

Eurasian Bank JSC

Consolidated Interim Condensed
Financial Statements (unaudited)
for the three months ended 31 March
2019

Contents

Consolidated interim condensed statement of profit or loss and other comprehensive income (unaudited)	3
Consolidated interim condensed statement of financial position (unaudited)	4
Consolidated interim condensed statement of cash flows (unaudited)	5-6
Consolidated interim condensed statement of changes in equity (unaudited)	7-8
Selected explanatory notes to the consolidated interim condensed financial statements (unaudited)	9-29

Eurasian Bank JSC
Consolidated interim condensed statement of profit or loss and other comprehensive income
for the three months ended 31 March 2019

		Three months ended 31 March 2019 (unaudited) KZT'000	Three months ended 31 March 2018 (unaudited) KZT'000
Interest income, calculated using the effective interest method	4	32,022,989	25,864,525
Interest expense	4	(16,424,708)	(15,237,138)
Net interest income	4	15,598,281	10,627,387
Fee and commission income	5	6,642,579	5,856,705
Fee and commission expense		(1,110,514)	(507,021)
Net fee and commission income		5,532,065	5,349,684
Net loss on derivative financial instruments, held for risk management	6	(2,581,511)	(5,560,759)
Net foreign exchange gain	7	2,788,513	4,133,686
Net gain on financial assets at fair value through other comprehensive income		37,000	4,328
Gain on sale of mortgage and consumer loans		3,163	32,272
Other operating expenses, net		(1,265,870)	(589,824)
Operating income		20,111,641	13,996,774
Impairment losses	8	(11,445,825)	(7,335,615)
Personnel expenses	9	(4,461,435)	(4,665,689)
Other general and administrative expenses	10	(3,074,005)	(3,122,820)
Profit/(loss) before income tax		1,130,376	(1,127,350)
Income tax/(expense)/benefit	11	(415,413)	1,624,772
Profit for the period		714,963	497,422
Other comprehensive income/(loss)			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
<i>Revaluation reserves for financial assets at fair value through other comprehensive income:</i>			
- fair value net change		463,850	94,140
- fair value net change transferred to profit or loss		(37,000)	(4,328)
- reclassification resulted from investment impairment		(1,174)	-
Foreign currency exchange differences on translation		437,820	(323,989)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>863,496</i>	<i>(234,177)</i>
Total other comprehensive income/(loss) for the period		863,496	(234,177)
Total comprehensive income for the period		1,578,459	263,245
Earnings per share			
Basic earnings per share (KZT)	26	35.14	24.45

The consolidated interim condensed financial statements as set out on pages 3 to 29 were approved by management on 15 May 2019 and were signed on its behalf by:



Pechenkin O. V.
Deputy Chairman of the Board

Kapekova Sh. K.
Chief Accountant

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

Eurasian Bank JSC
Consolidated interim condensed statement of financial position as at 31 March 2019

	Note	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
ASSETS			
Cash and cash equivalents	12	221,558,892	138,524,123
Derivative financial instruments, held for risk management	13	60	1,073,676
Financial assets at fair value through other comprehensive income	14	156,266,437	173,175,483
Deposits and balances with banks	15	5,531,334	5,008,892
Loans to customers	16	607,093,539	638,325,378
Investments measured at amortised cost	17	61,127,249	114,454,312
Current tax asset		529,067	515,809
Property, plant and equipment and intangible assets		19,952,026	20,529,051
Deferred tax assets		56,911	223,444
Other assets	18	18,345,027	16,769,937
Total assets		1,090,460,542	1,108,600,105
LIABILITIES			
Derivative financial instruments, held for risk management	13	9,683	-
Deposits and balances from banks	19	921,462	474,078
Amounts payable under repurchase agreements		4,502,034	79,882,889
Current accounts and deposits from customers	20	815,339,413	766,667,220
Debt securities issued	21	43,126,635	43,711,582
Subordinated debt securities issued	22	73,227,646	70,735,198
Other borrowed funds	23	34,346,738	35,479,720
Deferred tax liabilities		4,055,162	3,816,162
Other liabilities	24	20,154,862	14,634,808
Total liabilities		995,683,635	1,015,401,657
EQUITY			
Share capital	25	57,135,194	57,135,194
Share premium		25,632	25,632
Reserve for general banking risks		8,234,923	8,234,923
Revaluation reserves for financial assets at fair value through other comprehensive income		198,474	(227,202)
Cumulative foreign currency translation reserve		2,317,846	1,880,026
Retained earnings		26,864,838	26,149,875
Total equity		94,776,907	93,198,448
Total liabilities and equity		1,090,460,542	1,108,600,105
Book value per ordinary share (in KZT)	25 (c)	4,316.89	4,239.32

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

	Three months ended 31 March 2019 (unaudited) KZT'000	Three months ended 31 March 2018 (unaudited) KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	35,331,032	23,684,136
Interest payments	(13,481,128)	(13,538,034)
Fee and commission receipts	6,319,329	5,835,442
Fee and commission payments	(1,110,514)	(507,021)
Net payments from derivative financial instruments, held for risk management	(1,498,212)	(5,352,625)
Net receipts from foreign exchange	1,228,692	398,315
Other receipts/(payments)	166,670	(550,257)
Personnel expenses	(4,293,352)	(4,359,843)
Other general and administrative expenses	(2,160,103)	(2,048,787)
(Increase)/decrease in operating assets		
Mandatory reserve	(2,071)	26,731
Deposits and balances with banks	(572,803)	(2,188,502)
Loans to customers	10,132,201	84,798
Other assets	(897,960)	(825,419)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	451,665	161,013
Amounts payable under repurchase agreements	(75,325,002)	23,052,024
Current accounts and deposits from customers	53,190,751	(22,067,710)
Other liabilities	6,179,534	(60,847)
Net cash from operating activities before income tax paid	13,658,729	1,743,414
Income tax paid	(23,526)	(218,810)
Cash flows from operating activities	13,635,203	1,524,604
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(48,664,378)	(113,065,111)
Sale and redemption of financial assets at fair value through other comprehensive income	69,319,987	64,598,078
Purchases of precious metals	(153,253)	(35,952)
Sale of precious metals	143,009	37,659
Purchase of investments, measured at amortized cost	(460,656,753)	(79,476,204)
Redemption of investments, measured at amortized cost	515,000,000	79,755,138
Purchases of property and equipment and intangible assets	(2,462,568)	(147,457)
Sale of property and equipment and intangible assets	88,962	134
Cash flows from/(used in) investing activities	72,615,006	(48,333,715)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debt securities issued	(1,459,300)	-
Receipts of other borrowed funds	-	5,167,787
Repayment of other borrowed funds	(963,878)	(3,628,583)
Cash flows (used in)/from financing activities	(2,423,178)	1,539,204
Net increase/(decrease) in cash and cash equivalents	83,827,031	(45,269,907)
Effect of movements in exchange rates on cash and cash equivalents	(792,262)	(4,252,718)
Cash and cash equivalents at the beginning of the period	138,524,123	153,600,744
Cash and cash equivalents at the end of the period (Note 12)	221,558,892	104,078,119

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

	Share capital	Share premium	Reserve for general banking risks	Dynamic reserve	Revaluation reserve for financial assets, at fair value through other comprehensive income	Cumulative foreign currency translation reserve	Retained earnings	Total
Balance at 1 January 2018 (unaudited)	57,135,194	25,632	8,234,923	7,594,546	(222,039)	2,254,448	29,310,506	104,333,210
Effect of the adoption of IFRS 9	-	-	-	-	-	-	(13,440,395)	(13,440,395)
Restated balance as at 1 January 2018	57,135,194	25,632	8,234,923	7,594,546	(222,039)	2,254,448	15,870,111	90,892,815
Total comprehensive income								
Profit for the period	-	-	-	-	-	-	497,422	497,422
Other comprehensive loss								
<i>Items that are or may be reclassified subsequently to profit or loss:</i>								
Net change in fair value of investment securities at fair value through other comprehensive income	-	-	-	-	94,140	-	-	94,140
Net change in fair value of investment securities at fair value through other comprehensive income, transferred to loss or profit	-	-	-	-	(4,328)	-	-	(4,328)
Foreign currency exchange differences on translation	-	-	-	-	-	(323,989)	-	(323,989)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>89,812</i>	<i>(323,989)</i>	<i>-</i>	<i>(234,177)</i>
Total other comprehensive loss	-	-	-	-	89,812	(323,989)	-	(234,177)
Total comprehensive income for the period	-	-	-	-	89,812	(323,989)	497,422	263,245
Other movements in equity								
Reversal of dynamic reserve	-	-	-	(7,594,546)	-	-	7,594,546	-
Balance at 31 March 2018 (unaudited)	57,135,194	25,632	8,234,923	-	(132,227)	1,930,459	23,962,079	91,156,060

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

	Share capital	Share premium	Reserve for general banking risks	Revaluation reserve for financial assets, at fair value through other comprehensive income	Cumulative foreign currency translation reserve	Retained earnings	Total
Balance at 1 January 2019	57,135,194	25,632	8,234,923	(227,202)	1,880,026	26,149,875	93,198,448
Total comprehensive income							
Profit for the period	-	-	-	-	-	714,963	714,963
Other comprehensive loss							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Net change in fair value of financial assets at fair value through other comprehensive income	-	-	-	463,850	-	-	463,850
Net change in fair value of financial assets at fair value through other comprehensive income, transferred to loss or profit	-	-	-	(37,000)	-	-	(37,000)
Reclassification resulting from impairment of investments at fair value through other comprehensive income	-	-	-	(1,174)	-	-	(1,174)
Foreign currency exchange differences on translation	-	-	-	-	437,820	-	437,820
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	-	-	425,676	437,820	-	863,496
Total other comprehensive income	-	-	-	425,676	437,820	-	863,496
Total comprehensive income for the period	-	-	-	425,676	437,820	714,963	1,578,459
Balance as at 31 March 2019 (unaudited)	57,135,194	25,632	8,234,923	198,474	2,317,846	26,864,838	94,776,907

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

1 Background

a) Principal activities

These consolidated interim condensed financial statements include the financial statements of Eurasian Bank JSC (the “Bank”) and its subsidiaries – Eurasian Bank PJSC, Eurasian Project 1 LLP and Eurasian Project 2 LLP (jointly referred to as the “Group”).

The Bank was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank operates based on general banking licence No. 237 granted on 28 December 2007. The Bank also holds licences Nos. 0401100623 and 0407100189 for brokerage, dealing and custodian activities. The principal activities of the Bank are deposit taking and customer account maintenance, lending, issuing guarantees, custodian services, cash and settlement operations, operations with securities and foreign exchange.

The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the “NBRK”).

The Bank is a member of the Kazakhstan Deposit Insurance Fund.

As at 31 March 2019, the Group has 17 regional branches (31 December 2018: 17) and 118 cash settlement centers (31 December 2018: 117), from which it conducts business throughout the Republic of Kazakhstan and Russian Federation.

The registered address of the Bank’s head office is 56 Kunayev str., Almaty, Republic of Kazakhstan. The majority of the Group’s assets and liabilities are located on the territory of the Republic of Kazakhstan.

On 1 April 2010, the Bank acquired a subsidiary, Eurasian Bank OJSC (Open Joint Stock Company), located in Moscow, Russian Federation. On 29 January 2015, the subsidiary was renamed to Eurasian Bank PJSC (Public Joint Stock Company).

On 30 December 2015, the Bank acquired a subsidiary, BankPozitiv Kazakhstan JSC, located in Almaty, Republic of Kazakhstan which was renamed to EU Bank (SB of Eurasian Bank JSC) JSC. On 31 December 2015, the sole shareholder of the Bank approved a reorganisation plan, under which EU Bank (SB of Eurasian Bank JSC) JSC was merged with the Bank. On 3 May 2016, the actual merger of EU Bank (SB of Eurasian Bank JSC) JSC with the Bank took place.

On 21 August 2017, the Bank’s subsidiaries Eurasian Project 1 LLP and Eurasian Project 2 LLP were registered. The principal activity of these entities is acquisition and management of doubtful and bad assets of the Bank

b) Shareholders

As at 31 March 2019 Eurasian Financial Company JSC (“EFC”) is the Bank’s Parent company, which owns 100.00% of the Bank’s shares (31 December 2018: EFC owned 100.00% of the Bank’s shares).

(c) Business environment in the Republic of Kazakhstan

The Group’s operations are primarily located on the territory of the Republic of Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Kazakhstan. The attached consolidated interim condensed financial statements reflect the management’s assessment of the impact of the Republic of Kazakhstan business environment on the operations and the consolidated financial position of the Group. The future business environment may differ from management’s assessment.

2 Basis of preparation

a) Statement of compliance

The accompanying consolidated interim condensed financial statements are prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* (IAS 34). Accordingly, certain information and disclosures, normally required for inclusion into the notes to the annual consolidated financial statements, have been omitted or condensed. These consolidated interim condensed financial statements should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements of the Group for the year ended 31 December 2018.

b) Basis of measurement

The consolidated interim condensed statements are prepared on the historical cost basis except for financial instruments at fair value through income or loss and financial assets at fair value through other comprehensive income.

c) Functional and presentation currency

The functional currency of the Bank and its subsidiaries Eurasian Project 1 LLP and Eurasian Project 2 LLP is the Kazakhstan tenge (“KZT”) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Bank and its subsidiaries.

The functional currency of the Bank’s subsidiary, Eurasian Bank PJSC, is the Russian ruble (“RUB”) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to the subsidiary.

For the purposes of these consolidated interim condensed financial statements, the Group’s management elected to use the KZT as the presentation currency.

In translating to the KZT, assets and liabilities of the Bank’s subsidiary, Eurasian Bank PJSC, that are included in the consolidated statement of financial position are translated at the foreign exchange rate ruling at the reporting date. All income and expense and equity items are translated at approximating rates at the dates of the transactions. The resulting exchange difference is recorded in the cumulative translation reserve.

Financial information presented in KZT is rounded to the nearest thousand.

Any conversion of RUB amounts to KZT should not be construed as a representation that RUB amounts have been, could be, or will be in the future, convertible into KZT at the exchange rate shown, or at any other exchange rate.

d) Use of estimates and judgements

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

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

In preparing these consolidated interim condensed financial statements the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Group’s consolidated financial statements for the year ended 31 December 2018.

3 Significant accounting policies

In preparing these consolidated interim condensed financial statements the Group has applied the same accounting policies as those applied by the Group in the consolidated financial statements for the year ended 31 December 2018, except for the adoption of a new standard IFRS 16 *Leases* effective as at 1 January 2019.

(a) New standards and interpretations, not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 March 2019, and are not applied in preparing these consolidated interim condensed financial statements.

(b) IFRS 16 Leases

From 1 January 2019 the Group initially adopted IFRS 16 *Leases*, which replaced the previous lease guidance including IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group applied IFRS 16 using the modified retrospective approach, therefore comparative information has not been restated.

When transiting to a new standard the Group applied the practical expedient, allowing retaining the previous assessment as to which of the existing agreements are lease agreements or contain a lease. The Group applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use asset representing its right to use the underlying asset and liabilities representing its obligation to make lease payments. In addition, the nature of expenses related to lease agreements has changed: instead of straight-line operating lease expense the Group recognised depreciation charge for right-of-use assets and interest expenses on lease liabilities.

For short-term leases and leases of low value items the Group opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases, that is why this caused no changes to the Group's accounting policies on the part of the lessor.

4 Interest income and expense

	Three months ended 31 March 2019 (unaudited) KZT'000	Three months ended 31 March 2018 (unaudited) KZT'000
Interest income calculated using the effective interest method		
Loans to customers	26,704,818	21,420,599
Investment securities at fair value through other comprehensive income	3,531,489	1,765,329
Investment securities at amortised cost	1,371,385	2,506,459
Deposits and balances with banks	192,637	20,273
Amounts receivable under reverse repurchase agreements	126,905	130,808
Cash and cash equivalents	95,755	21,057
	32,022,989	25,864,525
Interest expense		
Current accounts and deposits from customers	(11,525,851)	(10,964,325)
Subordinated debt securities issued	(2,604,722)	(2,555,097)
Debt securities issued	(1,222,953)	(598,329)
Amounts payable under repurchase agreements	(733,458)	(776,115)
Other borrowed funds	(337,724)	(342,927)
Deposits and accounts from banks	-	(345)
	(16,424,708)	(15,237,138)
	15,598,281	10,627,387

5 Fee and commission income

	Three months ended 31 March 2019 (unaudited) KZT'000	Three months ended 31 March 2018 (unaudited) KZT'000
Agency services	4,692,986	4,306,306
Payment card maintenance fees	955,809	582,068
Settlement	441,821	405,647
Cash withdrawal	258,635	266,630
Guarantee and letter of credit issuance	179,585	204,280
Custodian services	16,664	11,740
Cash collection	7,515	18,222
Other	89,564	61,812
	6,642,579	5,856,705

The Group provides insurance agent services. The Group offers life insurance policies of different insurance companies at its points of sale of retail loans and is paid an agency fee proportionate to premiums subscribed. The acquisition of a life insurance policy is voluntary and is not a condition for obtaining a loan, so it does not affect the interest rate on the loan. Thus, agent services fee is not considered as part of effective interest rate.

6 Net loss on financial instruments at fair value, held for risk management

	Three months ended 31 March 2019 (unaudited) KZT'000	Three months ended 31 March 2018 (unaudited) KZT'000
Net realized gain on derivative financial instruments, held for risk management	(2,579,260)	(5,308,803)
Net unrealized gain on derivative financial instruments, held for risk management	(2,251)	(251,956)
	<u>(2,581,511)</u>	<u>(5,560,759)</u>

7 Net foreign exchange gain

	Three months ended 31 March 2019 (unaudited) KZT'000	Three months ended 31 March 2018 (unaudited) KZT'000
Dealing transactions, net	1,258,276	398,315
Translation differences, net	1,530,237	3,735,371
	<u>2,788,513</u>	<u>4,133,686</u>

8 Impairment losses

	Three months ended 31 March 2019 (unaudited) KZT'000	Three months ended 31 March 2018 (unaudited) KZT'000
Loans to customers	12,362,576	6,568,617
Investment at amortised cost	4	-
Cash and cash equivalents	(34)	-
Financial assets at fair value through other comprehensive income	(1,174)	-
Other assets	(63,513)	44,076
Provision for contingent liabilities	(852,034)	722,922
	<u>11,445,825</u>	<u>7,335,615</u>

9 Personnel expenses

	Three months ended 31 March 2019 (unaudited) KZT'000	Three months ended 31 March 2018 (unaudited) KZT'000
Wages, salaries, bonuses and related taxes	4,335,052	4,364,208
Other employee costs	126,383	301,481
	4,461,435	4,665,689

10 Other general and administrative expenses

	Three months ended 31 March 2019 (unaudited) KZT'000	Three months ended 31 March 2018 (unaudited) KZT'000
Depreciation and amortisation	1,131,484	1,128,449
Communication and information services	572,248	482,290
Taxes other than income tax	275,649	210,626
Security	183,084	230,831
Operating leases expense	131,586	485,216
Repair and maintenance	113,999	161,241
Professional services	80,678	51,878
Advertising and marketing	72,266	25,592
Stationery and office supplies	61,228	41,716
Cash collection	60,922	64,203
Insurance	43,076	24,754
Business travel	22,797	28,854
Transportation	10,423	14,469
Training	1,429	2,628
Representation expenses	31	417
Services of state center for pension payment	-	30,993
Loan servicing	-	105
Other	313,105	138,558
	3,074,005	3,122,820

11 Income tax expense/(benefit)

	Three months ended 31 March 2019 (unaudited) KZT'000	Three months ended 31 March 2018 (unaudited) KZT'000
Current income tax expense/(benefit)		
Current period	184	(1,467)
	184	(1,467)
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	415,229	(1,623,305)
Total income tax expense/(benefit)	415,413	(1,624,772)

As of 31 March 2019, the applicable tax rate for current and deferred tax is 20% (31 December 2018: 20%).

12 Cash and cash equivalents

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Cash on hand	29,401,789	35,990,737
Nostro accounts with the NBRK and CBRF	156,136,971	36,948,634
Nostro accounts with other banks		
- rated from AA- to AA+	20,274,975	45,323,916
- rated from A- to A+	391,579	1,016,306
- rated from BBB- to BBB+	4,571,660	7,509,793
- rated from BB- to BB+	514,789	1,291,965
- rated from B- to B+	23,079	288,665
- not rated	62,693	5,474
Total nostro accounts with other banks	25,838,775	55,436,119
Term deposits with other banks		
- rated from B- to B+	50,080	-
- not rated	8,224,935	6,354,172
Total term deposits with other banks	8,275,015	6,354,172
Amounts receivable under reverse repurchase agreements		
- rated from BBB- to BBB+	1,906,675	3,794,650
Total cash and cash equivalents before loss allowance for expected credit losses	221,559,225	138,524,312
Loss allowance for expected credit losses	(333)	(189)
Total cash and cash equivalents	221,558,892	138,524,123

The above table is based on the credit ratings assigned by Fitch Ratings agency or other agencies converted into Fitch Ratings' scale.

No items of cash and cash equivalents are impaired or past due as at 31 March 2019 and 31 December 2018.

As at 31 March 2019, the Group has 2 banks (31 December 2018: 2 banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 March 2019 is KZT 176,011,757 thousand (31 December 2018: KZT 81,884,510 thousand).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks' liabilities. Second-tier banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and the NBRK balances) equal to or in excess of the average minimum requirements. As at 31 March 2019 the minimum reserves amounted to KZT 11,562,139 thousand (31 December 2018: KZT 7,766,990 thousand).

13 Derivative financial instruments, held for risk management

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
ASSETS		
Foreign currency contracts	60	1,073,676
	60	1,073,676
LIABILITIES		
Foreign currency contracts	9,683	-
	9,683	-

None of the financial assets measured at fair value through profit or loss are past due.

Foreign currency contracts

The Group had the following derivative financial instruments as at 31 March 2019 and 31 December 2018:

Type of instrument	Notional amount	Maturity	Weighted average contractual exchange rates	Amounts payable by Group	Amounts receivable by Group	Fair value Asset, KZT'000	Fair value Liability, KZT'000
31 March 2019 (unaudited)							
Foreign currency swap	USD3,000 thousand	1 April 2019	64.72	USD 3,000 thousand	RUB 194,173 thousand	60	383
Foreign currency swap	USD15,100 thousand	2 April 2019	380.66	KZT 5,747,904 thousand	USD 15,100 thousand		9,300
						60	9,683

Type of instrument	Notional amount	Maturity	Weighted average contractual exchange rates	Amounts payable by Group	Amounts receivable by Group	Fair value Asset, KZT'000	Fair value Liability, KZT'000
31 December 2018 (unaudited)							
Foreign currency swap	USD260,000 thousand	3 January 2019	380.07	KZT 98,818,324 thousand	USD 260,000 thousand	1,073,676	-
						1,073,676	-

14 Financial assets at fair value through other comprehensive income

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Held by the Group		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	12,181,629	14,121,254
Discounted NBRK notes	135,654,400	73,226,448
<i>Corporate bonds:</i>		
- rated from BBB- to BBB+	969,926	978,241
- rated from B- to B+	2,819,564	2,478,957
	151,625,519	90,804,900
Pledged under repurchase agreements		
Discounted NBRK notes	4,640,918	82,370,583
	4,640,918	82,370,583
	156,266,437	173,175,483

As at 31 March 2019, loss allowance for expected credit losses on financial assets measured at fair value through other comprehensive income was KZT 35,436 thousand (at 31 December 2018: KZT 36,611 thousand).

As at 31 March 2019 and 31 December 2018 all financial assets measured fair value through other comprehensive income are referred to as 'Stage 1' financial instruments.

The above table is based on the credit ratings assigned by Fitch Ratings agency or other agencies converted into Fitch Ratings' scale.

None of investment securities measured at fair value through other comprehensive income are overdue or impaired as at 31 March 2019 and 31 December 2018.

15 Deposits and balances with banks

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Mandatory reserves with CBRF	98,798	96,727
Term deposits		
- conditional deposit with the NBRK	2,852,847	2,474,187
- rated from AA- to AA+	796,705	805,426
- rated from A- to A+	1,485,905	1,501,234
- not rated	47,000	47,000
Total term deposits	5,182,457	4,827,847
Loans to banks		
- rated from BBB- to BBB+	250,711	84,956
Total loans to banks	250,711	84,956
Total deposits and balances with banks before loss allowance for expected credit losses	5,531,966	5,009,530
Loss allowance for expected credit losses	(632)	(638)
Total deposits and balances with banks	5,531,334	5,008,892

15 Deposits and balances with banks, continued

The above table is based on the credit ratings assigned by Fitch Ratings agency or other agencies converted into Fitch Ratings' scale.

None of deposits and balances with banks are overdue or impaired as at 31 March 2019 and 31 December 2018.

As at 31 March 2019, a conditional deposit with the NBRK consists of KZT 1,155,689 thousand (31 December 2018: 567,064 thousand) received from the Development Bank of Kazakhstan JSC ("DBK") and KZT 1,697,158 thousand (31 December 2018: KZT 1,907,123 thousand) received from DAMU Entrepreneurship Development Fund JSC ("DAMU") in accordance with the loan agreements with DBK and DAMU. Funds will be distributed as loans to small and medium businesses on preferential terms. These funds may be withdrawn from the conditional deposit only after approval of DBK and DAMU, respectively.

(a) Concentration of deposits and balances with banks

As at 31 March 2019, the Group does not have deposits and balances with banks (31 December 2018: nil), whose balances exceed 10% of equity.

(b) Mandatory reserves with the CBRF

Under legislation of the Russian Federation, the Group's subsidiary is required to maintain a mandatory reserve. The mandatory reserve is a non-interest bearing deposit calculated in accordance with regulations issued by the CBRF and whose withdrawability is restricted.

16 Loans to customers

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Loans to corporate customers		
Loans to large corporates	260,499,936	288,166,512
Loans to small- and medium size companies	18,351,720	22,661,126
Total loans to corporate customers	278,851,656	310,827,638
Loans to retail customers		
Uncollateralized consumer loans	268,525,660	262,669,640
Car loans	137,823,765	134,062,916
Mortgage loans	12,116,903	12,552,260
Non-program loans on individual terms	10,527,301	14,264,503
Loans for individual entrepreneurship	4,108,038	4,208,378
Total loans to retail customers	433,101,667	427,757,697
Total loans to customers before loss allowance for expected credit losses	711,953,323	738,585,335
Loss allowance for expected credit losses	(104,859,784)	(100,259,957)
Total loans to customers	607,093,539	638,325,378

The following table provides information by types of loan products as at 31 March 2019:

	Loan amount before loss allowance for expected credit losses KZT'000	Loss allowance for expected credit losses KZT'000	Carrying amount KZT'000
Loans to corporate customers			
Loans to large corporates	260,499,936	(39,160,384)	221,339,552
Loans to small- and medium size companies	18,351,720	(3,015,670)	15,336,050
Loans to retail customers			
Uncollateralized consumer loans	268,525,660	(47,250,257)	221,275,403
Car loans	137,823,765	(9,434,503)	128,389,262
Mortgage loans	12,116,903	(2,115,965)	10,000,938
Non-program loans on individual terms	10,527,301	(2,508,589)	8,018,712
Loans for individual entrepreneurship	4,108,038	(1,374,416)	2,733,622
Total loans to customers at the end of the period	711,953,323	(104,859,784)	607,093,539

16 Loans to customers, continued

The following table provides information by types of loan products as at 31 December 2018:

	Loan amount before loss allowance for expected credit losses KZT'000	Loss allowance for expected credit losses KZT'000	Carrying amount KZT'000
Loans to corporate customers			
Loans to large corporates	288,166,512	(35,786,582)	252,379,930
Loans to small- and medium size companies	22,661,126	(6,782,980)	15,878,146
Loans to retail customers			
Uncollateralized consumer loans	262,669,640	(43,446,847)	219,222,793
Car loans	134,062,916	(9,661,800)	124,401,116
Non-program loans on individual terms	14,264,503	(1,334,703)	12,929,800
Mortgage loans	12,552,260	(1,925,182)	10,627,078
Loans for individual entrepreneurship	4,208,378	(1,321,863)	2,886,515
Total loans to customers at the end of the period	738,585,335	(100,259,957)	638,325,378

16 Loans to customers, continued

(a) Key assumptions and judgements used in estimation of expected credit losses

(i) Loans to corporate customers

The Group estimates loss allowance for expected credit losses for loans to corporate customers based on an analysis of the future cash flows for impaired loans and based on its past loss experience for loan portfolios for which no indications of impairment has been identified.

In determining the loss allowance for expected credit losses on loans to corporate customers, management makes the following key assumptions:

- a discount of between 30% and 60% to the originally appraised value if the property pledged is sold;
- exclusion from collateral value of unstable collaterals;
- a delay of up to 36 months in obtaining proceeds from the foreclosure of collateral;

(i) Loans to retail customers

The Group estimates loss allowance for expected credit losses for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the loss allowance for expected credit losses for loans to retail customers include:

- loss migration rates are constant and can be estimated based on historic loss migration pattern for the past 2-6 years;
- a discount of between 30% and 60% to the annually appraised value if the property pledged is sold;
- a delay of up to 24 months in obtaining proceeds from the sale of foreclosed collateral;
- there are no significant legal impediments for foreclosure of cars pledged as collateral that could extend realization period beyond expected time;
- the cars will either be foreclosed without significant damages or the damages will be reimbursed by insurance companies and the sales will be made at market prices prevailing at the reporting date less reasonable handling expenses and liquidity discounts.

16 Loans to customers, continued

(b) Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Republic of Kazakhstan, except for loans to customers issued by the Russian subsidiary bank, who operate in the following economic sectors:

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Loans to corporate customers		
Wholesale trade	68,783,797	77,597,621
Construction	67,366,555	60,901,582
Real estate	23,258,116	23,638,265
Mining/metallurgy	22,326,413	27,905,507
Financial intermediary	19,755,179	17,012,269
Retail trade	19,482,235	19,722,886
Textile manufacturing	18,220,158	18,224,897
Manufacturing	14,894,984	39,419,376
Agriculture, forestry and timber industry	9,448,467	9,504,300
Foods production	6,432,117	6,573,773
Services	4,734,735	4,889,850
Machinery manufacturing	1,257,618	1,216,045
Transport	1,233,728	1,127,841
Medical and social care	558,331	1,674,721
Lease, rental and leasing	203,964	81,580
Electrical power generation and supply	111,343	111,343
Other	783,916	1,225,782
Loans to retail customers		
Uncollateralized consumer loans	268,525,660	262,669,640
Car loans	137,823,765	134,062,916
Mortgage loans	10,527,301	12,552,260
Non-program loans on individual terms	12,116,903	14,264,503
Loans for individual entrepreneurship	4,108,038	4,208,378
	711,953,323	738,585,335
Loss allowance for expected credit losses	(104,859,784)	(100,259,957)
Total loans to customers	607,093,539	638,325,378

(c) Concentration of loans to customers

As at 31 March 2019, the Group has 9 borrowers or groups of connected borrowers (31 December 2018: 14), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 March 2019 is KZT 171,592,977 thousand (31 December 2018: KZT 221,887,490 thousand).

17 Investment at amortised cost

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Held by the Group		
Treasure notes of the Ministry of Finance of the Republic of Kazakhstan	16,058,156	15,941,433
Discounted NBRK notes	39,628,020	92,904,717
Corporate bonds rated from BB- to BB+	5,461,609	5,628,918
	61,147,785	114,475,068
Loss allowance for expected credit losses	(20,536)	(20,756)
Investment at amortised cost	61,127,249	114,454,312

The above table is based on the credit ratings assigned by Fitch Ratings agency or other agencies converted into Fitch Ratings' scale.

As at 31 March 2019 and 31 December 2018, all investment measured at amortised cost are referred to as 'Stage 1' financial instruments.

None of the discounted NBRK notes or bonds are overdue or impaired as at 31 March 2019 and 31 December 2018.

18 Other assets

	31 March 2019	31 December 2018
	(unaudited)	(unaudited)
	KZT'000	KZT'000
Debtors on loan operations	5,361,386	6,272,463
Plastic cards settlements	4,040,130	3,219,191
Right-of-use asset	3,466,208	-
Asset from continuing involvement in transferred assets	1,531,307	1,571,962
Settlements with professional dealers of securities market	966,648	3,599,533
Fee and commission income accrued	753,794	430,544
Other	4,627,416	5,691,440
Loss allowance for expected credit losses	(7,840,050)	(7,928,654)
Total other financial assets	12,906,839	12,856,479
Collateral carried on balance sheet	1,983,950	2,094,162
Prepayment	1,687,293	800,094
Taxes prepaid other than income tax	804,002	574,597
Advances for capital expenditures	657,313	257,935
Raw materials and supplies	244,300	182,140
Long-term assets held for sale	39,464	-
Precious metals	37,990	27,890
Other	1,045	994
Impairment allowance	(17,169)	(24,354)
Total other non-financial assets	5,438,188	3,913,458
Total other assets	18,345,027	16,769,937

Asset from continuing involvement in transferred assets in the amount of KZT 1,531,307 thousand (31 December 2018: 1,571,962 thousand) originated as a result of loans sale to a mortgage company in June 2014 and December 2013.

19 Deposits and balances from banks

	31 March 2019	31 December 2018
	(unaudited)	(unaudited)
	KZT'000	KZT'000
Term deposits	38,004	38,420
Vostro accounts	883,458	435,658
	921,462	474,078

None of the banks has balances and deposits that exceed 10% of equity as at 31 March 2019 (31 December 2018: nil).

20 Current accounts and deposits from customers

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Current accounts and demand deposits		
- Retail	39,471,531	41,906,328
- Corporate	87,504,692	61,776,047
Term deposits		
- Retail	362,753,273	369,088,191
- Corporate	325,609,917	293,896,654
	815,339,413	766,667,220

As at 31 March 2019, the Group maintains customers deposit balances of KZT 11,577,871 thousand (31 December 2018: KZT 5,180,402 thousand) that serve as collateral for loans and unrecognized credit instruments granted by the Group.

As at 31 March 2019, the Group has 10 customers (31 December 2018: 5 customers), whose balances exceed 10% of equity. The gross value of these balances as at 31 March 2019 is KZT 224,705,688 thousand (31 December 2018: KZT 186,759,673 thousand).

As at 31 March 2019, the Group's current accounts and demand deposits from retail customers of KZT 5,762,571 thousand (31 December 2018: 6,606,654 thousand) are prepayments for loans. Prepayments for loans comprise payments made by retail borrowers ahead of schedule. These payments are settled against the loan balance at the date the installments fall due.

21 Debt securities issued

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Nominal value	42,880,319	44,339,619
Discount	(1,313,165)	(1,504,337)
Accrued interest	1,559,481	876,300
	43,126,635	43,711,582

A summary of bonds issued outstanding as at 31 March 2019 and 31 December 2018 is presented below:

	First date of the placement	Date of repayment	Coupon rate	Effective interest rate	Carrying amount	
					31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Bonds of the sixteenth issue	17-oct-18	17-oct-20	11.00%	12.01%	23,303,959	22,634,074
Bonds of the fifteenth issue	06-sep-17	14-may-20	8.50%	13.16%	12,072,970	11,694,265
Bonds of the fifth issue	24-oct-08	01-sep-23	+1% inflation	8.30%	7,749,706	7,870,048
Bonds of the seventh issue	23-nov-10	21-jan-19	+1%	10.86%	-	1,513,195
					43,126,635	43,711,582

22 Subordinated debt securities issued

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Nominal value	177,464,550	177,464,550
Discount	(107,669,159)	(108,259,533)
Accrued interest	3,432,255	1,530,181
	73,227,646	70,735,198

As at 31 March 2019 and 31 December 2018, subordinated debt securities issued comprise unsecured obligations of the Group. In case of bankruptcy, the repayment of the subordinated debt securities would be made after repayment in full of all other liabilities of the Group.

A summary of issues of subordinated debt securities outstanding as at 31 March 2019 and 31 December 2018 is presented below:

	First date of the placement	Date of repayment	Coupon rate	Effective interest rate	Carrying amount	
					31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Bonds of the seventeenth issue	18-oct-17	18-oct-32	4.00%	4.00%	48,218,921	46,268,702
Bonds of the eighth issue	21-aug-09	15-oct-23	inflation +1%	12.30%	12,717,353	12,345,790
Bonds of the eleventh issue	14-jun-13	26-dec-19	8.00%	8.64%	10,157,002	9,944,534
Bonds of the thirteenth issue	25-aug-16	10-jan-24	9.00%	13.81%	2,134,370	2,176,172
					73,227,646	70,735,198

23 Other borrowed funds

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Loans from state financial institutions	33,409,519	34,553,910
Loans from the Ministry of Finance of the Republic of Kazakhstan	937,219	925,810
	34,346,738	35,479,720

As at 31 March 2019, the terms and conditions of the loans outstanding are as follows:

	Currency	Average interest rate	Year of maturity	Carrying amount, KZT'000
DAMU Entrepreneurship Development Fund JSC	KZT	1.00-8.50%	2019-2035	19,679,589
Development Bank of Kazakhstan JSC	KZT	1.00-2.00%	2034-2037	11,256,322
KazAgro National Management Holding JSC	KZT	3.00%	2020-2021	2,473,608
Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2023	518,494
Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2023	418,725
				34,346,738

As at 31 December 2018, the terms and schedule of repayment of the funds borrowed are as follows:

	Currency	Average interest rate	Year of maturity	Carrying amount, KZT'000
DAMU Entrepreneurship Development Fund JSC	KZT	1.00-8.50%	2019-2035	20,106,061
Development Bank of Kazakhstan JSC	KZT	1.00-2.00%	2034-2037	11,475,590
KazAgro National Management Holding JSC	KZT	3.00%	2020-2021	2,852,988
Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2023	506,908
Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2023	418,902
Agrarian Credit Corporation JSC	KZT	10.00%	2019	119,271
				35,479,720

Funds borrowed from the KazAgro National Management Holding JSC (“KazAgro”) were received in accordance with the rules of its programme on financial recovery of companies operating in the agriculture industry. Funds borrowed from Agrarian Credit Corporation JSC (“ACC”) were received under lending programme to the agriculture industry entities, for purchase of cattle. Funds borrowed from DAMU and DBK were received in accordance with the Government program (“the Program”) to finance large corporates, small and medium enterprises operating in certain industries.

23 Other borrowed funds, continued

According to the loan agreements between KazAgro and the Group, the Group is responsible to extend loans to companies operating in the agriculture industry to support their financial recovery. According to the loan agreements between ACC and the Group, the Group is responsible to extend loans to companies operating in the agriculture industry, for purchase of cattle. According to DAMU and DBK loan agreements, the Group is responsible to extend loans to corporates and SME borrowers, eligible to participate in the Program, with maximum maturity up to 10 years at 6% interest rate. Management of the Group believes that due to their specific nature, the loans from KazAgro, ACC, DAMU and DBK represent a separate segment of borrowings from state companies to support companies operating in certain industries. As a result, the loans from KazAgro, ACC, DAMU and DBK are regarded as having been received on an “arm’s length” basis and, as such, the amount received under the loans represents the fair value of the loans on initial recognition.

24 Other liabilities

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Lease liabilities	3,581,604	-
Plastic cards settlements	2,901,211	2,187,292
Payables to borrowers on lending operations	1,764,248	1,934,676
Assignment of rights of claim payable	1,258,355	1,269,644
Liability from continuing involvement	910,204	937,339
Liabilities on electronic money issued	802,338	1,164,700
Accrued administrative expenses	761,741	709,260
Payments to Deposit Insurance Fund	438,134	-
Payables to insurance company	304,356	355,738
Capital expenditures payables	2,980	
Other financial liabilities	3,990,446	2,377,898
Total other financial liabilities	16,715,617	10,936,547
Payables to employees	974,880	1,325,993
Other taxes payable	863,243	152,099
Vacation reserve	811,445	610,187
Deferred income	549,812	538,219
Loss allowance for losses on contingent liabilities	182,050	1,034,085
Other non-financial liabilities	57,815	37,678
Total other non-financial liabilities	3,439,245	3,698,261
Total other liabilities	20,154,862	14,634,808

25 Share capital

(a) Issued capital and share premium

Issued and outstanding share capital as at 31 March 2019 and 31 December 2018 comprised of the following fully paid ordinary shares:

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Issued at KZT 955.98	8,368,300	8,368,300
Issued at KZT 1,523.90	2,631,500	2,631,500
Issued at KZT 1,092.00	2,930,452	2,930,452
Issued at KZT 6,532.60	6,417,823	6,417,823
Total issued and outstanding shares	20,348,075	20,348,075

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general Bank's shareholders meetings.

(b) Dividends

In accordance with Kazakhstan legislation and the Bank's charter documents, distributable reserves are subject to the rules and regulations of the Republic of Kazakhstan.

During the three months, ended 31 March 2019, no dividends were declared or paid (during the year ended 31 December 2018: no dividends were declared or paid).

(c) Book value per share

Under the listing rules of the Kazakhstan Stock Exchange, the Group should present book value per ordinary share in its consolidated financial statements. The book value per an ordinary share is calculated dividing net assets less intangible assets by number of outstanding ordinary shares. As at 31 March 2019, the book value per share was KZT 4,316.89 (31 December 2018: KZT4,237.63).

26 Earnings per share

The calculation of earnings per share is based on the net consolidated earnings and a weighted average number of ordinary shares outstanding during the period. The Group has no dilutive potential ordinary shares.

	For three months, ended 31 March 2019 (unaudited) KZT'000	For three months, ended 31 March 2018 (unaudited) KZT'000
Net profit	714,963	497,422
Weighted average number of ordinary shares	20,348,075	20,348,075
Basic earnings per share (KZT)	35.14	24.45

27 Credit related commitments

The Group has outstanding credit related commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if the counterparties failed completely to perform as contracted.

	31 March 2019 (unaudited) KZT'000	31 December 2018 (unaudited) KZT'000
Contracted amount		
Loan and credit line commitments	29,212,354	20,372,410
Guarantees	34,501,848	37,152,765
Letters of credit	-	177,556
	63,714,202	57,702,731
Loss allowance	(182,050)	(1,034,085)
Total credit related commitments less provision	63,532,152	56,668,646

Management expects that loans and liabilities under credit facilities will be financed as required at the expense of the amounts received from repayment of the current loan portfolio according to the payment schedules.

These commitments do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

As at 31 March 2019, the Group has 1 customer whose balance exceed 10% of total commitments (31 December 2018: 1 customer). The value of these commitments as at 31 March 2019 is KZT 13,598,168 thousand (31 December 2018: KZT 13,747,016 thousand).