 70,000 million and bearing a coupon of 4% per annum. Fair value of the bonds at initial recognition amounted to KZT 77,053 million estimated using the effective interest rate of 1.89% p.a. The gain on initial recognition of bonds recognized in the consolidated statement of comprehensive income amounted to KZT 7,053 million. The Group classified these bonds as investment securities measured at amortised cost.

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

The Group's debt securities issued held by Sovereign Wealth Fund Samruk-Kazyna JSC (Note 21), with a total nominal value of KZT 220,000 million, serve as collateral for liabilities to the Group on the above mentioned bonds.

17. PROPERTY AND EQUIPMENT

The movements in property and equipment were as follows:

Millions of tenge	Land	Buildings	Computers	Vehicles	Construction-in-progress and assets to be installed	Other	Right-of-use asset	Total
Cost								
At 1 January 2019	1,614	35,751	3,391	407	2,912	20,444	–	64,519
Effect of adoption of IFRS 16	–	–	–	–	–	–	6,764	6,764
Acquisition through business combinations	322	4,502	808	26	–	1,194	276	7,128
Additions	1,213	5,359	1,362	56	4,519	6,018	1,219	19,746
Transfers	–	–	(115)	–	(195)	310	–	–
Disposals	(6)	(2,265)	(455)	(8)	–	(725)	(5,706)	(9,165)
At 31 December 2019	3,143	43,347	4,991	481	7,236	27,241	2,553	88,992

17. PROPERTY AND EQUIPMENT (CONTINUED)

Millions of tenge	Land	Buildings	Computers	Vehicles	Construction-in-progress and assets to be installed	Other	Right-of-use asset	Total
Additions	15	242	1,117	5	860	3,876	1,516	7,631
Transfers	–	4,162	41	–	(6,869)	1,717	–	(949)
Disposals	(30)	(19)	(152)	(7)	–	(1,173)	(929)	(2,310)
Disposals as a result of sale of a subsidiary (Note 28)	(486)	(3,503)	(752)	(26)	–	(959)	(252)	(5,978)
At 31 December 2020	**2,642**	**44,229**	**5,245**	**453**	**1,227**	**30,702**	**2,888**	**87,386**
Accumulated depreciation								
At 1 January 2019	–	(2,887)	(1,744)	(247)	–	(8,145)	–	(13,023)
Effect of adoption of IFRS 16	–	–	–	–	–	–	(1,311)	(1,311)
Acquisition through business combinations	–	(209)	(476)	(3)	–	(562)	(31)	(1,281)
Depreciation charge for the year	–	(978)	(518)	(53)	–	(3,061)	(802)	(5,412)
Transfers	–	–	–	–	–	–	–	–
Disposals	–	653	364	4	–	343	1,326	2,690
At 31 December 2019	–	(3,421)	(2,374)	(299)	–	(11,425)	(818)	(18,337)
Depreciation charge for the year	–	(1,078)	(732)	(52)	–	(3,804)	(625)	(6,291)
Transfers	–	–	–	–	–	–	–	–
Disposals	–	19	109	6	–	1,032	384	1,550
Disposals as a result of sale of a subsidiary (Note 28)	–	330	481	7	–	556	132	1,506
At 31 December 2020	–	**(4,150)**	**(2,516)**	**(338)**	–	**(13,641)**	**(927)**	**(21,572)**
Net book value								
At 1 January 2019	1,614	32,864	1,647	160	2,912	12,299	–	51,496
At 31 December 2019	3,143	39,926	2,617	182	7,236	15,816	1,735	70,655
At 31 December 2020	2,642	40,079	2,729	115	1,227	17,061	**1,961**	**65,814**

18. OTHER ASSETS

Other assets comprise:

Millions of tenge	31 December 2020	31 December 2019
Other accounts receivable from bank activities	**13,558**	12,323
Other accounts receivable	**14,940**	17,472
	28,498	29,795
Allowance for ECL	**(4,294)**	(3,014)
Other financial assets	**24,204**	26,781
Repossessed collateral	**51,694**	59,684
Prepayments and other receivables	**4,485**	7,141
Prepaid taxes, other than corporate income tax	**2,766**	2,630
Investment property	**2,908**	592
Inventories held for sale	**1,956**	5,648
Inventories	**1,001**	624
Other	**765**	65
	65,575	76,384
Allowance for impairment	**(44)**	(122)
Other non-financial assets	**65,531**	76,262
Total other assets	**89,735**	103,043

The Group took possession of collateral with an assessed value of KZT 7,717 million during 2020 (during 2019: KZT 12,592 million). Even though the Group is currently actively trying to sell these assets, most of them were not sold within a short period of time. Management still intends to sell the repossessed collateral.

19. CURRENT ACCOUNTS AND DEPOSITS OF CUSTOMERS

Current accounts and deposits of customers comprise:

Millions of tenge	31 December 2020	31 December 2019
Current accounts and demand deposits		
▪ Retail customers	**84,652**	77,686
▪ Corporate customers	**369,583**	366,126
Time deposits		
▪ Retail customers	**437,787**	502,476
▪ Corporate customers	**419,687**	326,046
Guarantee deposits		
▪ Retail customers	**18,148**	23,538
▪ Corporate customers	**57,310**	41,077
	1,387,167	1,336,949
Held as security against letters of credit and guarantees (Note 31)	**(483)**	(1,689)

Concentration of current accounts and deposits of customers

As at 31 December 2020, total amount of account balances of top 10 clients amounted to KZT 300,912 million or 22% of total current accounts and deposits of customers (31 December 2019: KZT 193,526 million or 14%).

As at 31 December 2020, the Group's outstanding balance of accounts and deposits of individuals and individual entrepreneurs amounted to KZT 232,166 million (31 December 2019: KZT 245,716 million) with limited insurance coverage KDIF on behalf of the Government of the Republic of Kazakhstan.

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

20. AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Amounts due to banks and other financial institutions comprise:

Millions of tenge	31 December 2020	31 December 2019
Loans and deposits from governmental organizations	**48,565**	82,990
Amounts due to Kazakhstan Sustainability Fund JSC	**57,422**	27,272
Loans from other financial institutions	**22,553**	7,543
Current accounts and deposits of banks	**1,930**	1
	130,470	117,806

As at 31 December 2020, loans from public institutions included loans from Entrepreneurship Development Fund "Damu" JSC and Kazakhstan Development Bank JSC in the amount of KZT 32,417 million and KZT 13,015 million, respectively (31 December 2019: KZT 68,136 million and KZT 10,984 million, respectively), as part of the state program to support small and medium-sized businesses by the Banking sector. Loans are denominated in tenge, have nominal interest rates from 1.00% to 9.00% per annum and mature in 2021-2035.

As at 31 December 2020, amounts due to Kazakhstan Sustainability Fund JSC included funds in the amount of KZT 46,756 million received as part of the implementation of measures of the Government of the Republic of Kazakhstan to support small and medium-sized businesses affected by the COVID-19 pandemic. These liabilities include deposits denominated in tenge in the amount of 18.967 million tenge, with a nominal rate of 5.00% per annum and maturing in 2021, and funds in the amount of 27.789 million tenge that are not subject to accrual and payment of interest is not provided for until the above funds are utilized by the Bank (Note 13).

As at 31 December 2020, amounts due to Kazakhstan Sustainability Fund JSC also include deposits in the amount of KZT 10,666 million (31 December 2019: KZT 27,272 million) as part of the governmental program for refinancing of mortgage and housing loans to customers. In 2020, this program was changed in terms of providing additional aid to mortgage borrowers belonging to the category of socially vulnerable segments of the population, as well as unilateral conversion of foreign currency mortgage loans into tenge. Deposits are denominated in tenge, have nominal interest rates from 0.10% to 2.99% per annum and mature in 2038-2050 at the end of the term. The fair value of deposits attracted at initial recognition was determined by the Group using market rates ranging from 13.50% to 13.93% per annum (in 2019: from 17.13% to 18.50% per annum). In 2020, the Group recognized net income from government grants less loss on derecognition of loans to customers in the amount of KZT 11,209 million in the consolidated statement of comprehensive income. In 2019, net loss from derecognition of loans to customers, net of government grants, is amounted to KZT 4,133 million.

In February 2020, the Bank entered into agreements with KSF under the program approved by NBRK to refinance the residential mortgage loans, according to which the terms of the deposits were extended to 30 years. Refunds of the deposits will be made at the end of the term. As a result of modification of the contractual terms of deposits, the Bank recognized a gain on derecognition of these instruments in the amount of KZT 17,956 million, as well as a related effect on deferred corporate income tax of KZT 3,591 million in the consolidated statement of comprehensive income (Note 15).

As at 31 December 2020 loans from other financial institutions include loans in the amount of KZT 22,553 million (31 December 2019: KZT 3,267 million) received from European Bank for Reconstruction and Development as part of the program for supporting of investments in micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans are denominated in KZT, bear interest rate of 8.55% per annum and mature in 2023. As at 31 December 2020, a deposit in the amount of KZT 25.245 million placed by the Bank with the EBRD acts as collateral for these liabilities (Note 13).

21. DEBT SECURITIES ISSUED

Debt securities issued comprise:

Millions of tenge	Maturity	Coupon rate	31 December 2020	31 December 2019
Bonds in US dollars				
Bonds issued in 2019	2022	3.00%	**16,829**	14,946
Eurobonds issued in 2010	2022	14.00%	**15,136**	13,757
			31,965	28,703
Bonds in KZT				
Bonds issued in 2018	2024	4.00%	**159,837**	148,755
Bonds issued in 2015	2025	10.13%	**48,400**	47,813
Bonds issued in 2010	2020	8.00% (1.00% + inflation index)	**–**	3,992
			208,237	200,560
			240,202	229,263

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

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

During 2020, the Bank placed debt securities in the total amount of USD 3,900,000 (equivalent to KZT 1,494 million) issued on 5 August 2019 as part of the issue of private bonds with a total nominal value of USD 100,000,000 listed on Astana International Exchange.

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

22. SUBORDINATED DEBT

Subordinated debt comprises:

Millions of tenge	31 December 2020	31 December 2019
Subordinated debt securities issued	**20,503**	22,648
Long-term loans in tenge	**–**	1,919
Long-term loans in US dollars	**–**	364
Debt component of preferred shares	**–**	1,020
	20,503	25,951

As at 31 December 2020 subordinated debt securities include subordinated bonds denominated in tenge, with maturity in 2022-2031 (31 December 2019: 2020-2031) and a fixed coupon rate of 8% per annum (31 December 2019: 8% per annum). The coupon is paid every six months.

In accordance with the contractual terms on 14 April 2020, the Bank redeemed subordinated debt securities issued in the amount of KZT 2,200 million.

23. SHARE CAPITAL

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

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

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

	Quantity of ordinary shares	Placement value of common shares, in KZT million
At 1 January 2020	**89,493,581,272**	328,377
Repurchase of own shares	**(498,312,880)**	(822)
At 31 December 2020	**88,995,268,392**	327,555
At 1 January 2019	**91,140,151,301**	331,504
Repurchase of own shares	**(1,646,570,029)**	(3,127)
As at 31 December 2019	**89,493,581,272**	328,377

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

In accordance with the decision of the shareholders dated 29 April 2019, the Bank declared and paid dividends on common shares for the year ended 31 December 2018, in the amount of KZT 11,376 million.

24. EARNINGS PER SHARE

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

Millions of tenge	2020	2019
Net profit attributable to shareholders of the Bank	**52,962**	42,233
The weighted average number of common shares for the year ended 31 December	**89,112,358,304**	90,212,217,439
Basic and diluted earnings per share, tenge	**0.59**	0.47

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

25. RISK MANAGEMENT

Introduction

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

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, 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.

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.

25. RISK MANAGEMENT (CONTINUED)

Risk management structure (continued)

Management Board

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Management Unit (Credit Risk Function, Strategic Risk Function and Collateral Function) is responsible for the overall risk management and compliance functions, 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 risk is controlled by a system of credit committees. For improving the efficiency of decision-making process, the Group has established a hierarchy of credit committees depending on the type and amount of risk exposure. Market risks, liquidity risk, as well as credit risks in terms of counterparties and country risks are managed and controlled by the Asset and Liability Management Committee (hereinafter "ALMC"), both at the level of the portfolio as a whole and at the level of individual transactions. Operational risks, including information technology and information security risks, are monitored by the Operations Committee.

Credit risk function, Strategic risk function

Both external and internal risk factors are identified and managed throughout the Group. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. In addition to the standard analysis of risks to which the Bank is exposed, the risk management monitors financial and non financial risks by holding regular meetings with divisions of the first line of defense to obtain an expert judgement in certain areas of development of the Bank's activities.

Bank Treasury

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

Internal audit

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

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Except for expected losses, the Group also runs worst case scenarios that may 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 Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

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 regular risk reporting contains information on the total amount of credit, market, operational risks, liquidity indicator and changes in the level of risks. On a monthly basis the Management Board and collegial bodies under the Management Board and on a quarterly basis the Board of Directors receive a detailed risk report, which contains all the information necessary to assess the Group's risks and make appropriate decisions.

For all levels throughout the Group, 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.

Discussions are regularly held at meetings of the Management Board, authorized collegial bodies and other employees of the Group on compliance with and maintenance of established limits, investments, liquidity, as well as changes in the level of risk.

25. RISK MANAGEMENT (CONTINUED)

Risk management structure (continued)

Risk mitigation

As part of its overall risk management, the Group uses a wide range of instruments to manage exposures resulting from changes in interest rates, foreign currencies and exposures arising from forecast transactions.

The Group is not active in the equity and derivatives markets and 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 Group's performance to developments affecting a particular industry or geographical location.

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

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group 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 Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The asset quality assessment procedure allows the Group to assess the amount of potential losses on the risks to which it is exposed and to take the necessary measures if necessary.

Credit-related commitments risks

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

The carrying amount of components of the consolidated statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, the carrying value represents 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 15.

Impairment assessment

The Group calculates ECL for insignificant assets on a collective basis and individually significant on the basis of several probability-weighted scenarios to estimate expected cash shortfalls, which are 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 repayment of loans issued and accrued interest from overdue payments.

25. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Impairment assessment (continued)

The Loss Given Default (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.

The Group 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 Group groups its loans as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12m ECL.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL.
Stage 3:	Loans considered credit-impaired. The Group recognizes 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 Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days and over 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group 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:

- Internal rating of the borrower (corporate business) indicating default or near-default;
- Suspension of the contractual loan interest accrual due to the deterioration of a financial condition of the borrower;
- Write-off of a portion and/or the entire outstanding amount of the borrower, which was caused by a significant increase in credit risk since a loan has been provided;
- Sale of loans at a significant discount;
- Availability of court decisions on declaring the borrower bankrupt in accordance with the legislation of the Republic of Kazakhstan (not applicable to the co-borrower);
- Blocking of the counterparty's correspondent account (by court order or otherwise);
- Revocation of the rating assigned at the time of loan issuance;
- Appeal of the counterparty bank to the court, with an application for declaring it bankrupt in accordance with the legislation of the country of the counterparty bank;
- Revocation/suspension of the license of the counterparty bank;
- The borrower is deceased;
- If the borrower is the issuer of securities registered on the stock exchange, and such securities are undergoing or have gone through the procedure for canceling the issue of securities;
- Debt restucturing due to deterioration of financial condition of the borrower for the last 12 months;
- Moving the borrower to the non-performing loans unit.

It is the Group'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, at least 12 months have passed since the restructuring. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

25. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Internal rating and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. For corporate business and small and medium-sized businesses borrowers, a single rating model is used. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour, Where practical, they also build on information from the national and international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each grade. This is repeated for each economic scenario as appropriate.

Treasury and interbank relationships

The Group's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. To assess such relationships, the Group's Strategic Risks Function uses publicly available information, such as external ratings of international rating agencies, on which the ECL calculations are based.

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a financial model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Retail lending

Retail lending comprises secured and unsecured personal loans and credit cards. These products are assessed using an automated scoring system. Basic input data used in the models are the following: credit history, the ratio of the amount of the monthly loan payment to wages, as well as the ratio of the loan amount to the value of the acquired property in the case of mortgage lending and the value of collateral in case of other loans secured by 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 Group assesses the possible default events within 12 months for the calculation of the 12m ECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group 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 the Group's models.

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group'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 original effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

Loss given default

In case of collateralized lending, the LGD indicator is taken into account, which provides for a mandatory discount on the sale of collateral (liquidity ratio) and the expected period of sale of the collateral.

The LGD rate takes into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group 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.

25. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Loss given default (continued)

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 Group 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 Group assesses whether there has been a significant increase in credit risk since initial recognition. Except for loans to individuals, the Group believes that the credit risk on a financial instrument has increased significantly from the moment of initial recognition if the borrower's rating decreased in comparison with the rating at initial recognition based on an analysis of the Bank's statistics confirming the significance of such a decrease in respect of credit risk.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, for example, deterioration of the Bank's communication with the borrower, which, in the Bank's opinion, may lead to difficulties in repaying the loan or granting a grace period of more than 1 month when the client applies. In certain cases, the Group may also consider that events explained in "Definition of default" section above are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, 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 Group calculates ECLs either on a collective or on an individual basis.

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

- Individually significant financial assets in the corporate business and small and medium-sized businesses portfolio of Stage 2 and Stage 3;
- The treasury and interbank financial assets (such as amounts due from banks, cash equivalents and debt investment securities at amortised cost and fair value through other comprehensive income);
- Acquired credit-impaired financial assets that are managed on a group basis.

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

- Individually insignificant loans and not impaired individually significant instruments in the portfolio of corporate business and small and medium-sized businesses of Stages 2 and 3;
- Mortgage loans;
- Consumer unsecured loans;
- Contingency loans;
- Car loans;
- Other loans to individuals;
- Purchased credit impaired financial assets managed on a collective basis.

The Group groups these financial assets 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.

Forward-looking information and multiple economic scenarios

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

- GDP growth;
- Volume of production of oil and gas condensate;
- Unemployment rate;
- Volume of retail trade;
- Base rates of the NBRK;
- Rate of inflation;
- Real salary index;
- Foreign exchange rates;
- Oil price.

25. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Forward-looking information and multiple economic scenarios (continued)

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

Key factors	**2021,год**
Brent oil price (Brent Ice), USD	20.00
GDP index, % of the previous year	99.4
Volume of oil and gas condensate extraction, million tons	90.00
Inflation rate, %	10.40
US Dollar to tenge rate	509.0

Also, the Group's management made additional adjustments to the already recognized expected credit losses as at 31 December 2020 in the amount of KZT 600 million.

The amount of the ECL allowance for loans to customers recognized in the consolidated statement of financial position as at 31 December 2020 was KZT 83,285 million (2019: KZT 72,286 million). See Notes 15 for details.

Credit quality per class of financial assets

The Group manages the credit quality of financial assets by analyzing the number of days overdue for the retail and SME segment and on the basis of internal ratings – for corporate loans, for other financial instruments – based on ratings assigned by international rating agencies according to the table below. The analysis of credit quality is presented in the notes of the relevant financial assets.

External international rating agency's (Moody's) rating	International external rating agency (Fitch) rating	Annual PD
Aa1 to Aaa	**AA+ to AAA**	0.00-0.09%
Aa2	**AA**	
A1 to Aa3	**A+ to AA-**	
A3 to A2	**A- to A**	0.07-0.60%
Baa1	**BBB+**	
Baa2	**BBB**	
Baa3	**BBB-**	
Ba1	**BB+**	
Ba3 to Ba2	**BB- to BB**	1.03-13.38%
B3 to B1	**B- to B+**	
Caa2 to Caa1	**CCC to CCC+**	
Ca to Caa3	**C to CCC-**	29.28-49.24%
Default	**D**	100%

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, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and marker exchange rates.

25. RISK MANAGEMENT (CONTINUED)

Market risk

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 ALMC. Market risk limits are approved by the ALMC based on recommendations of the Strategic Risk Function and subsequently agreed by the Board of Directors.

The Group 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.

In addition, the Group 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 Group 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 Group is exposed to the effects of fluctuations in the prevailing levels of market interest 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.

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

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit and equity to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or 300 bp rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2020 and 2019 is as follows:

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit and equity to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or 300 bp rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2020 and 2019 is as follows:

	2020	2019
Millions of tenge	Effect on profit	Effect on profit
100 basis point parallel decrease	5,279	5,276
300 basis point parallel increase	(15,836)	(15,828)

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and debt securities measured at FVOCI due to changes in the interest rates based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 100 bp symmetrical fall or 300 bp rise in all yield curves is as follows:

	2020		2019	
Millions of tenge	Effect on profit	Impact on other comprehen-sive income	Effect on profit	Impact on other comprehen-sive income
100 basis point parallel decrease	111	8,255	135	5,273
300 basis point parallel increase	(317)	(24,534)	(378)	(15,122)

25. RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Currency risk (continued)

The Group 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 Group hedges its exposure to foreign exchange risk, such transactions do not meet the definition of a hedging relationship in accordance with IFRS.

The following table shows financial assets and liabilities by foreign currencies:

31 December 2020	Tenge	US dollar	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	126,169	170,038	11,369	4,056	311,632
Amounts due from financial institutions	34,969	38,738	–	–	73,707
Trading securities	1,440	5,937	–	–	7,377
Loans to customers	659,285	90,077	6	374	749,742
Investment securities	521,639	233,794	24,662	–	780,095
Other financial assets	24,172	–	29	3	24,204
Total financial assets	1,367,674	538,584	36,066	4,433	1,946,757
Liabilities					
Current accounts and deposits of customers	805,034	543,580	33,050	5,503	1,387,167
Amounts due to banks and other financial institutions	128,539	1,840	91	–	130,470
Amounts payable under repurchase agreements	21,670	–	–	–	21,670
Debt securities issued	208,237	31,965	–	–	240,202
Subordinated debt	20,503	–	–	–	20,503
Other financial liabilities	11,355	398	228	33	12,014
Total financial liabilities	1,195,338	577,783	33,369	5,536	1,812,026
Net position	172,336	(39,199)	2,697	(1,103)	134,731
Impact of derivative instruments held for the purpose of risk management	(27,105)	27,989	(2,584)	1,700	–
Net position adjusted for impact of derivative instruments held for the purpose of risk management	145,231	(11,210)	113	597	134,731

31 December 2019	Tenge	US dollar	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	258,930	66,766	17,416	4,130	347,242
Amounts due from financial institutions	18,134	10,071	–	–	28,205
Trading securities	1,440	5,012	–	–	6,452
Loans to customers	674,234	110,384	68	382	785,068
Investment securities	490,431	213,843	15,192	–	719,466
Other financial assets	21,091	5,626	60	4	26,781
Total financial assets	1,464,260	411,702	32,736	4,516	1,913,214
Liabilities					
Current accounts and deposits of customers	740,248	559,209	32,455	5,037	1,336,949
Amounts due to banks and other financial institutions	113,531	4,275	–	–	117,806
Amounts payable under repurchase agreements	116,741	–	–	–	116,741
Debt securities issued	200,560	28,703	–	–	229,263
Subordinated debt	25,587	364	–	–	25,951
Other financial liabilities	8,432	551	88	24	9,095
Total financial liabilities	1,205,099	593,102	32,543	5,061	1,835,805
Net position	259,161	(181,400)	193	(545)	77,409
Impact of derivative instruments held for the purpose of risk management	(171,124)	175,506	–	(4,384)	(2)
Net position adjusted for impact of derivative instruments held for the purpose of risk management	88,037	(5,894)	193	(4,929)	77,407

25. RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Currency risk (continued)

The tables below indicate the currencies to which the Group 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 Group 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	
Millions of tenge	**Increase in currency rate, %**	**Effect on profit before tax**	**Increase in currency rate, %**	**Effect on profit before tax**
USD	**14**	**(1,569)**	12	(707)
Euro	**14**	**16**	12	23

	2020		2019	
Millions of tenge	**Decrease in currency rate, %**	**Effect on profit before tax**	**Decrease in currency rate, %**	**Effect on profit before tax**
USD	**(11)**	**1,233**	(9)	530
Euro	**(11)**	**(12)**	(9)	(17)

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 Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Liquidity risk

Liquidity risk is the risk that the Group 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 Group 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 Group 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;
- Managing the duration of the securities' portfolio;
- Maintaining debt financing plans;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Developing a financing plan in case of a liquidity crisis;
- 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 Group as a whole.

25. RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The daily liquidity position is monitored by the Treasury and regular liquidity stress testing under a variety of scenarios covering both normal and more unfavorable market conditions is performed by the strategic risks function. Under normal market conditions, liquidity reports are provided to the Management Board and the ALMC on a monthly basis, and to the Board of Directors on a quarterly basis. Decisions on liquidity management are made by the ALMC as advised by the risk management and implemented by the Treasury.

The following tables show the undiscounted contractual cash flows on financial assets, liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be claimed.

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2020 is as follows:

31 December 2020 *Millions of tenge*	On demand and l ess than 1 month	From 1 to 3 months	From 3 to 12 months	1 to 5 years	More than 5 years	Without maturity	Total	Carrying amount
Non-derivative financial assets								
Cash and cash equivalents	311,756	–	–	–	–	–	311,756	311,632
Amounts due from financial institutions	–	–	27,858	30,568	15,281	–	73,707	73,707
Trading securities	7,377	–	–	–	–	–	7,377	7,377
Loans to customers	76,015	64,299	215,135	754,848	137,386	–	1,247,683	749,742
Investment securities	51,331	69,512	121,657	596,897	88,173	–	927,570	780,095
Other financial assets	1,489	639	8,967	12,793	316	–	24,204	24,204
Total non-derivative financial assets	447,968	134,450	373,617	1,395,106	241,156	–	2,592,297	1,946,757
Non-derivative financial liabilities								
Current accounts and deposits of customers	(735,672)	(66,728)	(454,045)	(161,933)	(4,644)	–	(1,423,022)	(1,387,167)
Amounts due to banks and other financial institutions	(1,968)	(937)	(13,404)	(37,929)	(113,074)	–	(167,312)	(130,470)
Amounts payable under repurchase agreements	(21,718)	–	–	–	–	–	(21,718)	(21,670)
Debt securities issued	(2,530)	–	(11,200)	(273,184)	–	–	(286,914)	(240,202)
Subordinated debt	(118)	–	(1,498)	(13,713)	(13,748)	–	(29,077)	(20,503)
Other financial liabilities	(7,341)	(21)	(1,748)	–	(2,904)	–	(12,014)	(12,014)
Total non-derivative financial liabilities	(769,347)	(67,686)	(481,895)	(486,759)	(134,370)	–	(1,940,057)	(1,812,026)
Net liquidity gap on financial assets and financial liabilities	(321,379)	66,764	(108,278)	908,347	106,786	–	652,240	
Contingent liabilities	(5,717)	(4,802)	(12,483)	(27,527)	(444)	–	(50,973)	

25. RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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.

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2019 is as follows:

31 December 2019 *Millions of tenge*	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	1 to 5 years	More than 5 years	Without maturity	Total	Carrying amount
Non-derivative financial assets								
Cash and cash equivalents	347,547	–	–	–	–	–	347,547	347,242
Amounts due from financial institutions	6,297	–	6,634	4,815	10,632	–	28,378	28,205
Trading securities	6,452	–	133	533	–	–	7,118	6,452
Loans to customers	107,026	58,912	236,478	919,597	223,522	–	1,545,535	785,068
Investment securities	91,667	57,951	196,106	429,977	67,143	–	842,844	719,466
Other financial assets	1,495	46	7,891	17,508	10	–	26,950	26,781
Total non-derivative financial assets	560,484	116,909	447,242	1,372,430	301,307	–	2,798,372	1,913,214
Non-derivative financial liabilities								
Current accounts and deposits of customers	(647,296)	(86,134)	(464,115)	(165,053)	(18,802)	–	(1,381,400)	(1,336,949)
Amounts due to banks and other financial institutions	(76)	(1,947)	(47,325)	(13,230)	(82,430)	–	(145,008)	(117,806)
Amounts payable under repurchase agreements	(116,936)	–	–	–	–	–	(116,936)	(116,741)
Debt securities issued	(2,530)	(4,197)	(4,582)	(218,117)	(55,123)	–	(284,549)	(229,263)
Subordinated debt	(71)	(59)	(3,966)	(12,385)	(23,718)	(1,000)	(41,199)	(25,951)
Other financial liabilities	(6,602)	(30)	(385)	(2,061)	(145)	–	(9,223)	(9,095)
Total non-derivative financial liabilities	(773,511)	(92,367)	(520,373)	(410,846)	(180,218)	(1,000)	(1,978,315)	(1,835,805)
Net liquidity gap on financial assets and financial liabilities	(213,027)	24,542	(73,131)	961,584	121,089	(1,000)	820,057	
Contingent liabilities	7,115	4,919	17,599	14,915	94	–	44,642	

26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table shows the expected maturities of assets and liabilities as at 31 December 2020 and 2019:

31 December 2020 *Millions of tenge*	Less than 1 month	1 to 3 months	From 3 to 12 months	From 1 to 5 years	Later than 5 years	Without maturity	Overdue	Total
Assets								
Cash and cash equivalents	311,632	–	–	–	–	–	–	311,632
Amounts due from financial institutions	–	–	27,858	30,568	15,281	–	–	73,707
Trading securities	7,377	–	–	–	–	–	–	7,377
Loans to customers	37,936	55,599	156,913	412,110	50,495		36,689	749,742
Investment securities	50,649	66,571	98,543	496,611	67,721	–	–	780,095
Property and equipment	–	–	–	–	–	65,814	–	65,814
Intangible assets	–	–	–	–	–	11,162	–	11,162
Other assets	394	24	66,116	17,985	948	2,908	1,360	89,735
Total assets	407,988	122,194	349,430	957,274	134,445	79,884	38,049	2,089,264
Liabilities								
Current accounts and deposits of customers	(733,227)	(62,219)	(441,229)	(147,300)	(3,192)	–	–	(1,387,167)
Amounts due to banks and other financial institutions	(1,945)	(351)	(10,811)	(28,883)	(88,480)	–	–	(130,470)
Amounts payable under repurchase agreements	(21,670)	–	–	–	–	–	–	(21,670)
Debt securities issued	(2,151)	–	(568)	(237,483)	–	–	–	(240,202)
Deferred tax liabilities	–	–	–	(11,171)	–	–	–	(11,171)
Subordinated debt	(117)	–	(192)	(8,809)	(11,385)	–	–	(20,503)
Other liabilities	(7,398)	(264)	(3,900)	(236)	(2,906)	–	(46)	(14,750)
Total liabilities	(766,508)	(62,834)	(456,700)	(433,882)	(105,963)	–	(46)	(1,825,933)
Net position	(358,520)	59,360	(107,270)	523,392	28,482	79,884	38,003	263,331
Net accumulated position	(358,520)	(299,160)	(406,430)	116,962	145,444	225,328	263,331	

26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

31 December 2019 *Millions of tenge*	Less than 1 month	1 to 3 months	From 3 to 12 months	From 1 to 5 years	Later than 5 years	Without maturity	Overdue	Total
Assets								
Cash and cash equivalents	347,242	–	–	–	–	–	–	347,242
Amounts due from financial institutions	6,297	–	6,461	4,815	9,856	776	–	28,205
Trading securities	6,452	–	–	–	–	–	–	6,452
Loans to customers	37,577	41,018	151,651	403,488	84,602	–	66,732	785,068
Investment securities	91,056	56,569	171,289	347,439	53,113	–	–	719,466
Property and equipment	–	–	–	–	–	70,655	–	70,655
Intangible assets	–	–	–	–	–	9,839	–	9,839
Other assets	4,711	405	78,899	16,286	685	1,729	328	103,043
Total assets	493,335	97,992	408,300	772,028	148,256	82,999	67,060	2,069,970
Liabilities								
Current accounts and deposits of customers	(644,666)	(81,500)	(450,883)	(143,558)	(16,342)	–	–	(1,336,949)
Amounts due to banks and other financial institutions	(37)	(2,206)	(43,224)	(6,193)	(66,146)	–	–	(117,806)
Amounts payable under repurchase agreements	(116,741)	–	–	–	–	–	–	(116,741)
Debt securities issued	(2,152)	(3,992)	(545)	(176,912)	(45,662)	–	–	(229,263)
Deferred tax liabilities	–	–		(1,621)	–	–	–	(1,621)
Subordinated debt	(71)	(40)	(2,432)	(5,988)	(16,420)	(1,000)	–	(25,951)
Other liabilities	(9,885)	(84)	(1,072)	(1,582)	–	(27)	(37)	(12,687)
Total liabilities	(773,552)	(87,822)	(498,156)	(335,854)	(144,570)	(1,027)	(37)	(1,841,018)
Net position	(280,217)	10,170	(89,856)	436,174	3,686	81,972	67,023	228,952
Net accumulated position	(280,217)	(270,047)	(359,903)	76,271	79,957	161,929	228,952	

27. OFFSETTING OF FINANCIAL INSTRUMENTS

Disclosures in the tables below include information on financial assets and financial liabilities, which:

- Are offset in the Group's consolidated statement of financial position; or
- Are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

Similar financial instruments include derivative financial assets, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below, unless they are offset in the statement of financial position.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of the repurchase and reverse repurchase agreements.

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned before maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

As at 31 December 2020, the Group has amounts payable under repurchase agreements in the amount of KZT 21,670 million, which are collateralized by investment securities with a total fair value of KZT 23,466 million (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan) (Note 16).

As at 31 December 2019, the Group has amounts payable under repurchase agreements in the amount of KZT 116,741 million, which are secured by investment securities with a total fair value of KZT 119,090 million (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, NBRK notes and corporate bonds of Baspana Mortgage Organization JSC with a fair value of KZT 44,238 million, KZT 59,667 million and KZT 15,185 million, respectively) (Note 16).

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020.

31 December 2020 *Millions of tenge*	Gross amount of recognized financial assets/ (liabilities)	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets/ (liabilities) presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position	Net amount
Amounts receivable under reverse repurchase agreements (Note 12)	**42,547**	**–**	**42,547**	**(42,545)**	**2**
Accounts payable under repurchase agreements (Note 16)	**(21,670)**	**–**	**(21,670)**	**23,466**	**1,796**
	20,877	**–**	**20,877**	**(19,079)**	**1,798**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019.

31 December 2019 *Millions of tenge*	Gross amount of recognized financial assets/ (liabilities)	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets/ (liabilities) presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position	Net amount
Amounts receivable under reverse repurchase agreements (Note 12)	55,440	–	55,440	(56,857)	(1,417)
Accounts payable under repurchase agreements (Note 16)	(116,741)	–	(116,741)	119,090	2,349
	(61,301)	–	(61,301)	62,233	932

28. DISPOSAL OF A SUBSIDIARY

On 25 December 2020 the Group lost control over Bank Kassa Nova JSC as a result of sale of 100% of its voting shares to the investment company FREEDOM FINANCE JSC. As a result of this disposal, the Group recognized a loss of KZT 587 million in the consolidated statement of comprehensive income.

The assets and liabilities in Bank Kassa Nova JSC as at the date of disposal were as follows:

Millions of tenge	
Cash and cash equivalents	54,211
Amounts due from financial institutions	857
Loans to customers	416
Investment securities	21,221
Property and equipment	4,472
Intangible assets	1,162
Other assets	1,054
	83,393
Amounts due to banks and other financial institutions	2,222
Current accounts and deposits of customers	46,961
Subordinated debt	3,386
Deferred tax liabilities	573
Other liabilities	12,465
	65,607

The total consideration received for the sale was KZT 17.199 million.

The cash flow information on disposal of the subsidiary was as follows:

Millions of tenge	
Net cash and cash equivalents disposed with the subsidiary (included in cash flows from investing activities)	(54,211)
Cash received (included in cash flows from investing activities)	17,199
Net cash outflow	**(37,012)**

The loss on disposal of the subsidiary recognized in the consolidated statement of comprehensive income amounted to KZT 587 million.

29. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Millions of tenge	Notes	Debt securities issued	Subordinated debt	Total liabilities arising from financing activities
Carrying amount as at 31 December 2018		253,584	22,648	276,232
Acquisition of subsidiaries		–	3,277	3,277
Proceeds from issue		14,992	–	14,992
Repurchase		(4)	–	(4)
Loss resulted from repurchase		1,282	–	1,282
Redemption		(51,005)	–	(51,005)
Accrual of interest		24,531	2,030	26,561
Repayment of interest		(23,570)	(1,999)	(25,569)
Foreign exchange adjustments		135	(5)	130
Discount amortization		9,318	–	9,318
Carrying amount as at 31 December 2019		229,263	25,951	255,214
Disposal of subsidiary	**28**	**–**	**(3,386)**	**(3,386)**
Proceeds from issue		**1,533**	**–**	**1,533**
Repurchase		**(1,264)**	**–**	**(1,264)**
Redemption		**(3,901)**	**(2,200)**	**(6,101)**
Accrual of interest		**16,506**	**2,040**	**18,546**
Repayment of interest		**(16,618)**	**(1,937)**	**(18,555)**
Foreign exchange adjustments		**3,019**	**35**	**3,054**
Discount amortization		**11,664**	**–**	**11,664**
Carrying amount as at 31 December 2020		**240,202**	**20,503**	**260,705**

The Group classifies interest paid as cash flows from operating activities.

30. CAPITAL MANAGEMENT

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

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

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

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

The NBRK sets and monitors capital requirements for the Bank.

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

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

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

30. CAPITAL MANAGEMENT (CONTINUED)

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

Millions of tenge	31 December 2020	31 December 2019
Tier 1 capital	**244,336**	212,322
Tier 2 capital	**14,839**	16,601
Total regulatory capital	**259,175**	228,923
Risk-weighted statutory assets, contingent liabilities, operational and market risk	**1,164,668**	1,251,120
Ratio k1	**21.0%**	17.0%
Ratio k1-2	**21.0%**	17.0%
Ratio k2	**22.3%**	18.3%

In February 2020, an assessment of the quality of the Group's assets as of 1 April 2019 initiated by the NBRK was completed. As at the assessment date, the Group had a reserve of equity, taking into account the audit results.

31. COMMITMENTS AND CONTINGENCIES

Political and economic environment

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

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

The management of the Bank believes that it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

Credit related commitments

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

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

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

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

Millions of tenge	31 December 2020	31 December 2019
Undrawn loan commitments	**147,045**	139,352
Guarantees issued	**47,522**	44,209
Letters of credit	**764**	223
	195,331	183,784
Less: amounts due to customers held as security against letters of credit and guarantees (Note 19)	**(483)**	(1,689)
Less: allowance for expected losses	**(734)**	(299)
	194,114	181,796

31. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Credit related commitments (continued)

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

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

Legal proceedings

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

Management is unaware of any significant actual, pending or threatened claims against the Group.

Taxaton contingencies

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

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

32. RELATED PARTY TRANSACTIONS

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

Total remuneration to 17 members of the Management Board and Board of Directors included in general and administrative expenses for 2020 and 2019 is as follows:

Millions of tenge	2020	2019
Members of the Board of Directors and Management Board of the Group	3,148	2,896
	3,148	2,896

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

As at 31 December 2020, the total amount of the Group's liabilities to pay remuneration to members of the Board of Directors and the Management Board amounted to KZT 2 million (31 December 2019: KZT 1,834 million) and, in accordance with the NBRK Resolution No. 74 dated 24 February 2012, is payable over a period of at least three years, subject to the established conditions.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with other related parties

Other related parties include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the related average effective interest rates as at 31 December 2020 and related profit or loss amounts of transactions for 2020 with related parties are as follows:

Millions of tenge	2020						
	Shareholders		Entities under common control		Other related parties		Total
	Million tenge	Average effective interest rate, (%)	Million tenge	Average effective interest rate, (%)	Million tenge	Average effective interest rate, (%)	Million tenge
Assets							
Loans to customers	–	–	–	–	4,245	3.00-17.50	4,245
Other assets	–	–	19	–	1	–	20
Liabilities							
Current accounts and deposits of customers	12,159	1.00	12,841	1.53	12,026	0.28	37,026
Other liabilities	–	–	16	–	–	–	16
Contingent liabilities	–	–	–	–	192	–	192

Millions of tenge	2020			
	Shareholders	Entities under common control	Other related parties	Total
Income/(expenses)				
Interest income	–	–	275	275
Interest expense	(173)	(78)	(770)	(1,021)
Fee and commission income	–	10	9	19
Net gains from foreign currencies	–	–	26	26
Other expenses	–	(158)	(867)	(1,025)

The outstanding balances and the related average effective rates as at 31 December 2019 and related profit or loss on transactions with other related parties for 2019 are as follows:

Millions of tenge	2019						
	Shareholders		Entities under common control		Other related parties		Total
	Million tenge	Average effective interest rate, (%)	Million tenge	Average effective interest rate, (%)	Million tenge	Average effective interest rate, (%)	Million tenge
Assets							
Loans to customers	–	–	–	–	3,940	5.00-13.49	3,940
Other assets	–	–	87	–	–	–	87
Liabilities							
Current accounts and deposits of customers	9,859	1.20	9,520	1.13	12,915	0.38	32,294
Amounts due to banks and other financial institutions	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	1,040	8.00	1,040
Other liabilities	–	–	39	–	–	–	39
Contingent liabilities	–	–	–	–	107	–	107

Millions of tenge	2019			
	Shareholders	Entities under common control	Other related parties	Total
Income/(expenses)				
Interest income	–	–	208	208
Interest expense	(126)	(77)	(342)	(545)
Fee and commission income	1	37	25	63
Net gains from foreign currencies	–	–	115	115
Other expenses	–	(567)	(79)	(646)

33. SEGMENT ANALYSIS

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

- Corporate business (CB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large entities and individual entrepreneurs);
- Small and medium businesses (SMB) – extension of loans, deposit sourcing, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities (LE) and individual entrepreneurs (IE);
- Retail banking (RB) – extension of loans, deposit sourcing, settlement and cash services, exchange transactions and other transactions with retail clients (individuals);
- Investing activities – responsible for financing the Group's operations (repo operations, raising funds from banks and financial institutions, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and foreign currency transactions.
- Other – other transactions with debtors/creditors on non-core activities, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Investing activities).

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

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

33. SEGMENT ANALYSIS (CONTINUED)

Information on the main reporting segments for 2020 is presented as follows:

	2020						
Millions of tenge	CB	SMB	RB	Investing activities	Other	Elimination	Total
Interest income	10,648	25,002	70,097	60,992	18,765	–	185,504
Transfer income	30,121	20,932	28,595	21,396	9,652	(110,696)	–
Interest expense	(20,774)	(9,472)	(23,013)	(23,003)	(14,213)	–	(90,475)
Transfer expense	(8,693)	(15,780)	(33,892)	(61,405)	(5,331)	125,101	–
Net interest income	**11,302**	**20,682**	**41,787**	**(2,020)**	**8,873**	**14,405**	**95,029**
Commision income	2,283	17,019	14,565	469	1,137	–	35,473
Commission expense	(1,146)	(7,046)	(5,052)	(430)	(597)	–	(14,271)
Net gain on derecognition of investment securities at fair value through other comprehensive income	–	–	–	226	–	–	226
Net gains/(losses) from foreign exchange transactions	3,236	6,221	3,418	(3,587)	4,052	–	13,340
Net gains/(losses) on derecognition of financial assets measured at amortized cost	–	(109)	1,173	–	10,145	–	11,209
Net gains on derecognition of financial liabilities as a result of modification	–	–	561	–	17,395	–	17,956
Other income/(expense)	21	321	3,989	77	(742)	–	3,666
Non-interest income	**4,394**	**16,406**	**18,654**	**(3,245)**	**31,390**	**–**	**67,599**
Credit loss expense	(1,140)	(2,785)	(21,583)	(686)	(12,753)	–	(38,947)
Net losses on transactions with financial instruments at fair value through profit or loss	–	–	–	(1,583)	–	–	(1,583)
Loss on disposal of subsidiary	–	–	–	–	(587)	–	(587)
General and administrative expenses	(2,743)	(10,399)	(23,718)	(2,853)	(9,047)	–	(48,760)

	2020						
Millions of tenge	CB	SMB	RB	Investing activities	Other	Elimination	Total
Other expenses	(63)	(570)	(1,970)	(186)	(5,995)	–	(8,784)
Non-interest expense	**(3,946)**	**(13,754)**	**(47,271)**	**(5,308)**	**(28,382)**	**–**	**(98,661)**
Other transfer income and expense	(1,646)	(658)	(3,399)	36,909	(16,801)	(14,405)	–
Profit/(loss) before corporate income tax expenses	10,104	22,676	9,771	26,336	(4,920)	–	63,967
Corporate income tax expenses	(1,148)	(2,577)	(1,110)	(3,010)	(3,160)	–	(11,005)
Profit/(loss) for the year	8,956	20,099	8,661	23,326	(8,080)	–	52,962
Прибыль/(убыток) за год	**8.956**	**20.099**	**8.661**	**23.326**	**(8.080)**	**–**	**52.962**

33. SEGMENT ANALYSIS (CONTINUED)

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

Information on the main reporting segments for 2019 may be presented as follows:

	2019						
Millions of tenge	CB	SMB	RB	Investing activities	Other	Elimination	Total
Interest income	9,660	23,420	69,331	48,087	13,055	–	163,553
Transfer income	22,207	12,755	30,301	9,779	15,007	(90,049)	–
Interest expense	(19,492)	(5,753)	(28,467)	(15,479)	(16,068)	–	(85,259)
Transfer expense	(7,598)	(13,073)	(30,038)	(45,675)	(6,014)	102,398	–
Net interest income	4,777	17,349	41,127	(3,288)	5,980	12,349	78,294
Fee and commission income	1,062	14,411	16,875	164	691	–	33,203
Fee and commission expense	(22)	(4,538)	(5,876)	(267)	(355)	–	(11,058)
Net losses on derecognition of investment securities at fair value through other comprehensive income	–	–	–	(107)	–	–	(107)
Net gains on initial recognition of financial assets measured at amortized cost	–	–	–	7,053	–	–	7,053
Net gains from foreign currencies	3,260	4,173	2,346	137	687	–	10,603
Net losses on derecognition of financial assets measured at amortized cost	–	–	(303)	–	(3,830)	–	(4,133)
Other income	–	4	461	2	3,911	–	4,378
Non-interest income	4,300	14,050	13,503	6,982	1,104	–	39,939
Credit loss expense	(681)	(938)	(13,911)	154	(5,041)	–	(20,417)
Net losses from financial instruments at fair value through profit or loss	–	–	–	(4,274)	–	–	(4,274)
General and administrative expenses	(1,847)	(9,010)	(23,077)	(1,692)	(7,125)	–	(42,751)
Other expenses	(11)	(223)	–	(33)	(5,533)	–	(5,800)
Non-interest expense	(2,539)	(10,171)	(36,988)	(5,845)	(17,699)	–	(73,242)

33. SEGMENT ANALYSIS (CONTINUED)

Millions of tenge	CB	SMB	RB	2019 Investing activities	Other	Elimination	Total
Transfer income and expense	(1,393)	(1,034)	9,462	32,755	(27,441)	(12,349)	–
Profit before corporate income tax expenses	5,145	20,194	27,104	30,604	(38,056)	–	44,991
Corporate income tax expenses	(170)	(668)	(907)	(1,013)	–	–	(2,758)
Profit for the year	4,975	19,526	26,197	29,591	(38,056)	–	42,233

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting classification and fair value

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

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

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classification and fair value (continued)

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

	31 December 2020				
Millions of tenge	Assets and liabilities measured at fair value	Assets and liabilities whose fair value is disclosed	Total carrying amount	Fair values	Unrecognised gain/(loss)
Cash and cash equivalents	–	347,242	347,242	347,242	–
Amounts due from financial institutions	–	28,205	28,205	28,205	–
Trading securities	6,452	–	6,452	6,452	–
Loans to customers	–	785,068	785,068	792,513	7,445
Investment securities measured at FVOCI	458,424	–	458,424	458,424	–
Investment securities measured at amortised cost	–	261,042	261,042	291,313	30,271
Other financial assets	–	26,781	26,781	26,781	–
	464,876	1,448,338	1,913,214	1,950,930	37,716
Current accounts and deposits of customers	–	1,336,949	1,336,949	1,338,691	-1,742
Amounts due to banks and other financial institutions	–	117,806	117,806	112,293	5,513
Amounts payable under repurchase agreements	–	116,741	116,741	116,741	–
Debt securities issued	–	229,263	229,263	260,546	-31,283
Subordinated debt	–	25,951	25,951	26,562	-611
Other financial liabilities	–	9,095	9,095	9,048	47
	–	1,835,805	1,835,805	1,863,881	-28,076
					9,640

The estimate of fair value is intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

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

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

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

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

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

Assets for which fair value approximates carrying value

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

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classification and fair value (continued)

Financial assets and financial liabilities accounted for at amortised cost

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

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

- To discount the future cash flows from loans to corporate customers the discount rate in the range from 5.20% to 13.88% (31 December 2019: 3.69% to 13.96%) was used.
- To calculate the future cash flows from loans to individuals the discount rate in the range from 3.85% to 20.78% (31 December 2019: 3.76% to 22.85%) was used.

Fair value hierarchy

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

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

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

Millions of tenge	Notes	Level 1	Level 2	Level 3	Total
Assets					
Trading securities	14	5,937	–	1,440	7,377
Investment securities at FVOCI	16	369,112	136,810	–	505,922
		375,049	136,810	1,440	513,299

The following table analyses financial instruments carried at fair value as at 31 December 2016, by fair value hierarchy, into which the fair value measurement is categorised. The amounts are based on amounts carried in the consolidated statement of financial position:

Millions of tenge	Notes	Level 1	Level 2	Level 3	Total
Assets					
Trading securities	14	5,012	–	1,440	6,452
Investment securities at FVOCI	16	357,675	100,749	–	458,424
		362,687	100,749	1,440	464,876

The following table shows a reconciliation for fair value measurements in Level 3 of the fair value hierarchy for 2020:

Millions of tenge	Trading securities
At 1 January 2020	**1,440**
Net gains/(losses) on transactions with financial instruments at fair value through profit or loss	–
Net gains/(losses) on transactions with financial instruments at fair value through other comprehensive income	–
At 31 December 2020	**1,440**

The following table shows a reconciliation for fair value measurements in Level 3 of the fair value hierarchy for 2019:

Millions of tenge	Trading securities	Securities at FVOCI
At 1 January 2019	1,440	75,210
Sale	–	(76,750)
Net gains/(losses) on transactions with financial instruments at fair value through profit or loss	–	1,752
Net gains /(losses) on transactions with financial instruments at fair value through other comprehensive income	–	(212)
As at 31 December 2019	1,440	–

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Income and expenses on financial instruments of Level 3 included in the comprehensive income for the years ended 31 December 2020 and 2019, shown in the above tables are presented in the consolidated statement of comprehensive income as follows:

	2020		2019	
Millions of tenge	Realised losses	Unrealised losses	Realised loss	Unrealised loss
(Losses)/gains recognised in profit or loss	–	–	(763)	(212)

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

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

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

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