Eurasian Bank JSC

Consolidated Financial Statements

for the year ended

31 December 2019

Contents

«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
Қазақстан A25D6T5 Алматы,
Достық д-лы 180,
Тел./факс 8 (727) 298-08-98

KPMG Audit LLC
A25D6T5 Almaty, Kazakhstan
180 Dostyk Avenue,
E-mail: company@kpmg.kz

Independent Auditors' Report

To the Shareholder and the Board of Directors of Eurasian Bank Joint Stock Company

Opinion

We have audited the consolidated financial statements of Eurasian Bank Joint Stock Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Code of Ethics. 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.

Expected credit losses (ECL) for loans to customers

Please refer to the Notes 2(e), 3(g) and 15 in the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
Loans to customers represent 61% of total assets and are stated net of allowance for expected credit losses ('ECL') that is estimated on a regular basis and is sensitive to assumptions used. The Group applies the ECL valuation model, which requires management to apply professional judgment and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of adjustment to incorporate forward-looking information and evaluation of expected cash flows for loans allocated to Stage 3. Due to the significant volume of loans to customers and the related estimation uncertainty in estimating of allowance for ECL, this area is a key audit matter.	We analysed the key aspects of the Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including involvement of our own specialists in financial risks management. To analyse adequacy of professional judgment and assumptions made by the management in relation to allowance for ECL estimate, we performed the following procedures: — For loans to corporate customers we assessed and tested the design and operating effectiveness of the controls over allocation of loans into Stages. — For a sample of loans to corporate customers, for which a potential change in ECL estimate may have a significant impact on the consolidated financial statements we tested whether Stages are correctly assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgments, applied by the Group. — For a sample of loans to corporate customers, we tested the correctness of data inputs for PD calculation. — For a sample of Stage 3 loans to corporate customers, where ECL are assessed individually we critically assessed assumptions used by the Group to forecast future cash flows, including the estimated value of realisable collateral and their expected realisation periods based on our understanding and planned measures agreed with the regulator to enhance the collection process and publicly available market information. — For loans to retail customers we tested the design and operating effectiveness of controls over timely reflection of delinquency events in the underlying systems. — We agreed input data for the model used to assess ECL for loans to retail customers to underlying documents and checked whether these loans have been correctly allocated into Stages on a sample basis. — We assessed general predictive capability of the models used by the Group to assess ECL by comparing the estimates made as at 1 January 2019 with actual results for 2019.

<table>
<tr><td></td><td>We paid special attention to the results of Asset Quality Review (AQR) inspection of the Group performed by the National Bank of the Republic of Kazakhstan to ensure transparency of financial position of the second-tier banks.
We analysed AQR results and assessed whether ECL allowance balances should be reassessed as a result of AQR inspection.

We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.</td></tr>
<tr><td colspan="2">Going concern considerations related to the COVID-19 outbreak</td></tr>
<tr><td colspan="2">Please refer to the Note 2(e) in the consolidated financial statements.</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's consolidated financial statements are prepared on a going concern basis.

The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic.

The Government of the Republic of Kazakhstan has taken a number of measures to counter the effects of the outbreak, including border closures, quarantine, severe limitations imposed on cross-border and domestic transportation, ban on social, cultural, leisure or sport events. As a result, the Group was forced to temporarily transfer part of its personnel to working from home and adjust operating plans.

The Group's going concern assumption was assessed on the basis of cash flow forecasts, which, in the management's view, confirms that the Group will have sufficient resources to continue as a going concern in foreseeable future.

As part of the assessment, management also considered a number of actions aimed at alleviating the potential disruption to the Group's business and liquidity position.</td><td>As part of audit we performed the following procedures:

We analysed management's assessment of the going concern basis of accounting, including their evaluation of business and liquidity risks arising from the COVID-19 outbreak, and plans for further actions in response to the risks identified. As part of the procedure we also made inquiries of the Chairman of the Management Board of the Bank.

We tested the reasonableness and feasibility of the plans for future actions in order to alleviate the effects of the outbreak by performing the following:

— Testing of key assumptions used to generate looking-forward financial Information for different scenarios of situation development and their impact on capital adequacy ratios.

— Analysis of actual changes in the loan portfolio and current accounts and deposits from customers, which took place from the reporting date to the date of signing the consolidated financial statements and their impact on the Group's liquidity position;

— Sensitivity analysis of the Group's ability to continue as a going concern to changes in the above-mentioned key assumptions.

We also assessed whether information on assessment of a going concern assumption and uncertainty related therewith is disclosed accurately and completely in the Group's consolidated financial statements.</td></tr>
</table>

This assessment covers a number of scenarios specified in Note 2(e). The COVID-19 pandemic is an unprecedented challenge for the global economy, and at the date of the consolidated financial statements, its effects are subject to a significant degree of uncertainty. The Group's use of the going concern basis of accounting is a key audit matter due to high level of management judgment required and inherent uncertainty involved in forecasting and evaluating financial impact of current economic environment and measures planned by the Group.	

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for 2019 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group for 2019 is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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 auditors' 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 engagement partner on the audit resulting in this independent auditors' report is:

Alexei Kolosov
Engagement Partner

Mukhit Kossayev
Certified Auditor
of the Republic of Kazakhstan Auditor's
Qualification Certificate
No. 558 of 24 December 2003

KPMG Audit LLC

State License to conduct audit #0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

30 June 2020

	Note	2019 '000 KZT	2018 '000 KZT
Interest income calculated using the effective interest method	4	123,461,816	114,994,306
Other interest income		828,752	626,188
Interest expenses	4	(63,703,755)	(64,867,344)
Net interest income	4	**60,586,813**	**50,753,150**
Fee and commission income	5	36,144,838	28,361,125
Fee and commission expenses		(6,276,906)	(3,645,590)
Net fee and commission income		**29,867,932**	**24,715,535**
Net (loss)/gain on financial instruments measured at fair value through profit or loss	6	(2,514,847)	1,613,603
Net foreign exchange gain/(loss)	7	5,040,928	(708,776)
Net gain/(loss) on financial assets at fair value through other comprehensive income		184,156	(1,498)
Other operating expenses, net		(1,554,039)	(3,391,946)
Operating income		**91,610,943**	**72,980,068**
Losses on impairment of debt financial assets	8	(50,402,010)	(29,740,843)
Recovery of losses/(impairment loss) of loan commitments issued and financial guarantee contracts		743,065	(997,185)
Estimated liabilities expenses		(25,616)	-
Personnel expenses	9	(21,326,952)	(19,150,401)
Other general and administrative expenses	10	(14,119,049)	(13,257,805)
Profit before income tax		**6,480,381**	**9,833,834**
Income tax expense	11	(1,988,268)	(692,372)
Profit for the year		**4,492,113**	**9,141,462**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserves for financial assets at fair value through other comprehensive income:			
- Net change in fair value		970,792	(6,661)
- Net change in fair value transferred to profit or loss		(184,156)	1,498
Movement in deferred tax		533	-
Foreign currency exchange differences on translation		732,487	(374,422)
Total items that are or may be reclassified subsequently to profit or loss		_1,519,656_	(379,585)
Total other comprehensive income/(loss) for the year		**1,519,656**	**(379,585)**
Total comprehensive income for the year		**6,011,769**	**8,761,877**
Earnings per share			
Basic earnings per share (KZT)	27	220.76	449.25

The consolidated financial statements as set out on pages 9 to 97 were approved by management on 30 June 2020 and were signed on its behalf by:

Еуразиялық Банк

V.V. Morozov
Chairman of the Board

N.M. Druzhinina
Deputy Chairman of the Board

Sh.K. Kapekova
Chief Accountant

The consolidated 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 financial statements.

	Note	2019 '000 KZT	2018 * '000 KZT
ASSETS			
Cash and cash equivalents	12	225,759,408	138,524,123
Financial instruments measured at fair value through profit or loss		-	1,073,676
Financial assets at fair value through other comprehensive income	13	103,781,483	173,175,483
Deposits and balances with banks	14	5,549,167	5,008,892
Loans to customers	15	644,788,006	638,009,716
Investments at amortised cost	16	28,843,636	114,454,312
Current tax asset		529,027	515,809
Property, plant and equipment and intangible assets	17	19,747,551	20,529,051
Right-of-use assets	17	3,349,774	-
Deferred tax assets	11	263,435	223,444
Other assets	18	24,404,278	16,769,937
Total assets		**1,057,015,765**	**1,108,284,443**
LIABILITIES			
Deposits and balances from banks	19	1,376,777	474,078
Amounts payable under repurchase agreements	20	-	79,882,889
Current accounts and deposits from customers	21	799,376,578	766,667,220
Debt securities issued	22	32,043,765	43,711,582
Subordinated debt securities issued	23	63,437,257	70,735,198
Other borrowed funds	24	33,571,380	35,479,720
Lease liabilities	24	3,557,051	-
Deferred tax liabilities	11	5,873,665	3,872,560
Other liabilities	25	18,941,135	14,634,808
Total liabilities		**958,177,608**	**1,015,458,055**
EQUITY			
Share capital	26	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		559,967	(227,202)
Cumulative foreign currency translation reserve		2,612,513	1,880,026
Retained earnings		30,269,928	25,777,815
Total equity		**98,838,157**	**92,826,388**
Total liabilities and equity		**1,057,015,765**	**1,108,284,443**
Book value per ordinary share (in KZT)	26 (c)	4,527.42	4,221.03

* The Group has initially applied IFRS 16 at 1 January 2019, using a modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(f).

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

	2019 '000 KZT	2018 * '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income	121,017,741	109,417,900
Interest expense	(61,617,722)	(60,602,658)
Fee and commission income	35,448,836	28,506,860
Fee and commission expense	(6,277,229)	(3,645,590)
Net payments from financial instruments measured at fair value through profit or loss	(1,511,089)	(481,861)
Net receipts from foreign exchange	5,477,083	3,155,212
Other payments	(2,493,669)	(3,147,717)
Personnel expenses	(21,732,151)	(18,325,289)
Other general and administrative expenses	(10,712,967)	(9,412,079)
(Increase)/decrease in operating assets		
Mandatory reserves with the CBRF	66,653	12,216
Deposits and balances with banks	(636,235)	(933,895)
Loans to customers	(57,706,695)	(44,299,930)
Other assets	(1,793,903)	(6,830,404)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	911,507	192,602
Amounts payable under repurchase agreements	(79,825,002)	36,111,570
Current accounts and deposits from customers	36,510,397	32,477,670
Other liabilities	6,083,769	1,724,410
Net cash (used in)/from operating activities before income tax paid	**(38,790,676)**	**63,919,017**
Income tax payment	(14,266)	(366,864)
Cash flows (used in)/from operating activities	**(38,804,942)**	**63,552,153**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(145,612,467)	(308,978,413)
Sale and redemption of financial assets at fair value through other comprehensive income	214,367,629	188,445,796
Purchases of precious metals	(350,590)	(282,410)
Sale of precious metals	364,972	285,844
Purchase of investments measured at amortised cost	(590,524,955)	(697,140,113)
Redemption of investments measured at amortised cost	676,383,955	707,840,608
Purchases of property and equipment and intangible assets	(2,550,867)	(2,203,651)
Sales of property and equipment and intangible assets	70,630	127,970
Cash flows from/(used in) investing activities	**152,148,307**	**(111,904,369)**

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

	2019 '000 KZT	2018 '000 KZT
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from debt securities issued	8,859,480	22,156,342
Repayment of debt securities issued	(1,459,300)	-
Repurchase of debt securities issued	(19,481,744)	-
Repayment of subordinated debt securities issued	(9,995,000)	-
Receipts of other borrowed funds	2,000,000	10,368,580
Repayment of other borrowed funds	(3,877,500)	(13,225,081)
Lease payments	(1,377,399)	-
Cash flows (used in)/from financing activities	**(25,331,463)**	**19,299,841**
Net increase/(decrease) in cash and cash equivalents	**88,011,902**	**(29,052,375)**
Effect of movements in exchange rates on cash and cash equivalents	(723,030)	13,975,754
Effect of movements in expected credit losses	(53,587)	-
Cash and cash equivalents at the beginning of the year	138,524,123	153,600,744
Cash and cash equivalents as at the end of the year (Note 12)	**225,759,408**	**138,524,123**

* The Group has initially applied IFRS 16 at 1 January 2019, using a modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(f).

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

'000 KZT	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Dynamic reserve**	**Revaluation reserves for financial assets at fair value through other comprehensive income**	**Cumulative foreign currency translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2018	57,135,194	25,632	8,234,923	7,594,546	(222,039)	2,254,448	22,751,554	97,774,258
Impact of adopting IFRS 9	-	-	-	-	-	-	(13,709,747)	(13,709,747)
Restated balance as at 1 January 2018	**57,135,194**	**25,632**	**8,234,923**	**7,594,546**	**(222,039)**	**2,254,448**	**9,041,807**	**84,064,511**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	9,141,462	9,141,462
Other comprehensive loss								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	(6,661)	-	-	(6,661)
Net change in fair value of financial assets measured at fair value through other comprehensive income transferred to profit or loss					1,498	-	-	1,498
Foreign currency exchange differences on translation	-	-	-	-	-	(374,422)	-	(374,422)
Total items that are or may be reclassified subsequently to profit or loss	*-*	*-*	*-*	*-*	*(5,163)*	*(374,422)*	*-*	*(379,585)*
Total other comprehensive loss	-	-	-	-	(5,163)	(374,422)	-	(379,585)
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**(5,163)**	**(374,422)**	**9,141,462**	**8,761,877**
Other movements in equity								
Reversal of dynamic reserve	-	-	-	(7,594,546)	-	-	7,594,546	-
Balance at 31 December 2018	**57,135,194**	**25,632**	**8,234,923**	**-**	**(227,202)**	**1,880,026**	**25,777,815**	**92,826,388**

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

'000 KZT	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Dynamic reserve**	**Revaluation reserves 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	25,777,815	92,826,388
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	4,492,113	4,492,113
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	970,792	-	-	970,792
Net change in fair value of financial assets measured at fair value through other comprehensive income transferred to profit or loss	-	-	-	-	(184,156)	-	-	(184,156)
Movement in deferred tax	-	-	-	-	533	-	-	533
Foreign currency exchange differences on translation	-	-	-	-	-	732,487	-	732,487
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	*787,169*	*732,487*	-	*1,519,656*
Total other comprehensive income	-	-	-	-	787,169	732,487	-	1,519,656
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**787,169**	**732,487**	**4,492,113**	**6,011,769**
Balance at 31 December 2019	**57,135,194**	**25,632**	**8,234,923**	**-**	**559,967**	**2,612,513**	**30,269,928**	**98,838,157**

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

1 Background

(a) Principal activities

These consolidated 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 December 2019, the Group has 17 regional branches (2018: 17) and 117 cash settlement centres (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 Bank’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 JSC (SB of Eurasian Bank JSC). On 31 December 2015 the sole shareholder of the Bank approved a reorganisation plan, under which EU Bank JSC (SB of Eurasian Bank JSC) was merged with the Bank. On 3 May 2016 the actual merger of EU Bank JSC (SB of Eurasian Bank 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.

On 3 February 2020 the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan granted the licence No. 1.2.68/242/40 to conduct banking and other operations and activities in the securities market to the Bank.

(b) Shareholders

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

(c) Kazakhstan business environment

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 Kazakhstan. In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a continuing depreciation of the Kazakhstan Tenge. These developments are further increasing the level of uncertainty in the Kazakhstan business environment.

The consolidated 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 financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments measured at fair value.

(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 rouble ("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 financial statements, 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 judgments

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(d)(i).
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 3(g)(ii).

- impairment of financial instruments: determining inputs into the expected credit losses measurement model, including incorporation of forward-looking information – Note 3(g)(iv).
- recognition of a fee and commission income from agency services - Note 3(m);
- estimates of fair value of financial assets and liabilities – Note 35.

(e) Assessment of the Group's ability to continue as a going concern

The accompanying consolidated financial statements have been prepared on assumption that the Group will continue as a going concern.

In March 2020, coronavirus infection COVID-19 was declared a pandemic. Many countries worldwide have taken measures to limit cross-border traffic and in some cases to close the borders and declared quarantine as response measures to curb and reduce spreading of the virus.

On 15 March 2020 the Government of the Republic of Kazakhstan declared a state of emergency, which was subsequently extended until 11 May 2020 in response to global COVID-19 pandemic. To reduce spreading of virus a number of restrictive measures on movement of people within Kazakhstan has been introduced, which resulted in slowdown of normal economic activity of many enterprises in the country. Governments of other countries worldwide have introduced similar restrictions in order to limit the impact of virus, which caused significant weakening of global economic activity.

State of emergency and quarantine were introduced, first of all, in the largest cities – Almaty and Nur-Sultan, with subsequent introduction of this regime throughout Kazakhstan. The bodies of executive power have introduced measures to restrict movement and contacts of the people by means of temporary suspension of work of educational institutions, shopping centres, places of public catering, cinemas, sport facilities as well as industrial enterprises, construction facilities, financial market entities, etc. These events have certain impact on the country's economy in general, which may result in its slowdown in mid-term.

Under the current economic situation, the Government of the Republic of Kazakhstan is taking a number of supporting measures to stimulate business activity in the country and growth of consumption:

- as part of the "Economy of simple things" financing programme and a new government programme to support businesses that have suffered from introduction of quarantine, KZT 1 trillion was allocated to provide preferential lending of the economy at the interest rate of 8%;
- tax reliefs have been introduced as well as limitations on inspection of small and medium-sized businesses;
- social payments of KZT 42,500 were provided to individuals who lost their jobs, including self-employed people and socially vulnerable groups of population;
- measures have been provided for to grant deferrals in payments to both individuals and economic entities, whose activity was affected by COVID-19 pandemic.

In accordance with the Resolution of the Management Board of the NBRK dated 19 March 2020, No.39, the Program of Preferential Lending was approved, which stipulates measures of support to small and medium-sized businesses and individual entrepreneurs that have been affected by introduction of the state of emergency in the country as a result of spreading a coronavirus infection.

Taking into account the current situation in the economy and within the Group, as well as expected negative implications of COVID-19 spreading, the Group has analysed its financial positions under the following scenarios:

- Scenario No.1 in 2020 implies decline in GDP by 2.1%; unemployment rate of 9.2%; price of BRENT oil of USD 34.7 and KZT/USD exchange rate of KZT 443.33 per USD 1.
- Scenario No.2 in 2020 implies decline in GDP by 6.3%; unemployment rate of 11.4%; price of BRENT oil of USD 28.3 and KZT/USD exchange rate of KZT 455.56 per USD 1.

Based on the calculations made under the above-mentioned scenarios, the Group management has concluded that a range of possible outcomes in case of negative developments, which have been analysed to form this judgment, does not indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Asset Quality Review (AQR)

During 2019 the NBRK performed the Asset Quality Review (AQR) of the banking sector of the Republic of Kazakhstan. AQR was performed across 14 largest second-tier banks, which account for 87% of the total assets of the banking sector.

To ensure transparency and objectivity of the review, the NBRK carried out AQR jointly with an international consultant and independent audit firms. AQR was carried out in accordance with the methodology of the European Central Bank and in compliance with requirements of the legislation of the Republic of Kazakhstan related to accounting and prudential regulation.

Based on AQR results, the Group presented a report, which comprised comments and recommendations on improvement of business processes, on the basis of which a detailed action plan was prepared.

Based on AQR results, as part of the Program of Strengthening Financial Stability of Banking Sector of the Republic of Kazakhstan, an additional instrument was introduced to protect assets, which provides for a five-year state guarantee.

Moreover, in April 2020, the Group's shareholders provided additional capitalisation in the amount of KZT 4,000,000 thousand. According to results of the general meeting of shareholders held on 16 April 2020, a decision was made to increase a number of authorised shares by means of additional issue of 612,314 ordinary shares.

(f) Changes in accounting policies and presentation

This is the first set of the Group's annual consolidated financial statements in which IFRS 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 3.

Due to the transition methods chosen by the Group in applying IFRS 16, comparative information throughout these consolidated financial statements has not been restated.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, and are applied consistently by the Group, except as explained in note 2(f), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, 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. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(iv) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation to foreign currencies are recognised in profit or loss, except for equity financial instruments measured at fair value through other comprehensive income on which foreign currency differences are not recognised.

Below are foreign currency exchange rates as at the end of the year used by the Group in preparation of the consolidated financial statements:

	31 December 2019	**31 December 2018**
KZT/EUR	429.00	439.37
KZT/USD	382.59	384.20

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK, the Central Bank of the Russian Federation (the “CBRF”) and other banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(d) Financial instruments

(i) Classification

Under IFRS 9 *Financial Instruments*, financial assets are classified into the following categories based on a business model used by the Group to manage its financial assets for cash flows generation:

Financial instruments measured at fair value through other comprehensive income within a business model “Holding assets in order to collect contractual cash flows and/or sell assets” that meet the SPPI (“solely payments of principal and interest”) criterion. This business model implies that the objective is achieved by both collecting contractual cash flows and selling assets. The level of sales is usually higher (in respect of frequency and volumes of asset transactions) within this business model than those under the business model “hold to collect contractual cash flows”);

Financial instruments measured at amortised cost within the business model "Holding assets to collect contractual cash flows". The objective within this business model implies the following:

- to hold assets in order to collect contractual cash flows;
- sales are secondary to the objective of this model;
- the level of sales within this model, as a rule, is the lowest as compared to other business models (in respect of frequency and volumes of asset transactions).

Financial instruments measured at fair value through profit or loss within a business model "Managing assets on a fair value basis and maximising cash flows through selling assets" that do not meet the SPPI criterion.

This business model does not seek both "to hold to collect" and "to hold to collect and/or sell". Receiving contractual cash flows is secondary to the objective of this model.

In order to define a business model for specific financial assets the Group analyses the following:

- how performance of the business model (and the financial assets held within that business model) is measured and how this information is communicated to the key management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the Group's top-managers are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation from other data, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised. In this case, the Group considers information about previous sales, the reasons for those sales and conditions that existed at that time as compared to current conditions.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition.

On initial recognition, the Group may designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

The Group reclassifies financial assets if the Group changes its business model for managing those financial assets. The reclassification is applied prospectively from the reclassification date.

The Group classifies its financial assets as follows:

- *loans and receivables* are classified as assets measured at amortised cost since they are managed within the business model "Holding to collect contractual cash flows" that meet the SPPI criterion;
- *correspondent account balances, interbank loans and deposits, REPO transactions* are classified as assets measured at amortised cost since they are managed within the business model "Holding to collect contractual cash flows" that meet the SPPI criterion;
- *debt securities* may be classified in any of the three classification categories depending on the business model chosen and compliance with the SPPI criterion;
- *equity securities*, generally will be classified as instruments measured at fair value through profit or loss;
- *derivative financial instruments* are classified as financial assets measured at fair value through profit or loss.

All financial liabilities are classified on initial recognition as measured at amortised cost, except for the following:

- financial liabilities measured at fair value through profit or loss (IFRS 9 says that the Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss);
- financial liabilities, which arise when a transfer of a financial asset does not qualify for derecognition or the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate;
- contingent consideration recognised by an acquirer in a business combination.

(ii) Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on their sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- investments within a business model "Hold to collect contractual cash flows" which are measured at amortised cost, using an effective interest rate method.

(iv) Amortised cost versus gross carrying amount

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, less loss allowance (or provision for impairment before 1 January 2018). Premiums and discounts, including transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Financial assets or liabilities originated at interest rates different from market rates are measured at origination at their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference is credited or charged to profit or loss as gains or losses on the origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(v) Fair value measurement principles

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net-long position (or paid to transfer the net-short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as measured at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on a financial asset measured at fair value through other comprehensive income is recognised as other comprehensive income in equity (except for expected credit losses and reversal of impairment losses and foreign exchange gains and losses measured at fair value through other comprehensive income) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in comprehensive income is recognised in profit or loss. Interest income in relation to financial asset measured at fair value through other comprehensive income is recognised in profit or loss, as accrued, using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(ix) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in fair value of derivatives are recognised immediately in profit or loss.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(x) Offsetting

Financial assets and liabilities are offset and the net amount 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 realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

(e) Property, plant and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- Buildings	40 to 100 years;
- Computers and banking equipment	5 years;
- Vehicles	7 years;
- Office furniture	8 to 10 years;
- Leasehold improvements	5 years.

(f) 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 are as follows:

- Trademark	10 years;
- Computer software and other intangibles	up to 15 years.

(g) Impairment of assets

IFRS 9 applies an ‘expected credit loss’ model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

(i) Impairment

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- receivables on documentary settlements and guarantees;
- financial guarantee contracts issued, contingent liabilities on unsecured letters of credit, guarantees issued or confirmed;
- loan commitments issued.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt investment securities and other financial assets that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers:

- a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’;
- a financial asset to have low credit risk when a loan agreement has been concluded with a counterparty a credit rating of at least BBB- according to the international scale assigned by S&P agency or similar ratings assigned by Moody’s and Fitch agencies, a loan agreement has been concluded with a government-owned company.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Significant increase in credit risk

For the purpose of determining significant increases in credit risk of a financial asset, the Group:

- assesses change in the risk of a default occurring over the expected life of the financial asset by comparing a risk of a default occurring on the financial asset with the risk of a default as at the date of initial recognition;
- analyses reasonable and supportable information, that is available without undue cost or effort and which indicates a significant increase in credit risk since initial recognition.

Significant increases in credit risk of a financial asset mean occurrence of one or several cases listed below:

- significant changes in indicators of credit risk (increase in LTPD PIT by 80% from initial recognition of the financial asset) for a particular financial asset or similar financial assets with the same expected life;
- an actual or expected internal credit rating downgrade for the borrower determined upon monitoring based on a set of quantitative and qualitative indicators of the counterparty;
- significant changes in the value of the collateral (more than 50% of the value of a financial asset at initial recognition) supporting the obligation or quality of guarantees;
- amounts past due thirty and more calendar days.

Monitoring means activities of control and analysis of the status of financial asset and all mutual relations between the Group and counterparty and comprises the following:

- control of observance of the payment discipline related to the financial asset;
- periodic analysis of the counterparty's financial statements;
- monitoring of the account turnover;
- monitoring of the progress in the project funded by the Group.

(iii) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI (bonds) are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due for individual financial assets and 90 days past due for homogenous financial assets;
- loan restructuring by the Group due to financial difficulties experienced by the borrower;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties, delisting of a security.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether investments in sovereign debt where the Government acts as a debtor, are credit-impaired, the Group considers the following factors.

- Downgrading of the bonds' long-term sovereign rating below "B" by Standard&Poor's international rating agency or below similar rating by one of other rating agencies;

- Internal economic reasons (hostilities inside the state, global natural and/or man-made disasters affecting significantly the country economy, undemocratic seizure of power and denial to serve government liabilities, and other similar events affecting significantly the country economy);
- Decision to restructure the obligation to purchase bonds.

(iv) Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive;
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount of a financial asset and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

For debt securities and financial assets arising from entering into transactions with financial organisations:

- PD is estimated on the basis of data on global corporate and global sovereign average cumulative values of PD published by S&P agency, depending on the counterparty's credit rating assigned by S&P or similar rating assigned by Moody's and Fitch;
- LGD is estimated using the Recovery Rate data for unsecured bonds published by Moody's;
- LGD for unsecured corporate bonds of the issuers is determined to be equal to 70%.

For loans referred to both individual and homogeneous financial assets, PD and LGD are estimated on the basis of statistical models used by the Group and other historic data, given the looking-forward information on macroeconomic indicators.

Individual financial assets

PD for loans referred to individual financial assets is estimated on the basis of historic data on the borrowers' ratings assigned while considering the matter of financing and exercising the quarterly monitoring, and historic data on the borrowers' defaults for at least 5-year observation period.

The level of PD corresponding to the borrower' rating is estimated by determining a ratio of total balance sheet debt of the defaulted borrowers to the total balance sheet debt (average for the year) of a borrower having certain rating, for 1 calendar year, at each reporting date of the observation period, for the observation period.

Homogeneous financial assets

PD for loans referred to homogeneous financial assets is estimated on the basis of historic data on the borrowers' defaults of each generation of issue (per month) for at least 5-year observation period, given the grouping of homogeneous assets based on their common risk characteristics, which include a type of credit product and type of available collateral.

PD for the group of homogeneous assets is estimated as a ratio of a number of defaulted loans to non-defaulted loans in each generation of loan issue, per each month of the observation period, with due account of subsequent estimate of an averaged probability of default for a group of homogeneous assets per each month of the observation period, with subsequent annualisation.

To take into account the impact of macroeconomic indicators on PD, estimated PDs are calibrated by PIT coefficient (Point-in-Time). Economic scenarios used as at 31 December 2019 comprised the following key indicators for the Republic of Kazakhstan:

- for individual financial assets: inflation, GDP growth, state budget revenue, CDS index of the Republic of Kazakhstan (annual):

Period	Inflation, %	GDP growth, %	CDS index (1 year), in basis points, at the end of the year
2020 forecast	6.0	3.8	18.7

- for homogeneous financial assets: consumer price index (as at the end of the period, as a percentage against December of a previous year), industrial production growth rate, volume of retail turnover index, CDS index of the Republic of Kazakhstan (annual), on the level of individual /homogeneous financial assets in default during the year in the observation period:

Period	Consumer price index (as at the end of the period, as a percentage against December of a previous year)	Industrial production growth rate, as % against a previous year	Volume of retail turnover index	CDS index, in basis points, at the end of the year
2020 forecast	105.3	103.3	103.9	18.7

Impact assessment is performed using the linear regression method; PIT coefficient is calculated as a ratio of projected default rate (D) to an average D over the observation period (at least 5 years).

LGD is estimated by the Group as a difference between carrying amount of an asset and overall recovery rate (Recovery Rates) for defaulted loans from the time of default against an outstanding debt as at the date of default and present value of estimated future cash flows from enforcement of collateral discounted at the initial effective interest rate of a financial asset (i.e. effective interest rate calculated on initial recognition).

Exposure at default represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of homogeneous financial assets is the gross carrying amount.

(v) Recognised impairment losses

All losses on impairment of loans and receivables (including reversal of impairment losses or impairment gains) are recognised in profit or loss.

No loss allowance for debt financial assets measured at FVOCI is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

(vi) Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

(vii) Non-financial assets

Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount.

Any impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised in the period when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(i) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the two quantities: amount of loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except in the following cases:

– loan commitments that the Group designates as financial liabilities measured at fair value through profit or loss;

– if the Group has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments;

– loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;

– commitments to provide a loan at a below-market interest rate.

(j) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Group to declare and pay dividends is subject to acting legislation of the Republic of Kazakhstan.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred taxes. 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.

(i) Current tax

Current 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.

(ii) Deferred tax

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities determined for the purposes of their reflection in the consolidated financial statements and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- temporary differences related to initial recognition of goodwill not deductible for tax purposes;
- temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is 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. The measurement of deferred tax 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 liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(l) Income and expense recognition

(i) Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(ii) Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fee and commission which relate to issue of a loan and are an inherent component of an effective interest rate, taking into account direct transaction costs, are stated as a discount on loans issued by the Group. Within the effective period of a contract, the discount amount is amortised and stated as the Group’s income, using an effective interest rate. Fee and commission income related to provision of other services stipulated in a concluded contract and received as the services are provided can be stated simultaneously in “fee and commission receivable from a borrower” line item, unless otherwise provided for by the contract, and are recognised in “income” line items as the relevant services are provided.

(iii) Presentation

Interest income on financial instruments measured at fair value through profit or loss is included in “Other interest income” in the consolidated statement of profit or loss.

(m) Fee and commission income

Fee and commission income is stated at the amount which the Group expects to receive in exchange for the services provided, and is recognised when or as the Group provides the services to customers.

The Group provides insurance agent services by offering 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. As acquisition of a life insurance policy is voluntary and is not a condition to obtain a loan, it does not affect the interest rate on the loan. Therefore the agent services fee was not considered as part of effective interest rate. A service is deemed to be completely provided when an insurance policy has been issued (insurance contract), therefore, the Group recognises fee and commission simultaneously, when a performance obligation is satisfied, i.e. an insurance policy is issued (insurance contract is concluded).

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Fee and commission income for payment card maintenance comprises an interchange fee from transactions with credit and debit cards carried out in trade and service enterprises, and is recognised upon receipt of compensation from payment systems. Other payment card fees are recognised at the time of transaction completion.

Fee and commission income for cash withdrawal comprises fee and commission for customer accounts maintenance as well as fee and commission for cash operations. Payment for customer account maintenance is recognised in the period when the services are provided, usually, on a monthly basis. Payment collected for cash operations is recognised at the time of the services provision.

Fee and commission for settlement transactions represent fee and commission income for payments and transfers charged at the time of the transaction.

Income in the form of fee and commission for issue of guarantees as well as fee and commission for issue and servicing of letters of credit are stated on an accrual basis, with daily amortisation on income line items.

Adoption of IFRS 15 has not had a significant effect on disclosure of information or amounts stated in the consolidated financial statements.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(n) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses, 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.

(o) IFRS 16

The Group has initially applied IFRS 16 *Leases* from 1 January 2019 which replaced existing leases 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, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019, therefore no comparative information was restated. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease under IFRS 16.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

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

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

– did not recognise right-of-use assets and liabilities for leases of low value assets;

– excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;

– used hindsight when determining the lease term.

As a lessor

For lessors, the accounting rules, in general, have not been changed – they still classify leases as financial and operating ones, therefore, there have been no changes in the accounting policy of the Group as a lessor.

Impact on consolidated financial statements

On transition to IFRS 16, the Group recognised additional right-of-use assets of KZT 4,096,026 thousand and relevant lease liabilities of KZT 4,096,026 thousand for all these lease agreements.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The rate of 10% was applied.

'000 KZT	**1 January 2019**
Future operating lease commitment at 31 December 2018 under IAS 17 as disclosed in the consolidated financial statements	7,144,745
Future payments adjusted for cancellation and extension options	(1,948,637)
Effect of discounting using the incremental borrowing rate at 1 January 2019	(986,049)
Finance lease liabilities recognised as at 31 December 2018	
– Recognition exemption for leases of low-value assets and leases with less than 12 months of lease term at transition	(114,033)
– Extension options reasonably certain to be exercised	-
Lease liabilities recognised at 1 January 2019	4,096,026

Upon initial recognition, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term.

After the commencement date, the amount of lease liabilities increases 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.

The right-of-use assets and lease liabilities are stated in separate line items in the consolidated statement of financial position.

In the concolidated statement of profit or loss, lease expenses are stated as depreciation and amortisation expenses in “Other general and administrative expenses” and as interest expenses paid in “Interest expenses”.

For short-term leases (with a lease term less than 12 months) and for leases of low-value assets, the lease payments are recognised on a straight-line basis within the lease term in “Other general and administrative expenses”.

In the concolidated statements of cash flows, the Group classifies separately the cash flows used for payment of principal amount of lease liabilities - as cash used in financing activities, and cash flows used in payments for interest on lease liabilities – as cash used in operating activities.

(p) New standards and interpretations not yet adopted

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

The following amended standards and interpretations are not expected to have a significant impact on the Group’s consolidated financial statements.

– *Amendments to References to Conceptual Framework in IFRS Standards*.
– *Definition of Material (Amendments to IAS 1 and IAS 8).*
– *IFRS 17 Insurance Contracts.*

4 Interest income and expense

	2019 ‘000 KZT	2018 ‘000 KZT
Interest income calculated using the effective interest method		
Loans to customers measured at amortised cost	106,404,931	97,410,628
Financial assets measured at fair value through other comprehensive income	10,236,988	7,130,990
Investments at amortised cost	4,863,382	9,248,369
Cash and cash equivalents	1,913,213	611,669
Deposits and balances with banks	43,302	592,650
	123,461,816	**114,994,306**
Other interest income		
Loans to customers measured at fair value	828,752	626,188
	124,290,568	**115,620,494**
Interest expense		
Current accounts and deposits from customers	(46,366,814)	(44,362,556)
Subordinated debt securities issued	(10,754,453)	(10,517,107)
Debt securities issued	(3,710,176)	(2,832,518)
Other borrowed funds	(1,296,171)	(1,472,944)
Amounts payable under repurchase agreements	(1,206,181)	(5,678,659)
Lease liabilities	(369,960)	-
Deposits and balances from banks	-	(3,560)
	(63,703,755)	**(64,867,344)**
	60,586,813	**50,753,150**

5 Fee and commission income and expense

	2019 '000 KZT	2018 '000 KZT
Fee and commission income		
Agency services	26,273,578	21,130,882
Payment card maintenance fees	4,729,632	2,994,041
Settlement	2,151,417	1,734,577
Cash withdrawal	1,257,512	1,214,205
Guarantee and letter of credit issuance	1,066,908	900,319
Custodian services	48,222	53,354
Cash collection	32,525	51,996
Other	585,044	281,751
	36,144,838	**28,361,125**
Fee and commission expense		
Payment card maintenance fees	(4,568,425)	(2,657,072)
Settlement	(764,632)	(589,795)
Services of the State Centre for Pension Payments and credit bureaus	(433,247)	-
Cash withdrawal	(208,049)	(163,826)
Custodian services	(229,250)	(142,286)
Securities operations	(30,008)	(39,426)
Other	(43,295)	(53,185)
	(6,276,906)	**(3,645,590)**
	29,867,932	**24,715,535**

6 Net (loss)/gain on financial instruments measured at fair value through profit or loss

	2019 '000 KZT	2018 '000 KZT
Gain on change in the value of loans to customers measured at fair value	69,918	989,368
Net realised loss on financial instruments measured at fair value through profit or loss	(2,584,765)	(1,461,260)
Net unrealised gain on financial instruments measured at fair value through profit or loss	-	2,085,495
	(2,514,847)	**1,613,603**

7 Net foreign exchange gain/(loss)

	2019 '000 KZT	2018 '000 KZT
Dealing operations, net	5,477,083	3,155,212
Translation differences, net	(436,155)	(3,863,988)
	5,040,928	**(708,776)**

8 Impairment losses on debt financial assets

	2019 '000 KZT	2018 '000 KZT
Loans to customers (Note 15)	48,479,189	31,472,549
Other assets (Note 18)	1,860,127	(1,767,357)
Cash and cash equivalents (Note 12)	53,587	40
Financial assets measured at fair value through other comprehensive income (Note 13)	4,546	36,611
Investment at amortised cost (Note 16)	3,975	(697)
Deposits and balances with banks (Note 14)	586	(303)
	50,402,010	**29,740,843**

9 Personnel expenses

	2019 '000 KZT	2018 '000 KZT
Wages, salaries, bonuses and related taxes	20,410,115	18,314,940
Other employee costs	916,837	835,461
	21,326,952	**19,150,401**

10 Other general and administrative expenses

	2019 '000 KZT	2018 '000 KZT
Depreciation and amortisation	3,193,634	3,527,619
Communication and information services	2,670,392	2,417,825
Depreciation of right-of-use assets	1,583,373	-
Taxes other than income tax	1,138,432	1,001,147
Security	805,400	779,257
Professional services	782,221	214,877
Advertising and marketing	751,493	729,948
Repair and maintenance	685,859	675,556
Stationary and office supplies	273,502	182,706
Cash collection	248,812	236,449
Business travel	243,628	210,841
Insurance	210,525	71,137
Operating lease expense	178,383	1,925,395
Transportation	74,616	52,926
Services of the State Centre for Pension Payments	-	204,512
Other	1,278,779	1,027,610
	14,119,049	**13,257,805**

11 Income tax expense

	2019 '000 KZT	2018 '000 KZT
Current income tax expense		
Current period	1,048	5,250
Adjustment of current income tax expenses for prior periods	-	809,454
	1,048	**814,704**
Deferred income tax expense		
Origination and reversal of temporary differences	1,987,220	(122,332)
Total income tax expense	**1,988,268**	**692,372**

In 2019, the applicable tax rate for current and deferred tax is 20% (2018: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

	2019 '000 KZT	%	2018 '000 KZT	%
Profit before tax	**6,480,381**	**100.00**	**9,833,834**	**100.00**
Income tax at the applicable tax rate	1,296,076	20.00	1,966,767	20.00
Tax-exempt income on securities	(3,013,901)	(46.51)	(1,205,393)	(12.26)
Adjustment of current income tax expense for prior periods	-	-	809,454	8.23
Impairment losses	2,034,350	31.39	(1,816,083)	(18.47)
Non-deductible expense/(non-taxable income)	1,671,743	25.80	937,627	9.53
	1,988,268	**30.68**	**692,372**	**7.04**

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2019 and 2018.

Tax loss carry-forwards originated in 2017 will expire 31 December 2027. During 2019, the Group utilised tax loss of KZT 13,600,586 thousand (2018: KZT 271,417 thousand). Other deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

Movements in temporary differences during the years ended 31 December 2019 and 31 December 2018 are as follows:

2019 **'000 KZT**	**Balance at 1 January 2019**	**Recognised in profit or loss**	**Recognised in equity**	**Impact of adopting IFRS 16**	**Balance at 31 December 2019**
Loans to customers	92,918	(22,677)	17,172	-	87,413
Property, plant and equipment	(1,048,705)	29,064	904	-	(1,018,737)
Securities measured at fair value through other comprehensive income and at amortised cost	-	-	533	-	533
Other assets	21,817	38,277	-	-	60,094
Subordinated debt securities issued	(20,979,896)	426,340	-	-	(20,553,556)
Guarantees	-	44,641	1,818	-	46,459
Other liabilities	192,706	176,853	5,679	-	375,238
Right-of-use assets	-	102,624	-	(699,540)	(596,916)
Lease liabilities	-	(63,954)	-	699,540	635,586
Interest payable on deposits and balances with banks	-	1,730	-	-	1,730
Tax loss carry-forwards	18,072,044	(2,720,118)	-	-	15,351,926
	(3,649,116)	**(1,987,220)**	**26,106**	**-**	**(5,610,230)**

2018 **'000 KZT**	**Balance at 1 January 2018**	**Recognised in profit or loss**	**Recognised in equity**	**Balance at 31 December 2018**
Loans to customers	(1,562,424)	1,655,937	(595)	92,918
Property, plant and equipment	(1,085,490)	37,154	(369)	(1,048,705)
Securities measured at fair value through other comprehensive income and at amortised cost	2,078,300	(2,078,300)	-	-
Other assets	(42,250)	64,067	-	21,817
Subordinated debt securities issued	(21,341,201)	361,305	-	(20,979,896)
Other liabilities	57,422	136,452	(1,168)	192,706
Tax loss carry-forwards	18,126,327	(54,283)	-	18,072,044
	(3,769,316)	**122,332**	**(2,132)**	**(3,649,116)**

12 Cash and cash equivalents

	2019 '000 KZT	2018 '000 KZT
Cash on hand	**36,970,584**	**35,990,737**
Nostro accounts with the NBRK and the CBRF	**83,882,592**	**36,948,634**
Nostro accounts with other banks		
- rated from AA- to AA+	18,552,020	45,323,916
- rated from A- to A+	286,347	1,016,306
- rated from BBB- to BBB+	5,217,457	7,509,793
- rated from BB- to BB+	1,816,612	1,291,965
- rated from B- to B+	56,158	288,665
- not rated	102,325	5,474
Total Nostro accounts with other banks	**26,030,919**	**55,436,119**
Term deposits with the NBRK and the CBRF	**65,349,182**	**6,354,172**
Term deposits with other banks		
- rated from BB- to BB+	1,848,000	-
- rated from B- to B+	4,317,691	-
Total term deposits with other banks	**6,165,691**	**-**
Amounts receivable under reverse repurchase agreements		
- rated from BBB- to BBB+	3,416,233	3,794,650
- not rated*	4,000,001	-
Total cash and cash equivalents before allowance for expected credit losses	**225,815,202**	**138,524,312**
Allowance for expected credit losses	(55,794)	(189)
Total cash and cash equivalents	**225,759,408**	**138,524,123**

* These amounts receivable comprise accounts receivable under reverse repurchase agreements carried out at KASE

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

All cash and cash equivalents are allocated to Stage 1 of the credit risk grade.

As at 31 December 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 December 2019 is KZT 160,841,688 thousand (31 December 2018: KZT 81,884,510 thousand).

During 2019 and 2018, the Group entered into reverse repurchase agreements with counterparties on the Kazakhstan Stock Exchange and Non-banking Credit Organisation "National Clearing Centre" JSC. The agreements have been secured mainly by the treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, discount notes of the NBRK and the federal bonds of the Russian Federation. As at 31 December 2019, the fair value of financial assets that serve as collateral under reverse repurchase agreements is KZT 7,672,955 thousand (31 December 2018: KZT 4,116,585 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 (cash on hand in the national currency in the amount not exceeding 50 (fifty) percent of average minimum reserve requirements for the period, for which the minimum reserve requirements are determined, and balances on accounts in the national currency with NBRK) equal to or in excess of the average minimum requirements. As at 31 December 2019 the minimum reserves amounted to KZT 12,283,434 thousand (31 December 2018: KZT 7,766,990 thousand).

13 Financial assets measured at fair value through other comprehensive income

	2019 '000 KZT	2018 '000 KZT
Held by the Group		
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	23,271,216	14,121,254
NBRK discount notes	61,219,618	73,226,448
US treasury bonds	15,797,007	
Corporate bonds		
Rated from BBB- to BBB+	1,006,092	978,241
rated from B- to B+	2,487,550	2,478,957
	103,781,483	**90,804,900**
Pledged under repurchase agreements		
NBRK discount notes	-	82,370,583
	-	**82,370,583**
	103,781,483	**173,175,483**

As at 31 December 2019, loss allowance for expected credit losses on financial assets measured fair value through other comprehensive income was KZT 41,157 thousand (31 December 2018: KZT 36,611 thousand).

As at 31 December 2019 and 31 December 2018, all financial assets measured fair value through other comprehensive income are categorised into Stage 1.

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

None of treasury bonds and corporate bonds are overdue or impaired as at 31 December 2019 and 31 December 2018.

14 Deposits and balances with banks

	2019 '000 KZT	2018 '000 KZT
Mandatory reserves with the CBRF	**38,574**	**96,727**
Term deposits		
- conditional deposit with the NBRK	2,554,172	2,474,187
- rated from AA- to AA+	838,875	805,426
- rated from A- to A+	2,069,760	1,501,234
- not rated	49,000	47,000
Total term deposits	**5,511,807**	**4,827,847**
Loans to banks		
- rated from BBB- to BBB+	-	84,956
Total loans to banks	**-**	**84,956**
Total deposits and balances with banks before allowance for expected credit losses	5,550,381	5,009,530
Allowance for expected credit losses	(1,214)	(638)
Total deposits and balances with banks	**5,549,167**	**5,008,892**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

As at 31 December 2019 and 31 December 2018, all deposits and balances with banks are categorised into Stage 1 of the credit risk grade.

As at 31 December 2019, a conditional deposit with the NBRK comprises funds of KZT 1,699,449 thousand (31 December 2018: KZT 567,064 thousand) received from the Development Bank of Kazakhstan JSC ("DBK JSC") and KZT 854,723 thousand (31 December 2018: KZT 1,907,123 thousand) received from DAMU Entrepreneurship Development Fund JSC ("EDF DAMU JSC") in accordance with the loan agreements with DBK JSC and EDF DAMU JSC. 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 JSC and EDF DAMU JSC, respectively.

Movements in the loss allowance for expected credit losses for deposits and balances with banks for the year ended 31 December 2019 are as follows:

Deposits and balances with banks measured at amortised cost	Stage 1 '000 KZT	Total '000 KZT
Loss allowance for expected credit losses at the beginning of the year	638	638
Net remeasurement of loss allowance	586	586
Foreign exchange and other movements	(10)	(10)
Loss allowance for expected credit losses at the end of the year	**1,214**	**1,214**

Movements in the loss allowance for expected credit losses for deposits and balances with banks for the year ended 31 December 2018 are as follows:

Deposits and balances with banks measured at amortised cost	Stage 1 '000 KZT	Total '000 KZT
Loss allowance for expected credit losses at the beginning of the year	821	821
Net remeasurement of loss allowance	(303)	(303)
Foreign exchange and other movements	120	120
Loss allowance for expected credit losses at the end of the year	**638**	**638**

(a) Concentration of deposits and balances with banks

As at 31 December 2019 the Group has no deposits and balances with banks (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.

15 Loans to customers

	2019 '000 KZT	2018 '000 KZT
Loans to customers measured at amortised cost		
Loans to corporate customers		
Loans to large corporates	208,744,751	270,755,331
Loans to small- and medium-size companies	18,102,814	22,661,126
Total loans to corporate customers	**226,847,565**	**293,416,457**
Loans to retail customers		
Uncollateralised consumer loans	336,964,227	262,669,640
Car loans	173,750,608	134,062,916
Mortgage loans	12,370,903	11,986,450
Non-programme loans on individual terms	7,544,532	14,264,503
Loans for individual entrepreneurship	4,289,175	4,208,378
Total loans to retail customers	**534,919,445**	**427,191,887**
Loans to customers measured at amortised cost before allowance for expected credit losses	**761,767,010**	**720,608,344**
Allowance for expected credit losses	(125,068,984)	(95,181,943)
Total loans to customers measured at amortised cost net of allowance for expected credit losses	**636,698,026**	**625,426,401**
Loans to customers measured at fair value through profit or loss		
Loans to corporate customers		
Loans to large corporates	8,079,667	12,017,505
Loans to retail customers		
Mortgage loans	10,313	565,810
Total loans to customers measured at fair value through profit or loss	**8,089,980**	**12,583,315**
Total loans to customers	**644,788,006**	**638,009,716**

Movements in the impairment allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2019 are as follows:

'000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to customers at amortised cost					
Loss allowance for expected credit losses at the beginning of the year	15,690,502	1,341,888	77,741,948	407,605	95,181,943
Transfer to Stage 1	3,290,557	(1,716,270)	(1,574,287)	-	-
Transfer to Stage 2	(1,892,955)	2,959,892	(1,066,937)	-	-
Transfer to Stage 3	(371,494)	(1,193,166)	1,564,660	-	-
Net remeasurement of loss allowance*	(17,272,173)	328,947	46,902,926	(65,317)	29,894,383
New financial assets originated or purchased	20,459,083	-	-	-	20,459,083
Financial assets that have been derecognised**	-	-	(1,874,277)	-	(1,874,277)
(Write-offs of loans)/recovery of previously written off loans	-	-	(17,871,963)	(148,578)	(18,020,541)
Unwinding of discount on present value of ECLs	-	-	2,049,535	226,136	2,275,671
Recognition of POCI-assets	-	-	(3,300,802)	-	(3,300,802)
Foreign exchange and other movements	(8,443)	79,938	382,029	-	453,524
Loss allowance for expected credit losses at the end of the year	**19,895,077**	**1,801,229**	**102,952,832**	**419,846**	**125,068,984**

* Includes changes in models/risk parameters, effect of repayments (including early repayments).

** Excludes repayments (including early repayments).

'000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to customers at amortised cost – corporate customers					
Loss allowance for expected credit losses at the beginning of the year	1,345,223	565,665	35,170,394	407,605	37,488,887
Transfer to Stage 1	842,604	(507,520)	(335,084)	-	-
Transfer to Stage 2	(738,592)	794,412	(55,820)	-	-
Transfer to Stage 3	-	(49,983)	49,983	-	-
Net remeasurement of loss allowance*	(68,946)	(239,001)	31,695,096	(65,317)	31,321,832
New financial assets originated or purchased	366,573	-	-	-	366,573
Financial assets that have been derecognised**	-	-	(1,931,403)	-	(1,931,403)
(Write-offs of loans)/recovery of previously written off loans	-	-	(13,010,947)	(148,578)	(13,159,525)
Unwinding of discount on present value of ECLs	-	-	937,787	226,136	1,163,923
Recognition of POCI-assets	-	-	(3,300,802)	-	(3,300,802)
Foreign exchange and other movements	34,355	(14,832)	244,975	-	264,498
Loss allowance for expected credit losses at the end of the year	**1,781,217**	**548,741**	**49,464,179**	**419,846**	**52,213,983**

'000 KZT	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – retail customers					
Loss allowance for expected credit losses at the beginning of the year	14,345,279	776,223	42,571,554	-	57,693,056
Transfer to Stage 1	2,447,953	(1,208,750)	(1,239,203)	-	-
Transfer to Stage 2	(1,154,363)	2,165,480	(1,011,117)	-	-
Transfer to Stage 3	(371,494)	(1,143,183)	1,514,677	-	-
Net remeasurement of loss allowance*	(17,203,227)	567,948	15,207,830	-	(1,427,449)
New financial assets originated or purchased	20,092,510	-	-	-	20,092,510
Financial assets that have been derecognised**	-	-	57,126	-	57,126
Write-offs of loans	-	-	(4,861,016)	-	(4,861,016)
Unwinding of discount on present value of ECLs	-	-	1,111,748	-	1,111,748
Foreign exchange and other movements	(42,798)	94,770	137,054	-	189,026
Loss allowance for expected credit losses at the end of the year	**18,113,860**	**1,252,488**	**53,488,653**	**-**	**72,855,001**

* Includes changes in models/risk parameters, effect of repayments (including early repayments).

** Excludes repayments (including early repayments).

Movements in the impairment allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2018 are as follows:

'000 KZT	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Loss allowance for expected credit losses at the beginning of the year - IFRS 9	11,408,533	4,585,549	73,492,086	-	89,486,168
Transfer to Stage 1	4,101,949	(1,685,568)	(2,416,381)	-	-
Transfer to Stage 2	(1,159,377)	2,390,730	(1,231,353)	-	-
Transfer to Stage 3	(1,473,334)	(3,734,053)	5,207,387	-	-
Net remeasurement of loss allowance*	(16,649,001)	(422,434)	30,614,688	352,657	13,895,910
New financial assets originated or purchased	18,531,055	258	3,680	-	18,534,993
Financial assets that have been derecognised**	-	-	(958,354)	-	(958,354)
(Write-offs of loans)/recovery of previously written off loans	-	-	(26,325,902)	-	(26,325,902)
Unwinding of discount on present value of ECLs	-	-	3,089,650	54,948	3,144,598
Transfer to POCI-assets	-	-	(4,034,964)	-	(4,034,964)
Foreign exchange and other movements	930,677	207,406	301,411	-	1,439,494
Loss allowance for expected credit losses at the end of the year	**15,690,502**	**1,341,888**	**77,741,948**	**407,605**	**95,181,943**

* Includes changes in models/risk parameters, effect of repayments (including early repayments).

** Excludes repayments (including early repayments).

‘000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to customers at amortised cost – corporate customers					
Loss allowance for expected credit losses at the beginning of the year - IFRS 9	206,512	3,443,017	40,574,757	-	44,224,286
Transfer to Stage 1	1,553,092	(21,085)	(1,532,007)	-	-
Transfer to Stage 2	-	79,522	(79,522)	-	-
Transfer to Stage 3	(23,971)	(1,731)	25,702	-	-
Net remeasurement of loss allowance*	(1,312,681)	(2,937,769)	25,229,361	352,657	21,331,568
New financial assets originated or purchased	809,487	258	3,680	-	813,425
Financial assets that have been derecognised**	-	-	(974,349)	-	(974,349)
(Write-offs of loans)/recovery of previously written off loans	-	-	(25,561,121)	-	(25,561,121)
Unwinding of discount on present value of ECLs	-	-	1,199,731	54,948	1,254,679
Transfer to POCI-assets	-	-	(4,034,964)	-	(4,034,964)
Foreign exchange and other movements	112,784	3,453	319,126	-	435,363
Loss allowance for expected credit losses at the end of the year	**1,345,223**	**565,665**	**35,170,394**	**407,605**	**37,488,887**

‘000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to customers at amortised cost – retail customers					
Loss allowance for expected credit losses at the beginning of the year - IFRS 9	11,202,021	1,142,532	32,917,329	-	45,261,882
Transfer to Stage 1	2,548,857	(1,664,483)	(884,374)	-	-
Transfer to Stage 2	(1,159,377)	2,311,208	(1,151,831)	-	-
Transfer to Stage 3	(1,449,363)	(3,732,322)	5,181,685	-	-
Net remeasurement of loss allowance*	(15,336,320)	2,515,335	5,385,327	-	(7,435,658)
New financial assets originated or purchased	17,721,568	-	-	-	17,721,568
Financial assets that have been derecognised**	-	-	15,995	-	15,995
Write-offs of loans	-	-	(764,781)	-	(764,781)
Unwinding of discount on present value of ECLs	-	-	1,889,919	-	1,889,919
Foreign exchange and other movements	817,893	203,953	(17,715)	-	1,004,131
Loss allowance for expected credit losses at the end of the year	**14,345,279**	**776,223**	**42,571,554**	**-**	**57,693,056**

* Includes changes in models/risk parameters, effect of repayments (including early repayments).

** Excludes repayments (including early repayments).

During 2019, the Group has written off loans of KZT 18,020,541 thousand, which resulted in decrease in loss allowance for expected credit on loans referred to as Stage 3 for the same amount (2018: KZT 26,325,902 thousand).

The high volume of loans to customers originated during the year increased the gross carrying amount of the portfolio by KZT 533,197,480 thousand (2018: KZT 414,498,612 thousand), with a corresponding increase in loss allowance measured on a 12-month basis by KZT 20,459,083 thousand. (2018: KZT 18,528,603 thousand).

The high volume of loans repaid during the year decreased the gross carrying amount of the portfolio by KZT 583,503,640 thousand (2018: KZT 455,045,913 thousand) with a corresponding decrease in loss allowance by KZT 29,292,383 thousand. (2018: KZT 26,944,680 thousand).

The amount of undiscounted expected credit losses on initial recognition of originated credit-impaired financial assets recognised during 2019 was KZT 2,852,225 thousand (2018: KZT 4,034,964 thousand).

The following table provides information by types of loan products for loans measured at amortised cost as at 31 December 2019:

	Gross amount ‘000 KZT	Loss allowance for expected credit losses ‘000 KZT	Carrying amount ‘000 KZT
Loans to corporate customers			
Loans to large corporates	208,744,751	(47,173,154)	161,571,597
Loans to small- and medium-size companies	18,102,814	(5,040,829)	13,061,985
Loans to retail customers			
Uncollateralised consumer loans	336,964,227	(55,480,152)	281,484,075
Car loans	173,750,608	(11,094,205)	162,656,403
Mortgage loans	12,370,903	(2,227,840)	10,143,063
Non-programme loans on individual terms	7,544,532	(2,759,203)	4,785,329
Loans for individual entrepreneurship	4,289,175	(1,293,601)	2,995,574
Total loans to customers	**761,767,010**	**(125,068,984)**	**636,698,026**

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

	Gross amount ‘000 KZT	Loss allowance for expected credit losses ‘000 KZT	Carrying amount ‘000 KZT
Loans to corporate customers			
Loans to large corporates	270,755,331	(30,791,975)	239,963,356
Loans to small- and medium-size companies	22,661,126	(6,696,912)	15,964,214
Loans to retail customers			
Uncollateralised consumer loans	262,669,640	(43,446,847)	219,222,793
Car loans	134,062,916	(9,661,800)	124,401,116
Non-programme loans on individual terms	14,264,503	(1,337,364)	12,927,139
Mortgage loans	11,986,450	(1,925,182)	10,061,268
Loans for individual entrepreneurship	4,208,378	(1,321,863)	2,886,515
Total loans to customers	**720,608,344**	**(95,181,943)**	**625,426,401**

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers measured at amortised cost as at 31 December 2019.

'000 KZT	**12-month expected credit losses**	**Life-time expected credit losses for not credit-impaired assets**	**Life-time expected credit losses for credit-impaired assets**	**Credit-impaired assets on initial recognition**	**Total**
Loans to customers at amortised cost – corporate customers					
Not externally rated:					
Standard	10,466,004	-	-	-	10,466,004
Low risk	50,943,309	-	-	-	50,943,309
Medium risk	209,614	90,457,813	-	-	90,667,427
Problem	-	-	4,230,467	103,696	4,334,163
High risk	-	-	51,413,963	919,885	52,333,848
Total loans to large corporates	**61,618,927**	**90,457,813**	**55,644,430**	**1,023,581**	**208,744,751**
Loss allowance	(1,688,469)	(546,172)	(44,518,667)	(419,846)	(47,173,154)
Carrying amount	**59,930,458**	**89,911,641**	**11,125,763**	**603,735**	**161,571,597**

'000 KZT	**12-month expected credit losses**	**Life-time expected credit losses for not credit-impaired assets**	**Life-time expected credit losses for credit-impaired assets**	**Credit-impaired assets on initial recognition**	**Total**
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	3,810,497	87,487	-	-	3,897,984
Low risk	3,788,944	42,008	-	-	3,830,952
Medium risk	125,947	181,311	162,408	-	469,666
Problem	-	-	107,910	-	107,910
High risk	-	-	8,262,997	-	8,262,997
Not rated	1,162,259	4,386	-	-	1,166,645
Not rated (secured with cash)	366,660	-	-	-	366,660
Total loans to small- and medium-size companies	**9,254,307**	**315,192**	**8,533,315**	**-**	**18,102,814**
Loss allowance	(92,748)	(2,569)	(4,945,512)	-	(5,040,829)
Carrying amount	**9,161,559**	**312,623**	**3,587,803**	**-**	**13,061,985**

'000 KZT	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit-impaired assets	Total
Car loans				
Not overdue	151,457,692	691,337	2,138,332	154,287,361
Overdue less than 30 days	5,926,528	523,685	1,360,916	7,811,129
Overdue 30-89 days	-	961,706	631,356	1,593,062
Overdue 90-179 days	-	2,151	843,241	845,392
Overdue 180-360 days	-	-	864,314	864,314
Overdue more than 360 days	-	-	8,349,350	8,349,350
	157,384,220	**2,178,879**	**14,187,509**	**173,750,608**
Loss allowance	(1,455,336)	(135,815)	(9,503,054)	(11,094,205)
Carrying amount	**155,928,884**	**2,043,064**	**4,684,455**	**162,656,403**
Uncollateralised consumer loans				
Not overdue	268,979,725	1,107,206	5,407,295	275,494,226
Overdue less than 30 days	13,905,122	578,753	1,965,850	16,449,725
Overdue 30-89 days	-	4,765,095	1,618,632	6,383,727
Overdue 90-179 days	-	42,479	5,993,928	6,036,407
Overdue 180-360 days	-	-	8,116,386	8,116,386
Overdue more than 360 days	-	-	24,483,756	24,483,756
	282,884,847	**6,493,533**	**47,585,847**	**336,964,227**
Loss allowance	(16,484,911)	(1,026,474)	(37,968,767)	(55,480,152)
Carrying amount	**266,399,936**	**5,467,059**	**9,617,080**	**281,484,075**
Non-programme loans on individual terms				
Not overdue	2,428,660	1,220,037	20,140	3,668,837
Overdue less than 30 days	-	-	-	-
Overdue 30-89 days	-	-	-	-
Overdue 90-179 days	-	-	-	-
Overdue 180-360 days	-	-	3,453,275	3,453,275
Overdue more than 360 days	-	-	422,420	422,420
	2,428,660	**1,220,037**	**3,895,835**	**7,544,532**
Loss allowance	(41,964)	(17,325)	(2,699,914)	(2,759,203)
Carrying amount	**2,386,696**	**1,202,712**	**1,195,921**	**4,785,329**
Mortgage loans				
Not overdue	7,884,769	610,063	368,161	8,862,993
Overdue less than 30 days	147,742	96,613	81,328	325,683
Overdue 30-89 days	-	142,629	299,509	442,138
Overdue 90-179 days	-	-	85,291	85,291
Overdue 180-360 days	-	-	66,351	66,351
Overdue more than 360 days	-	-	2,588,447	2,588,447
	8,032,511	**849,305**	**3,489,087**	**12,370,903**
Loss allowance	(82,381)	(60,323)	(2,085,136)	(2,227,840)
Carrying amount	**7,950,130**	**788,982**	**1,403,951**	**10,143,063**
Loans for individual entrepreneurship				
Not overdue	2,752,689	61,196	7,972	2,821,857
Overdue less than 30 days	31,792	-	-	31,792
Overdue 30-89 days	-	1,893	-	1,893
Overdue 90-179 days	-	-	-	-
Overdue 180-360 days	-	-	797	797
Overdue more than 360 days	-	-	1,432,836	1,432,836
	2,784,481	**63,089**	**1,441,605**	**4,289,175**
Loss allowance	(49,268)	(12,551)	(1,231,782)	(1,293,601)
Carrying amount	**2,735,213**	**50,538**	**209,823**	**2,995,574**

The following table provides information on the credit quality of loans to customers measured at amortised cost as at 31 December 2018.

'000 KZT	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit-impaired assets	Credit-impaired assets on initial recognition	Total
Loans to customers at amortised cost – corporate customers					
Not externally rated:					
Standard	10,896,378	-	-	-	10,896,378
Low risk	118,636,441	-	42,099	-	118,678,540
Medium risk	34,927,293	30,166,435	1,837,675	-	66,931,403
Problem	-	-	29,381,581	407,605	29,789,186
High risk	-	-	44,459,824	-	44,459,824
Not rated	-	-	-	-	-
Total loans to large corporates	**164,460,112**	**30,166,435**	**75,721,179**	**407,605**	**270,755,331**
Loss allowance	(1,331,669)	(520,157)	(28,532,544)	(407,605)	(30,791,975)
Carrying amount	**163,128,443**	**29,646,278**	**47,188,635**	**-**	**239,963,356**

'000 KZT	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit-impaired assets	Credit-impaired assets on initial recognition	Total
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	3,340,874	55,363	-	-	3,396,237
Low risk	4,254,523	-	-	-	4,254,523
Medium risk	958,349	184,760	48,414	-	1,191,523
Problem	-	81,596	4,319,263	-	4,400,859
High risk	-	-	8,882,180	-	8,882,180
Not rated	78,230	-	63,506	-	141,736
Not rated (secured with cash)	394,068	-	-	-	394,068
Total loans to small- and medium-size companies	**9,026,044**	**321,719**	**13,313,363**	**-**	**22,661,126**
Loss allowance	(13,554)	(45,508)	(6,637,850)	-	(6,696,912)
Carrying amount	**9,012,490**	**276,211**	**6,675,513**	**-**	**15,964,214**

'000 KZT	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit-impaired assets	Total
Car loans				
Not overdue	113,475,787	705,101	2,776,538	116,957,426
Overdue less than 30 days	3,708,776	313,885	1,615,634	5,638,295
Overdue 30-89 days	-	470,630	813,569	1,284,199
Overdue 90-179 days	-	-	598,146	598,146
Overdue 180-360 days	-	-	839,640	839,640
Overdue more than 360 days	-	-	8,745,210	8,745,210
	117,184,563	**1,489,616**	**15,388,737**	**134,062,916**
Loss allowance	(1,142,520)	(105,767)	(8,413,513)	(9,661,800)
Carrying amount	**116,042,043**	**1,383,849**	**6,975,224**	**124,401,116**
Uncollateralised consumer loans				
Not overdue	210,584,045	500,185	2,654,462	213,738,692
Overdue less than 30 days	10,493,930	431,977	1,798,879	12,724,786
Overdue 30-89 days	-	3,090,828	1,614,130	4,704,958
Overdue 90-179 days	-	-	3,509,595	3,509,595
Overdue 180-360 days	-	-	5,044,679	5,044,679
Overdue more than 360 days	-	-	22,946,930	22,946,930
	221,077,975	**4,022,990**	**37,568,675**	**262,669,640**
Loss allowance	(13,000,820)	(628,753)	(29,817,274)	(43,446,847)
Carrying amount	**208,077,155**	**3,394,237**	**7,751,401**	**219,222,793**
Non-programme loans on individual terms				
Not overdue	7,297,228	-	4,770,076	12,067,304
Overdue less than 30 days	-	-	36,985	36,985
Overdue 30-89 days	-	-	69,724	69,724
Overdue 90-179 days	-	-	-	-
Overdue 180-360 days	-	-	17,358	17,358
Overdue more than 360 days	-	-	2,073,132	2,073,132
	7,297,228	**-**	**6,967,275**	**14,264,503**
Loss allowance	(86,250)	-	(1,251,114)	(1,337,364)
Carrying amount	**7,210,978**	**-**	**5,716,161**	**12,927,139**
Mortgage loans				
Not overdue	7,313,131	592,535	326,763	8,232,429
Overdue less than 30 days	242,654	42,425	131,535	416,614
Overdue 30-89 days	-	153,822	152,111	305,933
Overdue 90-179 days	-	-	65,489	65,489
Overdue 180-360 days	-	-	273,075	273,075
Overdue more than 360 days	-	-	2,692,910	2,692,910
	7,555,785	**788,782**	**3,641,883**	**11,986,450**
Loss allowance	(72,389)	(33,260)	(1,819,533)	(1,925,182)
Carrying amount	**7,483,396**	**755,522**	**1,822,350**	**10,061,268**
Loans for individual entrepreneurship				
Not overdue	2,582,358	10,656	58,105	2,651,119
Overdue less than 30 days	30,004	-	-	30,004
Overdue 30-89 days	-	9,509	-	9,509
Overdue 90-179 days	-	-	14,894	14,894
Overdue 180-360 days	-	-	35,651	35,651
Overdue more than 360 days	-	-	1,467,201	1,467,201
	2,612,362	**20,165**	**1,575,851**	**4,208,378**
Loss allowance	(43,300)	(8,443)	(1,270,120)	(1,321,863)
Carrying amount	**2,569,062**	**11,722**	**305,731**	**2,886,515**

(b) Key assumptions and judgments used in estimation of expected credit losses

(i) Loans to corporate customers

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;
- PD for loans referred to as Stage 1 in terms of credit quality was 0.97-27.57%, referred to as Stage 2 in terms of credit quality - 01.55-33.40%, depending on the borrower's internal rating;
- LGD for loans referred to Stages 1, 2 and 3, with gross carrying amount of less than 0.2% of equity but not more than KZT 180 million, was from 0% to 75.29%. LGD for loans referred to Stage 3, with gross carrying amount exceeding 0.2% of equity, was from 0% to 100%.

Changes in the above estimates may impact a loss allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, loss allowance for expected credit losses on loans to corporate customers as at 31 December 2019 would be KZT 1,807,597 thousand lower/higher (31 December 2018: KZT 2,559,276 thousand lower/higher).

(ii) 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:

- migration rates are constant and can be estimated based on historic loss migration pattern for the past 5-8 years; a 12-month PD for groups of products referred to as Stage 1 in terms of credit quality was 4.67-15.92% (minimum value of 4.67% relates to the product "Auto lending" and maximum value of 15.92% relates to the product "UnCL" ("Unsecured consumer loans")); lifetime PD referred to as Stage 2 in terms of credit quality was 24.36-40.56%, depending on the group of products of homogeneous retail portfolio (minimum value of 24.36% relates to the product "PayRol" ("Unsecured consumer loans") and maximum value of 40.56% relates to the product "UnCL" ("Unsecured consumer loans"));
- recovery rates for unscollateralised loans are estimated based on historical cash recovery rates for the past 5-7 years; LGD for products of homogeneous portfolio referred to as Stage 1 and Stage 2 was 44.96% for the product "Car" (car loans) and 52.74% for the product "UnCL" (unsecured consumer loans). LGD for products of homogeneous portfolio referred to Stage 3 was varied from 57.64% for the "Mortgage" product to 100% for the "Unsecured consumer loans" product;
- 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 realisation 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.

Changes in the above estimates may impact a loss allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, loss allowance for expected credit losses on loans to retail customers as at 31 December 2019 would be KZT 13,861,933 thousand lower/higher (2018: KZT 11,084,965 thousand lower/higher).

In 2018, the Group revised its judgments with regard to duration of discounting period for retail loans, and determined more precisely the time period used for averaging the recovery rates for defaulted loans, and transited from RR according to PTP-based model to RR according to LGD-based model. In case of applying unadjusted approach loss allowance for expected credit losses on loans to retail customers as at 31 December 2018 would be KZT 3,7 billion higher.

(c) Analysis of collateral

(i) Loans to corporate customers

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, by types of collateral:

31 December 2019 **'000 KZT**	**Carrying amount of loans to customers***	**Fair value of collateral - for collateral assessed as of reporting date**	**Fair value of collateral: for collateral assessed as at loan inception date**	**Fair value of collateral not determined**
Loans at amortised cost				
Loans not credit-impaired				
Real estate	106,242,657	104,620,881	1,621,776	-
Vehicles	16,548,054	16,545,282	2,772	-
Corporate guarantees (unrated) and guarantees of individuals	9,559,994	-	-	9,559,994
Construction-in-progress	3,746,801	3,746,801	-	-
Goods in turnover	3,157,676	3,157,676	-	-
Insurance	1,806,162	-	-	1,806,162
Cash and deposits	1,063,342	1,063,342	-	-
Other collateral	875,088	875,088	-	-
Equipment	736,395	736,395	-	-
Mineral rights	519,586	519,586	-	-
No collateral and other credit enhancements	15,060,526	-	-	15,060,526
Total loans not credit-impaired	**159,316,281**	**131,265,051**	**1,624,548**	**26,426,682**
Credit-impaired loans				
Real estate	13,372,284	11,983,380	1,388,904	-
Equipment	623,502	622,268	1,234	-
Other collateral	436,468	436,468	-	-
Vehicles	258,937	258,920	17	-
Corporate guarantees (unrated) and guarantees of individuals	118,913	-	-	118,913
Cash and deposits	24,786	24,786	-	-
Goods in turnover	5,725	5,725	-	-
No collateral and other credit enhancements	476,686	-	-	476,686
Total credit-impaired loans	**15,317,301**	**13,331,547**	**1,390,155**	**595,599**
Total loans to corporate customers measured at amortised cost	**174,633,582**	**144,596,598**	**3,014,703**	**27,022,281**
Loans measured at fair value				
Real estate	8,041,284	8,041,284	-	-
No collateral and other credit enhancements	38,383	-	-	38,383
Total loans to corporate customers measured at fair value	**8,079,667**	**8,041,284**	**-**	**38,383**
	182,713,249	**152,637,882**	**3,014,703**	**27,060,664**

31 December 2018 '000 KZT	Carrying amount of loans to customers*	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral: for collateral assessed as at loan inception date	Fair value of collateral not determined
Loans at amortised cost				
Loans not credit-impaired				
Real estate	90,241,795	80,309,933	9,931,862	-
Corporate guarantees (unrated) and guarantees of individuals	25,168,803	-	-	25,168,803
Equipment	15,161,346	15,161,346	-	-
Vehicles	14,682,314	14,682,314	-	-
Construction-in-progress	6,453,587	6,453,587	-	-
Mineral rights	6,216,632	6,216,632	-	-
Goods in turnover	4,635,818	4,635,818	-	-
Other collateral	1,966,473	1,966,473	-	-
Insurance	1,056,678	-	-	1,056,678
Cash and deposits	855,862	855,862	-	-
No collateral and other credit enhancements	35,624,114	-	-	35,624,114
Total loans not credit-impaired	**202,063,422**	**130,281,965**	**9,931,862**	**61,849,595**
Credit-impaired loans				
Real estate	38,561,445	38,561,445	-	-
Corporate guarantees (unrated) and guarantees of individuals	4,246,450	-	-	4,246,450
Construction-in-progress	4,091,657	4,091,657	-	-
Vehicles	1,727,530	1,727,530	-	-
Equipment	1,487,599	1,482,900	4,699	-
Other collateral	1,480,213	1,480,213	-	-
Goods in turnover	251,522	22,842	228,680	-
Mineral rights	15,802	15,802	-	-
Cash and deposits	12,483	12,483	-	-
No collateral and other credit enhancements	1,989,447	-	-	1,989,447
Total credit-impaired loans	**53,864,148**	**47,394,872**	**233,379**	**6,235,897**
Total loans to corporate customers measured at amortised cost	**255,927,570**	**177,676,837**	**10,165,241**	**68,085,492**
Loans measured at fair value				
Real estate	7,855,598	7,855,598	-	-
No collateral and other credit enhancements	4,161,907	-	-	4,161,907
Total loans to corporate customers measured at fair value	**12,017,505**	**7,855,598**	**-**	**4,161,907**
	267,945,075	**185,532,435**	**10,165,241**	**72,247,399**

The tables above exclude overcollateralisation.

The Group also has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which the fair value of collateral is not determined and cannot be determined. For a part of loans the fair value of collateral was assessed as at the reporting date. Information on the valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for assessment is disclosed. Sureties and collateral received from individuals, such as shareholders of small- and medium-sized borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans 'without collateral or other credit enhancement'.

The recoverability of loans to corporate customers, which are neither overdue nor impaired primarily depends on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. Small business loans are secured by real estate and movable property. Auto loans are secured by the underlying cars. Cash loans are collateralised by cash. Uncollateralised consumer loans are not secured.

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 1,519,356 thousand (31 December 2018: KZT 1,883,300 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 349,898 thousand (31 December 2018: KZT 491,269 thousand).

Management believes that for mortgage loans with a net carrying amount of KZT 8,623,707 thousand (31 December 2018: KZT 8,177,968 thousand) the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Group updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Group obtains specific individual valuation of collateral for individual loans once a half-year in case there are indications of impairment.

For mortgage loans with a net carrying amount of KZT 3,703,525 thousand (31 December 2018: KZT 5,705,012 thousand) the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Loans for individual entrepreneurship

Included in loans for individual entrepreneurship are loans with a net carrying amount of KZT 334,304 thousand (31 December 2018: KZT 145,319 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 13,402 thousand (31 December 2018: KZT 7,125 thousand).

Management believes that for loans for individual entrepreneurship with a net carrying amount of KZT 2,661,270 thousand (31 December 2018: KZT 2,741,196 thousand) the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Group updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Group obtains specific individual valuation of collateral for individual loans once a half-year in case there are indications of impairment.

For loans for individual entrepreneurship with a net carrying amount of KZT 123,803 thousand (31 December 2018: KZT 568,382 thousand) the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Non-programme loans issued on individual terms

Included in non-programme loans on individual terms are loans with a net carrying amount of KZT 3,358,219 thousand (31 December 2018: KZT 9,044,113 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 2,220,480 thousand (31 December 2018: KZT 3,239,427 thousand).

Management believes that for non-programme loans on individual terms with a net carrying amount of KZT 1,427,110 thousand (31 December 2018: KZT 3,883,026 thousand) the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Group updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Group obtains specific individual valuation of collateral for individual loans once a half-year in case there are indications of impairment.

For non-programme loans on individual terms with a net carrying amount of KZT 36,539 thousand (31 December 2018: KZT 382,357 thousand) the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Car loans

Included in car loans are loans with a net carrying amount of KZT 75,773 thousand (31 December 2018: KZT 38,169 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 73,939 thousand (31 December 2018: KZT 30,941 thousand).

Management believes that for car loans with a net carrying amount of KZT 162,580,630 thousand (31 December 2018: KZT 124,362,947 thousand) the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

(d) 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:

	2019 '000 KZT	2018 '000 KZT
Loans to corporate customers - at amortised cost		
Wholesale trade	56,401,451	77,597,621
Construction	47,091,548	60,901,582
Manufacturing	24,655,383	39,419,376
Real estate	24,109,789	23,638,265
Retail trade	24,031,231	19,722,886
Financial intermediary	13,166,950	12,977,305
Agriculture, forestry and timber industry	10,080,494	9,504,300
Textile manufacturing	9,963,800	18,224,897
Foods production	7,915,754	6,573,773
Services	3,444,208	4,889,850
Mining/metallurgy	2,588,993	14,529,289
Transport	1,969,841	1,127,841
Lease, rental and leasing	318,261	81,580
Medical and social care	144,340	1,674,721
Electrical power generation and supply	108,767	111,343
Machinery manufacturing	88,301	1,216,045
Research activities	13,448	-
Other	755,006	1,225,783
Loans to retail customers at amortised cost		
Uncollateralised consumer loans	336,964,227	262,669,640
Car loans	173,750,608	134,062,916
Mortgage loans	12,370,903	11,986,450
Non-programme loans on individual terms	7,544,532	14,264,503
Loans for individual entrepreneurship	4,289,175	4,208,378
	761,767,010	**720,608,344**
Loss allowance for expected credit losses	(125,068,984)	(95,181,943)
Total loans to customers at amortised cost	**636,698,026**	**625,426,401**
Loans to corporate customers at fair value		
Mining/metallurgy	8,079,667	12,017,505
Total loans to corporate customers at fair value	**8,079,667**	**12,017,505**
Loans to retail customers at fair value		
Mortgage loans	10,313	565,810
Total loans to retail customers at fair value	**10,313**	**565,810**
Total loans to customers at fair value	**8,089,980**	**12,583,315**
	644,788,006	**638,009,716**

As at 31 December 2019 the Group has 6 borrowers or groups of related borrowers (31 December 2018: 12), whose loan balances exceed 10% of equity. The gross value of these loans before loss allowance for expected credit losses as at 31 December 2019 is KZT 114,999,380 thousand (31 December 2018: KZT 198,805,743 thousand).

(e) Loan maturities

The maturity of the loan portfolio is presented in Note 29(d) which shows the remaining period from the reporting date to the contractual maturity of the loans.

(f) Transfer of financial assets

In 2019, as part of its participation in the state mortgage programme '7-20-25' and 'Market Mortgage product' ('Baspana Hit'), the Group has transferred to Baspana Mortgage Organisation JSC the mortgage loans of KZT 1,653,303 thousand (2018: KZT 189,730 thousand). The Group determined that it has not transferred risks and rewards to the buyer of the assets and therefore, retains control and continues recognising loans in its consolidated statement of financial position. The liability from continuing involvement with the asset is included in 'other liabilities' and amounts to KZT 1,798,934 thousand (2019: KZT 189,858 thousand).

In 2019, the Group did not sell other consumer loans to third parties (in 2018: the Group did not sell other consumer loans to third parties.

In December 2013 and June 2014, the Group sold to another third party a portfolio of mortgage loans with a carrying value of KZT 3,820,407 thousand for KZT 3,969,928 thousand and provided a guarantee to the buyer that it will repurchase individual loans back or exchange them for other individual loans if loans become delinquent for more than 60 days. The amount that will be repurchased or exchanged is limited to 20% of transferred financial assets at the date of the sale. The net gain recognised in the consolidated statement of profit or loss and other comprehensive income at the date of transfer amounted to KZT 149,521 thousand. The Group has determined that it has transferred some but not substantially all of the risks and rewards to the transferee, accordingly the Group retains control and continues to recognise the loans to the extent of its continuing involvement in that mortgage loans.

As at 31 December 2019 the Group's continuing involvement with such transferred portfolio is recorded in the consolidated statement of financial position in other assets (Note 18) of KZT 1,429,693 thousand (31 December 2018: KZT 1,571,962 thousand) with corresponding liability on continuing involvement included in other liabilities of KZT 809,164 thousand (31 December 2018: KZT 937,339 thousand) (Note 26) and the guarantee with the fair value of KZT 149,438 thousand (31 December 2018: KZT 159,521 thousand) recognised in other liabilities. This asset includes also an interest strip receivable of KZT 960,942 thousand (31 December 2018: KZT 1,029,126 thousand) which represents the right to withhold from the loan buyer a portion of interest receivable on mortgage loan portfolio sold. The Group has a right to receive 1.7% p.a. of the mortgage loan portfolio sold on a monthly basis.

16 Investments measured at amortised cost

	2019 '000 KZT	**2018 '000 KZT**
Held by the Group		
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	13,749,670	15,941,433
NBRK discount notes	9,523,175	92,904,717
Federal bonds of the Government of the Russian Federation	29,821	-
Corporate bonds rated from BB- to BB+	5,565,573	5,628,918
	28,868,239	**114,475,068**
Allowance for expected credit losses	(24,603)	(20,756)
Investments measured at amortised cost	**28,843,636**	**114,454,312**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

All securities measured at amortised cost are referred to as Stage 1 as at 31 December 2019 and 31 December 2018.

No NBRK discount notes or bonds are overdue or impaired as at 31 December 2019 and 31 December 2018.

17 Property, plant and equipment and intangible assets and right-of-use assets

'000 KZT	**Land and buildings**	**Computers and banking equipment**	**Vehicles**	**Office furniture**	**Construction in progress and equipment to be installed**	**Leasehold improve-ments**	**Trademark**	**Software and other intangibles**	**Total**
Cost									
Balance at 1 January 2019	11,830,093	14,859,204	654,301	829,191	461	787,305	1,075,716	15,703,091	45,739,362
Additions	-	1,119,636	-	44,799	-	-	-	1,277,438	2,441,873
Disposals	-	(282,450)	(65,443)	(14,646)	-	-	-	(22,707)	(385,246)
Effect of foreign currency translation	-	18,894	1,439	2,081	-	-	-	34,078	56,492
Balance at 31 December 2019	**11,830,093**	**15,715,284**	**590,297**	**861,425**	**461**	**787,305**	**1,075,716**	**16,991,900**	**47,852,481**
Depreciation and amortisation									
Balance at 1 January 2019	(2,126,624)	(11,461,620)	(534,423)	(531,240)	-	(714,136)	(731,157)	(9,111,111)	(25,210,311)
Depreciation and amortisation for the year	(150,078)	(1,362,337)	(50,624)	(75,701)	-	(62,942)	(103,416)	(1,388,536)	(3,193,634)
Disposals	-	276,930	45,759	14,002	-	-	-	371	337,062
Effect of foreign currency translation	-	(14,629)	(1,438)	(1,992)	-	-	-	(19,988)	(38,047)
Balance at 31 December 2019	**(2,276,702)**	**(12,561,656)**	**(540,726)**	**(594,931)**	**-**	**(777,078)**	**(834,573)**	**(10,519,264)**	**(28,104,930)**
Carrying amount									
At 31 December 2019	**9,553,391**	**3,153,628**	**49,571**	**266,494**	**461**	**10,227**	**241,143**	**6,472,636**	**19,747,551**

'000 KZT	**Land and buildings**	**Computers and banking equipment**	**Vehicles**	**Office furniture**	**Construction in progress and equipment to be installed**	**Leasehold improve-ments**	**Trademark**	**Software and other intangibles**	**Total**
Cost									
Balance at 1 January 2018	11,855,969	14,409,789	734,886	831,380	6,198	775,130	1,075,716	14,511,760	44,200,828
Additions	-	833,350	-	25,594	-	12,175	-	1,243,853	2,114,972
Disposals	(25,876)	(378,465)	(79,566)	(26,970)	(5,737)	-	-	(41,912)	(558,526)
Transfers	-	457	(457)	-	-	-	-	-	-
Effect of foreign currency translation	-	(5,927)	(562)	(813)	-	-	-	(10,610)	(17,912)
Balance at 31 December 2018	**11,830,093**	**14,859,204**	**654,301**	**829,191**	**461**	**787,305**	**1,075,716**	**15,703,091**	**45,739,362**
Depreciation and amortisation									
Balance at 1 January 2018	(1,983,783)	(10,255,887)	(525,870)	(475,317)	-	(571,157)	(662,216)	(7,701,055)	(22,175,285)
Depreciation and amortisation for the year	(150,239)	(1,582,884)	(78,388)	(81,123)	-	(142,979)	(68,941)	(1,423,065)	(3,527,619)
Disposals	7,398	373,215	69,273	24,654	-	-	-	6,585	481,125
Effect of foreign currency translation	-	3,936	562	546	-	-	-	6,424	11,468
Balance at 31 December 2018	**(2,126,624)**	**(11,461,620)**	**(534,423)**	**(531,240)**	**-**	**(714,136)**	**(731,157)**	**(9,111,111)**	**(25,210,311)**
Carrying amount									
At 31 December 2018	**9,703,469**	**3,397,584**	**119,878**	**297,951**	**461**	**73,169**	**344,559**	**6,591,980**	**20,529,051**

In 2018, the Group revised downwards the amortisation rates for intangible assets in connection with change in the expected useful life of intangible assets. If the amortisation rates do not change, depreciation and amortisation would be on average higher by KZT 892,918 thousand.

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2019 and 2018.

	2019 '000 KZT
Right-of-use assets	
Cost	
Effect of adoption of IFRS 16 *Leases* (Note 3)	4,096,026
Balance at 1 January 2019	**4,096,026**
Additions	779,616
Disposals	(283,433)
Foreign exchange difference	69,371
Balance at 31 December 2019	**4,661,580**
Depreciation and amortisation	
Balance at 1 January 2019	**-**
Depreciation and amortisation for the year	(1,583,373)
Disposals	283,405
Foreign exchange difference	(11,838)
Balance at 31 December 2019	**(1,311,806)**
Carrying amount	
At 31 December 2019	**3,349,774**

18 Other assets

	2019 '000 KZT	2018 '000 KZT
Plastic cards settlements	7,596,254	3,219,191
Debtors on loan operations	6,199,437	6,272,463
Asset from continuing involvement in transferred assets (Note 15(f))	1,429,693	1,571,962
Settlements with professional participants of securities market	1,360,566	3,599,533
Accrued commission income	1,126,871	430,544
Debtors on guarantees and letters of credit	1,115,462	-
Other	4,596,319	5,691,440
Impairment allowance	(10,329,013)	(7,928,654)
Total other financial assets	**13,095,589**	**12,856,479**
Collateral carried on balance sheet	7,106,708	2,094,162
Taxes prepaid other than income tax	1,783,844	574,597
Prepayments	1,011,551	800,094
Non-current assets held for sale	735,020	-
Advances for capital expenditures	446,050	257,935
Raw materials and supplies	242,320	182,140
Precious metals	20,618	27,890
Other	25	994
Impairment allowance	(37,447)	(24,354)
Total other non-financial assets	**11,308,689**	**3,913,458**
Total other assets	**24,404,278**	**16,769,937**

Debtors on loan operations primarily comprise amounts receivable on assignment of claims on loans issued of KZT 3,637,295 thousand (31 December 2018: KZT 3,637,295 thousand). As at 31 December 2019 and 2018 the Group recognised an impairment allowance for the full amount of said claims.

Asset from continuing involvement in transferred assets in the amount of KZT 1,429,693 thousand (31 December 2018: KZT 1,571,962 thousand) arose as a result of loans sale to mortgage company in June 2014 and December 2013.

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the years ended 31 are as follows:

	2019 '000 KZT	2018 '000 KZT
Balance at beginning of the year	7,953,008	7,714,279
Net charge/(recovery) of impairment allowance	1,860,127	(1,767,357)
Debt write-off	(214,822)	(270,305)
Recovery of assets previously written off	724,855	2,067,910
Effect of foreign currency translation	43,292	208,481
Balance at the end of the year	**10,366,460**	**7,953,008**

Reversal of allowance for other assets of KZT 2,735,486 thousand in 2018 resulted from reclassification of the receivables into outstanding loans. The Group charged a 100% allowance against the loans outstanding.

As at 31 December 2019, included in other assets are overdue receivables of KZT 115,381 thousand (31 December 2018: KZT 71,655 thousand) of which KZT 89,376 thousand are overdue for more than 90 days but less than one year (31 December 2018: KZT 14,103 thousand) and KZT 16,495 thousand are overdue for more than one year (31 December 2018: KZT 46,459 thousand).

19 Deposits and balances from banks

	2019 '000 KZT	2018 '000 KZT
Term deposits	57,389	38,420
Vostro accounts	1,319,388	435,658
	1,376,777	**474,078**

20 Amounts payable under repurchase agreements

Securities pledged

As at 31 December 2019 there were no amounts payable under repurchase agreements (31 December 2018: KZT 79,882,889 thousand). As at 31 December 2018, the fair value of assets transferred as collateral under repurchase agreements was KZT 82,370,583 thousand.

As at 31 December 2019 and 2018, the Group has securities pledged as collateral under repurchase agreements (Notes 13 and 16).

21 Current accounts and deposits from customers

	2019 '000 KZT	2018 '000 KZT
Current accounts and demand deposits		
- Retail	61,594,589	41,906,328
- Corporate	99,371,685	61,776,047
Term deposits		
- Retail	376,371,395	369,088,191
- Corporate	262,038,909	293,896,654
	799,376,578	**766,667,220**

As at 31 December 2019, the Group maintains the current accounts and customer deposit balances of KZT 4,981,262 thousand (31 December 2018: KZT 5,180,402 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 31 December 2019, the Group has 5 customers (31 December 2018: 8 customers), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2019 is KZT 146,129,949 thousand (31 December 2018: KZT 186,759,673 thousand).

As at 31 December 2019, the Group's current accounts and demand deposits from retail customers of KZT 9,523,118 thousand (31 December 2018: KZT 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 instalments fall due.

22 Debt securities issued

	2019 '000 KZT	2018 '000 KZT
Nominal value	32,230,319	44,339,619
Discount	(657,127)	(1,504,337)
Accrued interest	470,573	876,300
	32,043,765	**43,711,582**

A summary of bond issues as at 31 December 2019 and 31 December 2018 is presented below:

	Date of placement	Maturity date	Coupon rate	Effective interest rate	Carrying amount 2019 '000 KZT	Carrying amount 2018 '000 KZT
Bonds of the fifteenth issue	6-Sep-17	14-May-20	8.50%	13.16%	12,185,446	11,694,265
Bonds of the fifth issue	24-Oct-08	1-Sep-23	inflation+1%	7.79%	7,936,268	7,870,048
Bonds of the sixteenth issue	17-Oct -18	17-Oct -20	11.00%	12.01%	2,891,245	22,634,074
Bonds of the eighteenth issue	15-Aug-19	15-Aug-26	10.95%	10.96%	2,082,238	-
Certificates of deposit	18-July-19	18-July-20	8.00%	8.00%	6,948,568	-
Bonds of the seventh issue	23-Nov-10	21-Jan-19	inflation+1%	10.86%	-	1,513,195
					32,043,765	**43,711,582**

23 Subordinated debt securities issued

	2019 '000 KZT	2018 '000 KZT
Nominal value	167,469,550	177,464,550
Discount	(105,537,991)	(108,259,533)
Accrued interest	1,505,698	1,530,181
	63,437,257	**70,735,198**

As at 31 December 2019 and 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 bond issues at 31 December 2019 and 2018 is presented below:

	Date of placement	Maturity date	Coupon rate	Effective interest rate	Carrying amount 2019 '000 KZT	Carrying amount 2018 '000 KZT
Bonds of the seventeenth issue	18-Oct-17	18-Oct-32	4.00%	18.00%	48,402,166	46,268,702
Bonds of the eighth issue	21-Aug-09	15-Oct-23	inflation+1%	11.74%	12,795,534	12,345,790
Bonds of the thirteenth issue	25-Aug-16	10-Jan-24	9.00%	13.81%	2,239,557	9,944,534
Bonds of the eleventh issue	14-Jun-13	26-Dec-19	8.00%	8.64%	-	2,176,172
					63,437,257	**70,735,198**

Embedded derivatives represented by inflation-indexed coupon payments are considered to be closely related to the host debt instruments as the inflation index is commonly used for this purpose in the KZT economic environment and it is not leveraged and accordingly has not been separated from the underlying data.

Participation in the Program of Strengthening of the Banking Sector Financial Stability

By Resolution of the NBRK No.183 dated 27 September 2017, the Bank was approved to participate in the Program of Strengthening Financial Stability of the Banking Sector in the Republic of Kazakhstan (the "Program").

According to the terms of the Program, the Bank received cash funds from the NBRK's subsidiary, Joint Stock Company "Kazakhstan Sustainability Fund", by virtue of issue of the Bank's registered coupon subordinated bonds ("Bonds") convertible to the Bank's ordinary shares according to the terms of the Bond Issue Prospectus.

The Bank is subject to restrictions (covenants) in its activities valid for 5 years from the Bonds' issue date, breach of any of each will result in exercising by the Bonds' holders of their right of Bonds being converted to the Bank's ordinary shares:

- the Bank undertakes to comply with capital adequacy ratios set by the authorised body for the second-tier banks of the Republic of Kazakhstan;
- the Bank undertakes not to commit action intended to withdraw the Bank's assets; at that, a summary of activities to be considered the withdrawal of assets is set out in the Bond Issue Prospectus.

As part of its participation in the Program, on 18 October 2017 the Bank placed the Bonds at JSC "Kazakhstan Stock Exchange" for the amount of KZT 150,000,000 thousand; the Bonds bear a coupon rate of 4.00 % p.a. and mature in 15 years. The result of discounting the Bonds using market interest rate of 18.00%, which was recognised within income in consolidated statement of profit and loss upon Bonds initial recognition, amounted to KZT 106,961,607 thousand.

24 Other borrowed funds

	2019 '000 KZT	**2018 '000 KZT**
Loans from state financial institutions	32,832,053	34,553,910
Loans from the Ministry of Finance of the Republic of Kazakhstan	739,327	925,810
	33,571,380	**35,479,720**

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

	Currency	**Average interest rate**	**Year of maturity**	**Carrying value, '000 KZT**
Damu Entrepreneurship Development Fund JSC	KZT	1.00-8.50%	2020-2035	18,449,081
Development Bank of Kazakhstan JSC	KZT	1.00-2.00%	2034-2037	13,047,639
KazAgro National Management Holding JSC	KZT	3.00%	2020-2021	1,335,333
Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2023	405,527
Ministry of Finance of the Republic of Kazakhstan	US Dollars	Libor +1%	2023	333,800
				33,571,380

As at 31 December 2018, the terms and conditions of the loans outstanding and repayment schedules are as follows:

	Currency	**Average interest rate**	**Year of maturity**	**Carrying value, '000 KZT**
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	US Dollars	Libor +1%	2023	418,902
Agrarian Credit Corporation JSC	KZT	10.00%	2019	119,271
				35,479,720

Borrowed funds from KazAgro National Management Holding JSC ("KazAgro") were received in accordance with the rules of its program on financial recovery of companies operating in the agriculture industry. Borrowed funds from Agrarian Credit Corporation JSC ("ACC JSC") were received under a lending program to the agriculture industry entities. Borrowed funds from EDF DAMU JSC and DBK JSC were received in accordance with the Government program ("the Program") to finance large corporates, small and medium enterprises ("SME") operating in certain industries.

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 JSC and the Group, the Group is responsible to extend loans to companies operating in the agriculture industry.

According to EDF DAMU JSC and DBK JSC 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 6.00% interest rate per annum. Management of the Group believes that due to their specific nature, the loans from KazAgro, ACC JSC, EDF DAMU JSC and DBK JSC represent a separate segment of borrowings from state companies to support companies operating in certain industries. As a result, the loans from KazAgro, ACC JSC, EDF DAMU JSC and DBK JSC 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 at initial recognition.

The Group is liable for compliance with covenants of loan agreements stated above. The Group has complied with all covenants as at 31 December 2019 and 31 December 2018.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities				
'000 KZT	**Other borrowed funds**	**Subordinated debt securities issued**	**Debt securities issued**	**Lease liabilities**	**Total**
Balance at 1 January 2019	**35,479,720**	**70,735,198**	**43,711,582**		**149,926,500**
Transition to IFRS 16	-	-	-	4,096,026	4,096,026
Balance at 1 January 2019 (restated)	**35,479,720**	**70,735,198**	**43,711,582**	**4,096,026**	**154,022,526**
Changes from financing cash flows					
Proceeds from other borrowed funds	2,000,000	-	-	-	2,000,000
Repayment of other borrowed funds	(3,877,500)	-	-	-	(3,877,500)
Proceeds from debt securities issued	-	-	8,859,480	-	8,859,480
Repayment of subordinated debt securities issued	-	(9,995,000)	-	-	(9,995,000)
Repayment/repurchase of debt securities issued	-	-	(20,941,044)	-	(20,941,044)
Payments under lease agreements	-	-	-	(1,377,398)	(1,377,398)
Total changes from financing cash flows	**(1,877,500)**	**(9,995,000)**	**(12,081,564)**	**(1,377,398)**	**(25,331,462)**
Effect of changes in foreign exchange rates	(1,369)	-	-	58,075	56,706
Other movements					
Interest expense	1,296,171	10,754,453	3,710,176	369,960	16,130,760
Interest paid	(1,325,642)	(8,057,394)	(3,296,429)	(369,350)	(13,048,815)
Recognition of lease liabilities	-	-	-	779,738	779,738
Balance at 31 December 2019	**33,571,380**	**63,437,257**	**32,043,765**	**3,557,051**	**132,609,453**

	Liabilities			
'000 KZT	**Other borrowed funds**	**Subordinated debt securities issued**	**Debt securities issued**	**Total**
Balance at 1 January 2018	37,994,781	67,955,179	20,598,790	126,548,750
Changes from financing cash flows				
Proceeds from other borrowed funds	10,368,580	-	-	10,368,580
Repayment of other borrowed funds	(13,225,081)	-	-	(13,225,081)
Proceeds from debt securities issued	-	-	22,156,342	22,156,342
Total changes from financing cash flows	**(2,856,501)**	**-**	**22,156,342**	**19,299,841**
Effect of changes in foreign exchange rates	369,595	-	-	369,595
Other movements				
Interest expense	1,472,944	10,517,107	2,832,518	14,822,569
Interest paid	(1,501,099)	(7,737,088)	(1,876,068)	(11,114,255)
Balance at 31 December 2018	**35,479,720**	**70,735,198**	**43,711,582**	**149,926,500**

25 Other liabilities

	2019 '000 KZT	2018 '000 KZT
Plastic cards settlements	5,889,865	2,974,714
Liability from continuing involvement (Note 15 (f))	2,608,098	1,127,197
Assignment of rights of claim payable	1,268,302	1,269,644
Payables to borrowers on lending operations	937,992	1,934,676
Accrued administrative expenses	797,646	709,260
Liabilities on electronic money issued	710,188	1,164,700
Payables to insurance company	417,783	355,738
Capital expenditures payables	79,121	-
Other financial liabilities	3,108,977	1,400,618
Total other financial liabilities	**15,817,972**	**10,936,547**
Payables to employees	1,022,339	1,325,993
Vacation reserve	780,803	610,187
Deferred income	550,319	538,219
Other taxes payable	353,574	152,099
Loss allowance for contingent liabilities	300,201	1,034,085
Other non-financial liabilities	115,927	37,678
Total other non-financial liabilities	**3,123,163**	**3,698,261**
Total other liabilities	**18,941,135**	**14,634,808**

26 Share capital

(a) Issued capital and share premium

The authorised share capital of the Bank comprises 2,034,807,500 ordinary shares (31 December 2018: 2,034,807,500 ordinary shares) and 3,000,000 non-redeemable cumulative preference shares (31 December 2018: 3,000,000 preference shares).

No shares were issued in 2019 (in 2018: none).

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

	2019 Number of shares	2018 Number of shares
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**

As at 31 December 2019, the charter capital of the Bank amounted to KZT 57,135,194 thousand (31 December 2018: KZT 57,135,194 thousand). In 2019, the Bank has not received cash contributions to share capital (2018: no cash contributions to share capital).

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 year ended 31 December 2019, no dividends were declared or paid (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 share in its consolidated financial statements.

The book value per share is calculated by means of dividing net assets less intangible assets by the number of outstanding ordinary shares. As at 31 December 2019 the book value per share was KZT 4,527.42 (31 December 2018: KZT 4,221.03).

(d) Nature and purpose of reserves

Reserves for general banking risks

Until 2013, in accordance with amendments to the Resolution No. 196 "On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks" issued by the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA") introduced on 31 January 2011 (that became invalid in 2013), the Bank had to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve.

Starting from 2013, the formation of this reserve was determined by the Bank management at its disposal. During the annual periods ended 31 December 2019 and 31 December 2018, no transfers to/from general reserve were made by the Bank to cover general banking risks.

Dynamic reserve

In accordance with Resolution of the National Bank of the Republic of Kazakhstan #137 dated 27 May 2013 *On Approval of Rules on Forming Dynamic Reserves by Second-Tier Banks and Establishment of Minimum Size of Dynamic Reserves and Expected Loss*, the Bank has established a dynamic reserve calculated using a formula determined in the Resolution. In accordance with the Resolution, dynamic reserve cannot be less than zero and shall be calculated as the difference between expected losses and actual charge on deductible for tax purposes impairment losses recognised during the reporting quarter in accordance with IFRS net of income from recovery of provisions. Expected losses were estimated based on the increase of loans to customers during the reporting quarter multiplied by certain coefficients. The Resolution became effective from 1 January 2013.

As at 31 December 2017 the non-distributable dynamic reserve of the Group was KZT 7,594,546 thousand. In 2018, the Bank write back this reserve in accordance with the Law of the Republic of Kazakhstan No.122-VI dated 25 December 2017.

27 Earnings per share

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

	2019 '000 KZT	**2018 '000 KZT**
Net profit	4,492,113	9,141,462
Weighted average number of ordinary shares	20,348,075	20,348,075
Basic earnings per share (KZT)	**220.76**	**449.25**

28 Analysis by segment

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker, the Chairman of the Management Board, reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments.

- Corporate banking – includes loans, deposits and other transactions with corporate customers.
- Retail banking – includes loans, deposits and other transactions with retail customers.
- Assets and Liabilities management – includes maintaining of liquid assets portfolio (cash, nostro accounts with the NBRK, and other banks, interbank financing (up to 1 month), investments into liquid assets and bonds issue management).

- Small and medium size companies banking - includes loans, deposits and other transactions with small and medium size companies.
- Treasury – includes Group financing via interbank borrowings and using derivatives for hedging market risks and investments into liquid securities (corporate bonds).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	2019 '000 KZT	**2018 '000 KZT**
ASSETS		
Retail banking	464,996,472	370,899,984
Assets and liabilities management	340,396,222	405,511,706
Corporate banking	182,271,232	254,595,426
Treasury	19,453,332	33,407,611
Small and medium size companies banking	17,224,607	18,131,947
Unallocated assets	39,179,065	33,464,294
Total assets	**1,063,520,930**	**1,116,010,968**
LIABILITIES		
Retail banking	432,635,050	398,180,448
Corporate banking	276,250,956	309,044,000
Small and medium size companies banking	117,762,249	80,346,322
Assets and liabilities management	87,812,737	194,850,647
Treasury	2,032,814	526,443
Unallocated liabilities	45,571,138	38,552,980
Total liabilities	**962,064,944**	**1,021,500,840**

Reconciliations of reportable segment total assets and total liabilities:

	2019 '000 KZT	**2018 '000 KZT**
Total assets for reportable segments	1,063,520,930	1,116,010,968
Consolidation effect	5,820,235	6,391,596
Gross presentation of foreign currency swaps	(7,499,288)	(13,389,043)
Other adjustments	(4,826,112)	(729,078)
Total assets	**1,057,015,765**	**1,108,284,443**

	2019 '000 KZT	**2018 '000 KZT**
Total liabilities for reportable segments	962,064,944	1,021,500,840
Consolidation effect	4,654,546	7,703,276
Gross presentation of foreign currency swaps	(7,499,288)	(13,389,043)
Other adjustments	(1,042,594)	(357,018)
Total liabilities	**958,177,608**	**1,015,458,055**

Segment information for the main reportable segments for the year ended 31 December 2019 is set out below:

'000 KZT	**Corporate banking**	**Small and medium size companies banking**	**Retail banking**	**Treasury**	**Assets and liabilities management**	**Unallocated assets and liabilities**	**Total**
Interest income	17,404,676	1,730,946	96,669,900	385,928	16,030,186	-	132,221,636
Fee and commission income	1,474,122	1,929,451	33,027,866	96,681	240	-	36,528,360
Net gain/(loss) on securities, dealing and translation differences	1,015,526	875,712	881,118	2,664,570	(2,338,821)	-	3,098,105
Other income	-	-	32,599	-	-	55,656	88,255
Funds transfer pricing	19,160,053	10,326,245	35,131,845	36,117	27,136,818	-	91,791,078
Revenue	**39,054,377**	**14,862,354**	**165,743,328**	**3,183,296**	**40,828,423**	**55,656**	**263,727,434**
Interest expense	(13,287,993)	(5,946,663)	(26,874,720)	-	(15,259,198)	-	(61,368,574)
Fee and commission expenses	(66,550)	-	(13,940,032)	(213,769)	(328,862)	-	(14,549,213)
Impairment losses	(28,696,797)	(2,798,738)	(17,868,019)	3,731	(169,039)	(2,229,149)	(51,758,011)
Funds transfer pricing	(16,362,133)	(929,476)	(56,524,774)	(735,638)	(15,457,687)	(1,781,370)	(91,791,078)
Operational costs (direct)	(661,650)	(850,486)	(11,335,265)	(121,431)	(32,160)	-	(13,000,992)
Operational costs (indirect)	(1,785,404)	(2,293,622)	(18,156,276)	(432,571)	(28,025)	-	(22,695,898)
Corporate income tax	-	(139,813)	(1,439,900)	(115,197)	(653,671)	-	(2,348,581)
Segment result	**(21,806,150)**	**1,903,556**	**19,604,342**	**1,568,421**	**8,899,781**	**(3,954,863)**	**6,215,087**
Other segment items							
Additions of property and equipment	-	-	-	-	-	2,441,873	**2,441,873**
Depreciation and amortisation	(1,612)	(6,212)	(635,404)	(517)	(28)	(4,133,234)	**(4,777,007)**

Segment information for the main reportable segments for the year ended 31 December 2018 is set out below:

'000 KZT	**Corporate banking**	**Small and medium size companies banking**	**Retail banking**	**Treasury**	**Assets and liabilities management**	**Unallocated assets and liabilities**	**Total**
Interest income	24,934,491	1,884,519	74,991,532	250,975	16,613,056	-	118,674,573
Fee and commission income	1,942,065	1,496,112	25,567,953	37,057	258	-	29,043,445
Other income	-	-	10,016	-	-	66,178	76,194
Funds transfer pricing	17,408,116	3,778,749	31,231,493	8,494	33,520,615	-	85,947,467
Revenue	**44,284,672**	**7,159,380**	**131,800,994**	**296,526**	**50,133,929**	**66,178**	**233,741,679**
Interest expense	(12,352,077)	(2,399,556)	(28,969,553)	-	(19,163,366)	-	(62,884,552)
Fee and commission expenses	(1,171,185)	(12,799)	(11,043,247)	(68,559)	(101,712)	-	(12,397,502)
Net gain/(loss) on securities, dealing and translation differences	758,003	530,335	1,375,045	(3,768,496)	-	-	(1,105,113)
Impairment losses	(11,613,823)	(3,411,945)	(10,881,755)	(35,914)	(22,179)	(809,391)	(26,775,007)
Funds transfer pricing	(22,448,397)	(475,532)	(41,638,479)	(438,824)	(19,170,026)	(1,776,209)	(85,947,467)
Operational costs (direct)	(639,747)	(1,053,072)	(9,926,557)	(155,869)	(512,873)	(198,358)	(12,486,476)
Operational costs (indirect)	(2,492,907)	(1,701,632)	(15,296,628)	(126)	(85,926)	(327,076)	(19,904,295)
Corporate income tax	-	-	(452,373)	-	(342,355)	-	(794,728)
Segment result	**(5,675,461)**	**(1,364,821)**	**14,967,447**	**(4,171,262)**	**10,735,492**	**(3,044,856)**	**11,446,539**
Other segment items							
Additions of property and equipment	-	-		-	-	2,114,972	**2,114,972**
Depreciation and amortisation	(301,473)	(341,775)	(2,750,199)	(7,198)	(65,019)	(61,955)	**(3,527,619)**

Reconciliations of reportable segment revenues and profit or loss:

	2019 '000 KZT	2018 '000 KZT
Reportable segment revenue	263,727,434	233,741,679
Consolidation effect	414,280	2,686,215
Funds transfer pricing	(91,791,078)	(85,947,467)
Other adjustments	(6,874,302)	(7,112,664)
Total revenue	**165,476,334**	**143,367,763**

	2019 '000 KZT	2018 '000 KZT
Reportable segment profit	6,215,087	11,446,539
Other adjustments	(3,467,856)	130,148
Consolidation effect	1,744,882	(2,435,225)
Total revenue	**4,492,113**	**9,141,462**

Consolidation effect: consolidation effect occurs due to the fact that the Chairman reviews internal management reports on a stand-alone basis.

Other adjustments: these adjustments mostly represent netting of other assets and other liabilities, income and expenses. Other adjustments occur due to the fact that the Chairman of the Management Board reviews internal management reports prepared on a gross-up basis whereas for IFRS consolidated financial statements purposes netting is made for certain other assets/liabilities included in unallocated assets/liabilities.

Funds transfer pricing: for the purpose of internal management reporting transfer pricing represents the allocation of income and expense between segments that attract cash resources and to segments that create interest income generating assets using cash resources.

Information about major customers and geographical areas

For the year ended 31 December 2019, there are no revenues from large corporate customers individually exceeding 10% of total revenue (31 December 2018: none).

The majority of revenues from external customers relate to residents of the Republic of Kazakhstan. The majority of non-current assets are located in the Republic of Kazakhstan.

29 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to credit risk, market risk, liquidity risk and operational risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor 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.

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. The Risk and Internal Controls Committee preliminary reviews these matters and seeks consideration and/or approval of these matters from the Board of Directors.

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Group operates within established risk parameters. Risk management executives are responsible for the overall risk management and compliance functions, and control over implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. Risk management executives report directly to the Chairman and indirectly, through the Risk and Internal Controls Committee to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees, Market Risk and Liquidity Management Committee (MRLMC). In order to facilitate efficient and effective decision-making, the Group established a hierarchy of credit committees, depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Group. Special attention is given to revealing the whole list of risk factors and determining the level of adequacy of the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Business Units monitor financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is a probability that financial losses arise on balance sheet and off-balance sheet items because of unfavourable changes in market situation, which comprise movements in interest rates, foreign exchange rates, market value of financial instruments and goods. The Bank manages its market risk (currency risk, interest risk and price risk) at the portfolio level. 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 foreign currency rates.

The market risk management objectives are to manage and control that exposure to market risk does not fall out of the acceptable parameters, ensuring the optimisation of profitability obtained for risk accepted.

MRLMC shall be responsible for management of the market risk and liquidity. MRLMC performs review of the market risk limits based on recommendations of the Risk Management Block and submits thereof to the Management Board and Board of Directors for approval.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These 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 Group's 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.

The management of the interest rate risk by monitoring the interest rate gap, is supplemented by monitoring the sensitivity of the Group's net interest margin to various standard and non-standard interest rate scenarios.

The Group also utilises Value-at-Risk ("VaR") methodology to monitor market risk of its trading positions.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its consolidated 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 gap analysis

Interest rate risk is managed principally through monitoring and forecasting interest rate gaps, reduction in time gaps of interest bearing assets and liabilities. A summary of the interest gap position as at 31 December 2019 and 2018 for major financial instruments is as follows:

'000 KZT	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Non-interest bearing**	**Carrying amount**
31 December 2019							
ASSETS							
Cash and cash equivalents	104,602,345	-	-	-	-	121,157,063	225,759,408
Financial assets measured at fair value through other comprehensive income	25,896,674	56,909	52,038,225	8,646,625	17,143,050	-	103,781,483
Deposits and balances with banks	2,907,421	-	-	-	-	2,641,746	5,549,167
Loans to customers	124,938,962	53,094,580	134,209,513	311,116,842	21,266,387	161,722	644,788,006
Investments measured at amortised cost	260,954	104,911	9,523,175	14,265,756	4,688,840	-	28,843,636
	258,606,356	**53,256,400**	**195,770,913**	**334,029,223**	**43,098,277**	**123,960,531**	**1,008,721,700**
LIABILITIES							
Deposits and balances from banks	-	-	-	-	-	1,376,777	1,376,777
Amounts payable under repurchase agreements	-	-	-	-	-	-	-
Current accounts and deposits from customers	116,652,279	109,745,911	240,927,227	165,474,040	16,734,440	149,842,681	799,376,578
Debt securities issued	102,070	12,249,017	17,692,565	-	2,000,113	-	32,043,765
Subordinated debt securities issued	106,038	-	13,995,535	2,133,520	47,202,164	-	63,437,257
Other borrowed funds	4,234,217	1,170,951	934,061	5,890,800	21,341,351	-	33,571,380
Lease liabilities	99,797	112,446	178,689	1,710,337	1,455,782	-	3,557,051
	121,194,401	**123,278,325**	**273,728,077**	**175,208,697**	**88,733,850**	**151,219,458**	**933,362,808**
	137,411,955	**(70,021,925)**	**(77,957,164)**	**158,820,526**	**(45,635,573)**	**(27,258,927)**	**75,358,892**

'000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2018							
ASSETS							
Cash and cash equivalents	66,587,309	-	-	-	-	71,936,814	138,524,123
Financial instruments measured at fair value through profit or loss	1,073,676	-	-	-	-	-	1,073,676
Financial assets measured at fair value through other comprehensive income	18,065,439	35,534,631	102,107,196	3,430,425	14,037,792	-	173,175,483
Deposits and balances with banks	2,306,660	84,956	-	-	-	2,617,276	5,008,892
Loans to customers	150,730,585	39,072,736	127,999,543	295,613,665	23,610,825	982,362	638,009,716
Investments measured at amortised cost	92,904,717	7,069,013	164,651	5,443,511	8,872,420	-	114,454,312
	331,668,386	**81,761,336**	**230,271,390**	**304,487,601**	**46,521,037**	**75,536,452**	**1,070,246,202**
LIABILITIES							
Financial instruments at fair value through profit or loss	-	-	-	-	-	-	0
Deposits and balances from banks	-	-	-	-	38,420	435,658	474,078
Amounts payable under repurchase agreements	79,882,889	-	-	-	-	-	79,882,889
Current accounts and deposits from customers	106,652,177	91,726,189	265,362,103	148,494,524	65,670,592	88,761,635	766,667,220
Debt securities issued	1,698,373	635,048	7,684,870	33,693,291	-	-	43,711,582
Subordinated debt securities issued	106,037	224,144	11,135,649	12,130,531	47,138,837	-	70,735,198
Other borrowed funds	722,283	578,333	1,934,202	10,351,852	21,893,050	-	35,479,720
	189,061,759	**93,163,714**	**286,116,824**	**204,670,198**	**134,740,899**	**89,197,293**	**996,950,687**
	142,606,627	**(11,402,378)**	**(55,845,434)**	**99,817,403**	**(88,219,862)**	**(13,660,841)**	**73,295,515**

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2019 and 31 December 2018. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2019 Average effective interest rate, %			2018 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	8.26	0.62	3.83	-	1.43	7.62
Financial assets measured at fair value through other comprehensive income	10.00	2.22	2.58	8.61	4.12	2.54
Deposits and balances with banks	-	0.67	-	-	0.88	4.50
Loans to customers	21.15	6.42	16.99	20.30	7.15	13.53
Investments measured at amortised cost	9.76	4.80	6.40	8.72	4.99	-
Interest bearing liabilities						
Amounts payable under repurchase agreements	-	-	-	8.26	-	-
Current accounts and deposits from customers						
- Corporate	7.29	1.36	3.19	7.77	1.81	1.27
- Retail	9.46	1.25	1.30	10.13	1.38	2.54
Debt securities issued	10.87	-	-	11.43	-	-
Subordinated debt securities issued	16.54	-	-	14.85	-	-
Other borrowed funds						
- Loans from state financial institutions	3.52	-	-	3.91	-	-
- Loans from foreign banks	9.25	4.33	-	-	-	-
- Loans from the Ministry of Finance of the Republic of Kazakhstan	7.29	1.36	3.19	9.25	4.23	-

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2019 and 31 December 2018, is as follows:

	2019		2018	
	Profit or loss ‘000 KZT	**Equity ‘000 KZT**	**Profit or loss ‘000 KZT**	**Equity ‘000 KZT**
100 bp parallel fall	(455,860)	(455,860)	829,544	829,544
100 bp parallel rise	455,860	455,860	(829,544)	(829,544)

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of debt securities at FVOCI due to changes in the interest rates, based on positions existing as at 31 December 2019 and 31 December at 2018 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2019		**2018**	
	Profit or loss ‘000 KZT	**Equity ‘000 KZT**	**Profit or loss ‘000 KZT**	**Equity ‘000 KZT**
100 bp parallel fall	-	1,552,493	-	1,869,344
100 bp parallel rise	-	(1,552,493)	-	(1,869,344)

(ii) Currency risk

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 currency exchange rates. The Group hedges its exposure to currency risk. The Group manages its foreign currency position through the limits established for each currency and net foreign currency position limits.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2019:

	USD ‘000 KZT	**RUB* ‘000 KZT**	**EUR ‘000 KZT**	**Other currencies ‘000 KZT**	**Total ‘000 KZT**
ASSETS					
Cash and cash equivalents	158,776,949	12,303,912	21,565,495	395,477	193,041,833
Financial assets measured at fair value through other comprehensive income	38,529,887	-	538,336	-	39,068,223
Deposits and balances with banks	2,907,421	38,574	-	-	2,945,995
Loans to customers	80,458,608	4,336,639	1,711,039	-	86,506,286
Investments measured at amortised cost	19,290,666	29,794	-	-	19,320,460
Other financial assets	1,785,932	805	167,370	-	1,954,107
Total assets	**301,749,463**	**16,709,724**	**23,982,240**	**395,477**	**342,836,904**
LIABILITIES					
Deposits and balances from banks	1,255,473	54	87,359	416	1,343,302
Current accounts and deposits from customers	291,458,795	11,175,622	23,405,688	338,513	326,378,618
Other borrowed funds	333,799	-	-	-	333,799
Other financial liabilities	6,145,405	46,136	185,939	9,925	6,387,405
Total liabilities	**299,193,472**	**11,221,812**	**23,678,986**	**348,854**	**334,443,124**
Net position as at 31 December 2019	**2,555,991**	**5,487,912**	**303,254**	**46,623**	**8,393,780**
The effect of derivatives held for risk management**	(918,216)	-	-	-	(918,216)
Net position with the effect of derivatives held for risk management as at 31 December 2019	**1,637,775**	**5,487,912**	**303,254**	**46,623**	**7,475,564**

**** including spot transactions**

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2018:

	USD '000 KZT	RUB* '000 KZT	EUR '000 KZT	Other currencies '000 KZT	Total '000 KZT
ASSETS					
Cash and cash equivalents	87,214,297	12,261,088	13,964,187	470,595	113,910,167
Financial assets measured at fair value through other comprehensive income	9,743,790	-	4,377,462	-	14,121,252
Deposits and balances with banks	2,306,022	181,683	-	-	2,487,705
Loans to customers	118,732,591	5,282,464	3,502,449	-	127,517,504
Investments measured at amortised cost	14,556,013	-	-	-	14,556,013
Other financial assets	1,755,846	2,974	201,076	-	1,959,896
Total assets	**234,308,559**	**17,728,209**	**22,045,174**	**470,595**	**274,552,537**
LIABILITIES					
Deposits and balances from banks	285,469	7	102,606	19,999	408,081
Amounts payable under repurchase agreements	-	-	-	-	-
Current accounts and deposits from customers	316,952,531	10,703,917	19,893,980	305,475	347,855,903
Other borrowed funds	418,901	-	-	-	418,901
Other financial liabilities	3,437,165	96,108	59,319	44	3,592,636
Total liabilities	**321,094,066**	**10,800,032**	**20,055,905**	**325,518**	**352,275,521**
Net position as at 31 December 2018	**(86,785,507)**	**6,928,177**	**1,989,269**	**145,077**	**(77,722,984)**
The effect of derivatives held for risk management**	86,387,370	-	-	-	86,387,370
Net position with the effect of derivatives held for risk management as at 31 December 2018	**(398,137)**	**6,928,177**	**1,989,269**	**145,077**	**8,664,386**

* A portion of the net RUB position equivalent to KZT 5,881,377 thousand (2018: KZT 7,006,199 thousand) is not subject to direct currency risk exposure as it represents net assets of the subsidiary that are remeasured through cumulative translation reserve.

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2019 and 31 December 2018 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is on 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.

	2019 '000 KZT		**2018 '000 KZT**	
	Profit or loss '000 KZT	**Equity '000 KZT**	**Profit or loss '000 KZT**	**Equity '000 KZT**
20% appreciation of USD against KZT	262,044	262,044	(63,702)	(63,702)
20% appreciation of RUR against KZT	(62,954)	(62,954)	(12,484)	(12,484)
20% appreciation of EUR against KZT	48,521	48,521	318,283	318,283
20% appreciation of other currencies against KZT	7,460	7,460	23,212	23,212

A strengthening of the KZT against the above currencies at 31 December 2019 and 31 December 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Group takes a long or short position in a financial instrument.

(iv) Value at Risk estimates

The Group also utilises Value-at-Risk ("VaR") methodology to monitor market risk its currency positions.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR model used by the Group is based on a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VaR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential market price movements are determined with reference to market data from at least the most recent 12 months.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets as follows:

- the use of historical data as a basis for determining future events may not encompass all potential scenarios, particularly those of an extreme nature;
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for an extended period;
- the use of a 99 % confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate.
- VaR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day;
- the VaR measure is dependent on the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The Group does not solely rely on its VaR calculations in its market risk measurement due to inherent risk of usage of VaR as described above. The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

A summary of the VaR estimates in respect of foreign currency risk of the Group at 31 December is as follows:

	2019 '000 KZT	**2018 '000 KZT**
Foreign exchange risk	31,130	92,376

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual liabilities), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications;

- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are sent by the relevant client managers and are then passed on to the Corporate Business unit, which is responsible for the corporate loan portfolio. Then, applications are forwarded to credit analysis unit, the reports of which analysts are based on the results of a structured analysis of the customer's business and financial performance. The loan credit application and the reports are then independently reviewed by the Corporate Credit Risks unit and a second opinion is given accompanied by verification that credit policy requirements are met. The Credit Committee makes decisions based on opinions of the Bank internal business units. Prior to final approval of the Credit Committee, individual transactions are also reviewed by the Bank's Legal, Accounting and Tax departments subject to the specific risks.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its borrowers. The review is based on the customer's most recent financial statements and other information submitted by the borrower or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to provide additional security.

Retail loan credit applications are reviewed by the Retail Business unit through the use of scoring models and application data verification procedures developed together with the Retail Business unit together with the General Banking Risk unit.

Apart from individual customer analysis by the Bank's Credit Risk and Collateral Valuation units, the credit portfolio is assessed also by the Risk Management Block with regard to credit concentration and market risks.

Loan approvals and credit card limits can be cancelled at any time.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2019 '000 KZT	**2018 '000 KZT**
ASSETS		
Cash and cash equivalents	188,788,824	98,738,925
Financial instruments measured at fair value through profit or loss	-	1,073,676
Financial assets measured at fair value through other comprehensive income	103,781,483	173,175,483
Deposits and balances with banks	5,549,167	5,008,892
Loans to customers	644,788,006	638,009,716
Investments measured at amortised cost	28,843,636	114,454,312
Other financial assets	13,095,589	12,856,479
Total maximum exposure	**984,846,705**	**1,043,317,483**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 15.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 31.

As at 31 December 2019 and 2018 the Group has no borrowers or groups of connected borrowers, whose credit risk exposure exceeds 10% of maximum credit risk exposure.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreements that cover similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

The Group conducts derivative transactions that are not transacted on the exchange through a central counterparty. Management believes that such settlements are, in effect, equivalent to net settlement and that, the Group meets the net settlement criterion as this gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that the Group will process receivables and payables in a single settlement process or cycle.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives;
- repurchase and reverse repurchase agreements; and
- securities lending and borrowing.

Such collateral is subject to the standard industry terms of the International Swaps and Derivatives Association ("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 on maturity of the transaction. The terms also give each counterparty the right to terminate the related transitions upon the counterparty's failure to post collateral.

The table below shows financial assets and financial liabilities subject to an enforceable master netting arrangement or similar agreement as at 31 December 2019:

'000 KZT				Related amounts not offset in the consolidated statement of financial position		
Types of financial assets/liabilities	**Gross amounts of recognised financial assets/ liabilities**	**Gross amounts of recognised financial assets/ liabilities offset in the consolidated statement of financial position**	**Net amount of financial assets/ liabilities presented in the consolidated statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net amount**
Loans to customers	1,088,128	-	1,088,128	-	(1,088,128)	-
Total financial assets	**1,088,128**	**-**	**1,088,128**	**-**	**(1,088,128)**	**-**
Current accounts and deposits from customers	(1,088,128)	-	(1,088,128)	-	1,088,128	-
Total financial liabilities	**(1,088,128)**	**-**	**(1,088,128)**	**-**	**1,088,128**	**-**

The table below shows financial assets and financial liabilities subject to an enforceable master netting arrangement or similar agreement as at 31 December 2018:

'000 KZT				**Related amounts not offset in the consolidated statement of financial position**		
Types of financial assets/liabilities	**Gross amounts of recognised financial assets/ liabilities**	**Gross amounts of recognised financial assets/ liabilities offset in the consolidated statement of financial position**	**Net amount of financial assets/ liabilities presented in the consolidated statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net amount**
Financial assets measured at fair value through other comprehensive income	82,370,583	-	82,370,583	(79,882,889)	-	2,487,694
Loans to customers	868,345	-	868,345	-	(868,345)	-
Total financial assets	**83,238,928**	**-**	**83,238,928**	**(79,882,889)**	**(868,345)**	**2,487,694**
Accounts payable under repurchase agreements	(79,882,889)	-	(79,882,889)	79,882,889	-	-
Current accounts and deposits from customers	(868,345)	-	(868,345)	-	868,345	-
Total financial liabilities	**(80,751,234)**	**-**	**(80,751,234)**	**79,882,889**	**868,345**	**-**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position on the following basis:

Assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost.

The securities pledged under repurchased agreements (Notes 14 and 17) represent the transferred financial assets that are not derecognised in their entirety. The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of any default by the Group, but the counterparty has an obligation to return the securities when the contract matures. The Group has determined that it retains substantially all the risks and rewards related to these securities and therefore has not derecognised them. Because the Group sells the contractual rights to the cash flows on the securities, it cannot use the transferred assets during the term of the agreement.

(d) Liquidity risk

Liquidity risk is a probability of financial losses if the Group is unable to meet its financial liabilities when they fall due.. 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 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. The liquidity policy is reviewed and approved by the Management Board.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long- and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The liquidity management regulation requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans.
- monitoring liquidity ratios against regulatory requirements

The ALM unit 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 ALM unit then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid securities measured at fair value through other comprehensive income, deposits and balances with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored by the ALM unit and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Risk Management Block. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management regulation are made by the MRLMC and implemented by the ALM unit.

The following tables show the undiscounted cash flows on financial liabilities and unrecognised 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, liabilities or credit related commitments.

The maturity analysis for financial liabilities as at 31 December 2019 is as follows:

'000 KZT	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total gross amount outflow/ (inflow)**	**Carrying amount**
Non-derivative financial liabilities							
Deposits and balances from banks	1,319,388	-	-	-	57,389	1,376,777	1,376,777
Accounts payable under repurchase agreements	-	-	-	-	-	-	-
Current accounts and deposits from customers	195,943,337	79,562,662	118,173,592	251,702,234	212,495,833	857,877,658	799,376,578
Debt securities issued	46,666	462,638	13,079,290	10,422,721	12,991,717	37,003,032	32,043,765
Subordinated debt securities issued	112,275	-	479,186	6,591,461	243,130,589	250,313,511	63,437,257
Other borrowed funds	65,545	4,292,116	629,646	1,470,623	33,069,621	39,527,551	33,571,380
Other financial liabilities	15,814,018	3,000	158	2	794	15,817,972	15,817,972
Derivative financial liabilities*							
- Inflow	(7,500,804)	-	-	-	-	(7,500,804)	(1,516)
- Outflow	7,499,288	-	-	-	-	7,499,288	-
Total liabilities	**213,299,713**	**84,320,416**	**132,361,872**	**270,187,041**	**501,745,943**	**1,201,914,985**	**945,622,213**
Credit related commitments	86,591,130	-	-	-	-	86,591,130	86,591,130

* including SPOT transactions.

The maturity analysis for financial liabilities as at 31 December 2018 is as follows:

'000 KZT	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total gross amount outflow/ (inflow)**	**Carrying amount**
Non-derivative financial liabilities							
Deposits and balances from banks	435,658	-	-	-	38,420	474,078	474,078
Accounts payable under repurchase agreements	79,949,543	-	-	-	-	79,949,543	79,882,889
Current accounts and deposits from customers	126,418,665	76,397,381	101,535,906	276,065,388	245,954,924	826,372,264	766,667,220
Debt securities issued	1,522,779	280,102	1,758,611	2,038,712	48,117,244	53,717,448	43,711,582
Subordinated debt securities issued	112,275	-	916,422	17,023,697	250,613,001	268,665,395	70,735,198
Other borrowed funds	102,201	1,165,672	799,527	2,622,440	39,773,219	44,463,059	35,479,720
Other financial liabilities	10,671,446	-	-	2,792	146,722	10,820,960	10,936,547
Derivative financial liabilities*							
- Inflow	(13,389,043)	-	-	-	-	(13,389,043)	-
- Outflow	13,504,630	-	-	-	-	13,504,630	115,587
Total liabilities	**219,328,154**	**77,843,155**	**105,010,466**	**297,753,029**	**584,643,530**	**1,284,578,334**	**1,008,002,821**
Credit related commitments	57,702,731	-	-	-	-	57,702,731	57,702,731

In accordance with legislation of the Republic of Kazakhstan, depositors and in accordance with legislation of the Russian Federation - individuals, can withdraw their term deposits at any time, however losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The maturities of the total amount of term deposits are as follows:

– KZT 37,944,144 thousand are categorised to demand deposits and those which mature within less than one month (31 December 2018: KZT 25,777,099 thousand).

– KZT 79,492,938 thousand are categorised to deposits, which mature within one to three months (31 December 2018: KZT 76,375,236 thousand).

– KZT 117,740,508 thousand are categorised to deposits, which mature within three to six months (31 December 2018: KZT 101,119,643 thousand).

– KZT 251,603,384 thousand are categorised to deposits, which mature within six to twelve months (31 December 2018: KZT 275,814,198 thousand).

– KZT 210,488,245 thousand are categorised to deposits, which mature within the period of more than one year (31 December 2018: KZT 243,512,112 thousand).

However, management believes that in despite this early withdrawal option and the fact that a substantial portion of customer accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customers accounts provide a long-term and stable source of funding.

Management expects that the cash flows from certain financial assets and liabilities will 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 will differ from contractual terms.

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position (except the derivatives) as at 31 December 2019:

'000 KZT	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative financial assets								
Cash and cash equivalents	225,759,408	-	-	-	-	-	-	225,759,408
Financial assets measured at fair value through other comprehensive income	17,201,623	8,695,051	52,095,134	8,646,625	17,143,050	-	-	103,781,483
Deposits and balances with banks	2,592,746	-	-	-	2,956,421	-	-	5,549,167
Loans to customers	49,610,520	43,940,129	185,744,754	312,871,881	22,957,772	-	29,662,950	644,788,006
Investments measured at amortised cost	260,954	-	9,628,086	14,265,756	4,688,840	-	-	28,843,636
Current tax asset	529,027	-	-	-	-	-	-	529,027
Property, plant and equipment and intangible assets	-	-	-	-	-	19,747,551	-	19,747,551
Right-of-use assets	40,224	75,915	245,225	1,648,195	1,340,215	-	-	3,349,774
Deferred tax assets	-	-	-	-	-	263,435	-	263,435
Other assets	14,915,303	310,884	182,206	8,635,246	58,450	242,320	59,869	24,404,278
Total assets	**310,909,805**	**53,021,979**	**247,895,405**	**346,067,703**	**49,144,748**	**20,253,306**	**29,722,819**	**1,057,015,765**
Non-derivative financial liabilities								
Deposits and balances from banks	1,319,388	-	-	-	57,389	-	-	1,376,777
Current accounts and deposits from customers	192,509,764	73,255,339	351,018,996	165,841,827	16,750,652	-	-	799,376,578
Debt securities issued	19,945	253,885	22,005,314	7,764,508	2,000,113	-	-	32,043,765
Subordinated debt securities issued	106,038	-	1,399,661	14,729,394	47,202,164	-	-	63,437,257
Other borrowed funds	59,012	4,175,206	1,555,446	6,440,365	21,341,351	-	-	33,571,380
Lease liabilities	33,521	68,706	288,705	1,710,337	1,455,782	-	-	3,557,051
Deferred tax liabilities	-	-	-	-	-	5,873,665	-	5,873,665
Other liabilities	18,035,054	812,099	93,916	56	10	-	-	18,941,135
Total liabilities	**212,082,722**	**78,565,235**	**376,362,038**	**196,486,487**	**88,807,461**	**5,873,665**	**-**	**958,177,608**
Net position	**98,827,083**	**(25,543,256)**	**(128,466,633)**	**149,581,216**	**(39,662,713)**	**14,379,641**	**29,722,819**	**98,838,157**
Accumulated net position	**98,827,083**	**73,283,827**	**(55,182,806)**	**94,398,410**	**54,735,697**	**69,115,338**	**98,838,157**	**98,838,157**

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position (except for the derivatives) as at 31 December 2018:

'000 KZT	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**	**Overdue**	**Total**
Non-derivative financial assets								
Cash and cash equivalents	138,524,123	-	-	-	-	-	-	138,524,123
Financial assets measured at fair value through other comprehensive income	15,920,982	2,144,458	137,641,826	3,430,425	14,037,792	-	-	173,175,483
Deposits and balances with banks	4,923,936	-	84,956	-	-	-	-	5,008,892
Loans to customers	39,504,261	49,769,360	168,758,033	290,823,578	21,483,657	-	67,670,827	638,009,716
Investments measured at amortised cost	92,904,717	-	7,233,664	5,443,511	8,872,420	-	-	114,454,312
Current tax asset	515,809	-	-	-	-	-	-	515,809
Property, plant and equipment and intangible assets	-	-	-	-	-	20,529,051	-	20,529,051
Deferred tax assets	-	-	-	-	-	223,444	-	223,444
Other assets	9,277,276	586,102	3,745,280	136,228	573,321	2,276,301	175,429	16,769,937
Total assets	**301,571,104**	**52,499,920**	**317,463,759**	**299,833,742**	**44,967,190**	**23,028,796**	**67,846,256**	**1,107,210,767**
Non-derivative financial liabilities								
Deposits and balances from banks	435,658	-	-	-	38,420	-	-	474,078
Accounts payable under repurchase agreements	79,882,889	-	-	-	-	-	-	79,882,889
Current accounts and deposits from customers	122,904,712	70,417,006	359,062,494	148,608,027	65,674,981	-	-	766,667,220
Debt securities issued	1,513,195	185,178	635,048	41,378,161	-	-	-	43,711,582
Subordinated debt securities issued	106,037	-	11,359,793	12,130,531	47,138,837	-	-	70,735,198
Other borrowed funds	82,001	640,285	2,512,535	10,351,851	21,893,048	-	-	35,479,720
Deferred tax liabilities	-	-	-	-	-	3,872,560	-	3,872,560
Other liabilities	14,215,558	14,045	257,817	-	147,388	-	-	14,634,808
Total liabilities	**219,140,050**	**71,256,514**	**373,827,687**	**212,468,570**	**134,892,674**	**3,872,560**	**-**	**1,015,458,055**
Net position	**82,431,054**	**(18,756,594)**	**(56,363,928)**	**87,365,172**	**(89,925,484)**	**19,156,236**	**67,846,256**	**91,752,712**
Accumulated net position	**82,431,054**	**63,674,460**	**7,310,532**	**94,675,704**	**4,750,220**	**23,906,456**	**91,752,712**	**91,752,712**

Management believes that the following factors provide decrease in the liquidity gap up to 1 year:

- Management's analysis of behaviour of holders of term deposits during the past three years indicates that the offering of competitive interest rates provides for high level of renewals.
- The balance of customer accounts and deposits from related parties, which fall due within up to 1 year, is KZT 128,511,354 thousand as at 31 December 2019 (2018: KZT 157,442,212 thousand). Management believes that the term deposits will be extended when they fall due and withdrawals of significant customer accounts, if required, will be coordinated with the Group's liquidity management objectives.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's lines of business.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group policy requires compliance with all applicable legal and regulatory requirements.

The Group manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

30 Capital management

The NBRK sets and monitors capital requirements for the Bank on a whole.

Bank defines as capital those items defined by statutory regulation as capital for credit institutions.

Tier 1 capital is a total of basic and additional capital. Basic capital comprises paid-in ordinary share capital, share premium, current and prior periods' retained earnings and reserves created against thereof, less treasury share capital, intangible assets including goodwill, and current and prior periods losses, deferred tax asset net of deferred tax liability, excluding deferred tax assets recognised in relation to deductible temporary differences, other revaluation reserves, gains from sales related to asset securitisation transactions, gains or losses from revaluation of financial liabilities measured at fair value related to change in own credit risk, regulatory adjustments to be deducted from the additional capital, but due to insufficient levels of it deducted from basic capital, and investments in financial instruments of investees not consolidated in the Bank with certain limitations. Additional capital comprises perpetual contracts and paid-in preference share capital less adjustments for the Bank's investment in its own perpetual financial instruments, treasury preference shares, investments in financial instruments of investees not consolidated in the Bank with certain limitations and regulatory adjustments to be deducted from the tier 2 capital, but due to insufficient levels of it deducted from additional capital.

Tier 2 capital comprises subordinated debt in KZT less investments in subordinated debt of financial institutions which the Bank holds 10% and more issued shares in, not consolidated in the Group with certain limitations.

Total capital is the sum of tier 1 and tier 2 capital as at 31 December 2019 (as at 31 December 2018, total capital is the sum of tier 1 and tier 2 capital less positive difference between retail deposits and statutory capital multiplied by 5.5, and less 33.33% of the positive difference between regulatory impairment provisions and IFRS impairment provision).

There is a set of different limitations and classification criteria applied to the above listed 'total capital' elements.

In accordance with the current regulations set by the NBRK the Bank has to maintain total capital adequacy within the following coefficients:

– a ratio of basic capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1);

- a ratio of tier 1 capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1-2);
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k2).

As at 31 December 2019, the minimum level of ratios as applicable to the Bank are as follows:

	Including capital conservation buffer		**Net of capital conservation buffer**	
	2019	**2018**	**2019**	**2018**
k1 – not less than	0.075	0.075	0.055	0.055
k1-2 – not less than	0.085	0.085	0.065	0.065
k2 – not less than	0.100	0.100	0.080	0.080

Since 1 October 2019, the Bank introduced a new regulatory buffer in addition to the statutory capital adequacy ratios. A regulatory buffer is calculated as a ratio of a positive difference between the provisions calculated in accordance with the 'Guidance on establishing provisions for impairment of the Bank assets in the form of loans and accounts receivable to the Statutory Ratios", and the provisions formed and recorded in the Bank accounts in accordance with IFRS and the requirements of the law of the Republic of Kazakhstan on accounting and financial reporting (hereinafter - "a positive difference"), to the sum of credit risk-weighted assets and contingent liabilities.

The Bank complied with all prudential capital adequacy ratios k1, k1-2 and k2 as at 31 December 2019, without taking into account the regulatory buffer. The Bank's actual coefficients are as follows: k1 – 0.100, k1-2 – 0.100 and k2 – 0.262 (31 December 2018: k1 – 0.095, k1-2 – 0.095 and k2 – 0.238).

The Bank's capital position as at 31 December 2019 calculated in accordance with the requirements established by the Resolution of the Board of the National Bank of the Republic of Kazakhstan of 13 September 2017, No. 170 "On establishment of normative values and techniques of calculations of prudential standard rates and other regulations, obligatory to observance, and limits of the size of the capital of bank for the certain date and Rules of calculation and limits of the open foreign exchange position of bank" amounted to KZT 249,720,379 thousand (31 December 2018: KZT 219,942,270 thousand). Tier 1 capital as at 31 December 2019 amounted to KZT 95,097,739 thousand (31 December 2018: KZT 87,892,397 thousand).

31 Credit related commitments

The Group has outstanding credit related commitments to extend loans. These credit related 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 recognised at the reporting date if the counterparties failed completely to perform as contracted.

	2019 '000 KZT	2018 '000 KZT
Contracted amount		
Loan and credit line commitments	44,328,533	20,372,410
Guarantees	42,239,402	37,152,765
Letters of credit	23,195	177,556
Total	**86,591,130**	**57,702,731**
Loss allowance	(300,201)	(1,034,085)
Total credit related commitments less loss allowance	**86,290,929**	**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.

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded. The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

As at 31 December 2019 the Group has 1 customer whose balances exceed 10% of total credit related commitments (31 December 2018: 1 customer). The value of these commitments as at 31 December 2019 amounted to KZT 12,833,821 thousand (31 December 2018: KZT 13,747,016 thousand).

The table below shows movement in loss allowance on credit related commitments for the year ended 31 December 2019.

'000 KZT **Credit related commitments**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance for expected credit losses at the beginning of the year	19,534	-	1,014,551	1,034,085
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	205,946	-	(949,020)	(743,074)
New financial assets originated or purchased	9	-	-	9
Foreign exchange and other movements	9,181	-	-	9,181
Loss allowance for expected credit losses at the end of the year	**234,670**	**-**	**65,531**	**300,201**

The table below shows movement in loss allowance on credit related commitments for the year ended 31 December 2018.

'000 KZT **Credit related commitments**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance for expected credit losses at the beginning of the year - IFRS 9	144	-	36,721	36,865
Transfer to Stage 1	4	-	(4)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	(140)	140	-
Net remeasurement of loss allowance	18,873	139	977,475	996,487
New financial assets originated or purchased	698	-	-	698
Foreign exchange and other movements	(185)	1	219	35
Loss allowance for expected credit losses at the end of the year	**19,534**	**-**	**1,014,551**	**1,034,085**

During 2019, the Group issued guarantees for the total amount of KZT 14,273,574 thousand (in 2018: KZT 6,275,527 thousand), including those that were subsequently classified to Stage 1 of credit quality in the amount of KZT 10,402,542 thousand, to Stage 2 - of KZT 198 thousand, to Stage 3 - of KZT 3,870,834 thousand (in 2018: to Stage 1 of credit quality in the amount of KZT 5,753,726 thousand and to Stage 3 - of KZT 521,801 thousand). During 2019, the Group derecognised credit related commitments on guarantees for the total amount of KZT 14,007,293 thousand (in 2018: KZT 14,168,849 thousand), including those that were subsequently classified to Stage 1 of credit quality in the amount of KZT 8,390,988 thousand, to Stage 2 - of KZT 37,147 thousand, to Stage 3 - of KZT 5,579,158 thousand (in 2018: to Stage 1 of credit quality in the amount of KZT 9,225,048 thousand and to Stage 3 - of KZT 4,943,801 thousand).

33 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and consolidated financial position.

(b) Litigation

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 or the results of future operations of the Group.

(c) Taxation contingencies

The taxation system in 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, including opinions with respect to IFRS treatment of revenues, expenses and other items in the consolidated financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years but under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable 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.

34 Related party transactions

(a) Control relationship

The Group's parent company is Eurasian Financial Company JSC (the "Parent Company"). The Parent Company is controlled by the group of individuals, Mr A.A. Mashkevich, Mr P.K. Chodiyev, Mr. A.R. Ibragimov, each one owns 33.3%. Publicly available consolidated financial statements are produced by the Parent Company.

(b) Transactions with members of the Board of Directors, the Management Board and other key management personnel

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2019 '000 KZT	2018 '000 KZT
Members of the Board of Directors	386,167	496,784
Members of the Management Board	858,161	883,622
Other key management personnel	908,029	1,027,226
	2,152,357	**2,407,632**

These amounts include non-cash benefits in respect of members of the Board of Directors, the Management Board and other key management personnel.

The outstanding balances and average effective interest rates as at 31 December 2019 and 2018 for transactions with members of the Board of Directors, the Management Board and other key management personnel are as follows:

	2019 '000 KZT	Average contractual interest rate, %	2018 '000 KZT	Average contractual interest rate, %
Consolidated Statement of Financial Position				
ASSETS				
Loans to customers	15,206	8.27	108,752	9.17
Loans to customers (loss allowance for expected credit losses)	(401)	-	(73,658)	-
LIABILITIES				
Current accounts and deposits from customers	15,381,118	5.42	13,541,875	3.91

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors, the Management Board and other key management personnel for the year ended 31 December are as follows:

	2019 '000 KZT	2018 '000 KZT
Profit or loss		
Interest income calculated using the effective interest method	2,013	8,041
Interest expense	(762,947)	(1,193,336)
Fee and commission income	304	-
Reversal of impairment loss /(impairment loss) on debt financial assets	107	(5,597)

(c) Transactions with other related parties

The outstanding balances and the related average contractual interest rates as at 31 December 2019 and related profit or loss amounts of transactions for the year ended 31 December 2019 with other related parties are as follows:

31 December 2019	**Parent Company**		**Other subsidiaries of the Parent Company**		**Other related parties***		
	‘000 KZT	**Average contractual interest rate, %**	**‘000 KZT**	**Average contractual interest rate, %**	**‘000 KZT**	**Average contractual interest rate, %**	**Total ‘000 KZT**
Consolidated Statement of Financial Position							
ASSETS							
Loans to customers							
- in KZT	-	-	-	-	4,767,754	13.84	4,767,754
- in USD	-	-	-	-	49,151,704	4.87	49,151,704
- in other currencies	-	-	-	-	-	-	-
Loans to customers (loss allowance for expected credit losses)	-	-	-	-	(1,328,316)	-	(1,328,316)
Other assets							
- in KZT	-	-	253,146	-	17,697	-	270,843
LIABILITIES							
Current accounts and deposits from customers							
- in KZT	116,982	6.99	6,217,328	11.13	31,372,286	6.39	37,706,596
- in USD	-	-	2,193,923	1.37	114,898,731	1.24	117,092,654
- in other currencies	-	-	517,340	3.17	2,463,518	4.19	2,980,858
Debt securities issued							
- in KZT	-	-	12,229,207	8.49	-	-	12,229,207
Subordinated debt securities issued							
- in KZT	-	-	23,215	6.40	-	-	23,215
Other liabilities							
- in KZT	-	-	425,926		1,083	-	427,009
- in USD	-	-	-		9,036	-	9,036

31 December 2019	**Parent Company**		**Other subsidiaries of the Parent Company**		**Other related parties***		
	'000 KZT	**Average contractual interest rate, %**	**'000 KZT**	**Average contractual interest rate, %**	**'000 KZT**	**Average contractual interest rate, %**	**Total '000 KZT**
Items not recognised in the consolidated statement of financial position							
Loan and credit line commitments	-		-		1,178,986		1,178,986
Guarantees issued	-		-		120,569		120,569
Guarantees received	-		-		3,864,472		3,864,472
Letters of credit	-		-		14,793		14,793
Profit/(loss)							
Interest income calculated using he effective interest method	-		-		1,645,485		1,645,485
Other interest income	-		-		813,151		813,151
Interest expenses	(232,924)		(2,156,415)		(3,625,706)		(6,015,045)
Fee and commission income	799		1,315,813		590,808		1,907,420
Fee and commission expenses	-		(4,378)		(1,711)		(6,089)
Net gain on financial instruments measured at fair value through profit or loss	-		-		61,579		61,579
Net foreign exchange gain	-		123,862		2,336,068		2,459,930
Other operating expenses	-		-		-		-
Impairment losses on debt financial assets	-		-		(351,998)		(351,998)
Other general and administrative expenses	-		(91,776)		(167,433)		(259,209)

The outstanding balances and the related average contractual interest rates as at 31 December 2018 and related profit or loss amounts of transactions for the year ended 31 December 2018 with other related parties are as follows:

31 December 2018	**Parent Company**		**Other subsidiaries of the Parent Company**		**Other related parties***		
	'000 KZT	**Average contractual interest rate, %**	**'000 KZT**	**Average contractual interest rate, %**	**'000 KZT**	**Average contractual interest rate, %**	**Total '000 KZT**
Consolidated Statement of Financial Position							
ASSETS							
Loans to customers							
- in KZT	-	-	-		6,439,745	12.73	6,439,745
- in USD	-	-	-		67,247,004	6.47	67,247,004
- in other currencies	-	-	-		-		-
Loans to customers (loss allowance for expected credit losses)	-	-	-		(567,163)		(567,163)
Other assets							
- in KZT	-	-	100,888		93,082		193,970
LIABILITIES							
Current accounts and deposits from customers							
- in KZT	166,194	9.50	4,540,590	11.20	24,717,178	8.25	29,423,962
- in USD	-	-	2,518,337	2.50	154,224,133	1.87	156,742,470
- in other currencies	-	-	189,150	5.85	1,532,002	2.72	1,721,152
Debt securities issued	-						
- in KZT	-	-	11,746,660	8.49	-	-	11,746,660
Subordinated debt securities issued	-						
- in KZT	-	-	27,378	7.07	-	-	27,378
Other liabilities							
- in KZT	-	-	356,000	-	4,656	-	360,656

31 December 2018	**Parent Company**		**Other subsidiaries of the Parent Company**		**Other related parties***		
	‘000 KZT	**Average contractual interest rate, %**	**‘000 KZT**	**Average contractual interest rate, %**	**‘000 KZT**	**Average contractual interest rate, %**	**Total ‘000 KZT**
Items not recognised in the consolidated statement of financial position							
Loan and credit line commitments	-		-		752,987		752,987
Guarantees issued	-		-		13,062		13,062
Guarantees received	-		-		8,864,495		8,864,495
Profit/(loss)	-						
Interest income calculated using the effective interest method	-		-		3,333,648		3,333,648
Other interest income	-		-		626,188		626,188
Interest expenses	(58,440)		(1,974,616)		(3,146,198)		(5,179,254)
Fee and commission income	585		336,341		543,018		879,944
Fee and commission expenses	-		(5,773)		-		(5,773)
Net gain on financial instruments measured at fair value through profit or loss	-		-		989,368		989,368
Net foreign exchange loss	-		(98,852)		(5,398,758)		(5,497,610)
Other operating expenses	-		-		-		-
Impairment losses on debt financial assets	-		-		559,874		559,874
Other general and administrative expenses	-		(60,085)		(190,871)		(250,956)

*Other related parties are the entities that are controlled by the Parent Company’s shareholders.

As at 31 December 2019, there were no loans to customers, that were insured by an insurance company under common control (31 December 2018: KZT 1,438,208 thousand).

Loans to related parties with net carrying amount of KZT 51,652,416 thousand (31 December 2018: KZT 68,964,231 thousand) are secured by land plots and other real estate, guarantees, movable property and other types of collateral, whose value mostly covers the carrying amount of these loans excluding overcollateralization. The remaining amount of loans to related parties is not secured.

35 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

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

‘000 KZT	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortised cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	-	-	225,759,408	225,759,408	225,759,408
Financial assets measured at fair value through other comprehensive income	-	103,781,483	-	103,781,483	103,781,483
Deposits and balances with banks	-	-	5,549,167	5,549,167	5,549,167
Loans to customers					
Loans to corporate customers	8,079,667	-	174,633,582	182,713,249	182,987,358
Loans to retail customers	10,313	-	462,064,444	462,074,757	446,830,265
Investments measured at amortised cost					
Government bonds	-	-	23,302,641	23,302,641	24,540,170
Corporate bonds	-	-	5,540,995	5,540,995	5,735,007
Other financial assets	-	-	13,095,589	13,095,589	13,095,589
	8,089,980	**103,781,483**	**909,945,826**	**1,021,817,289**	**1,008,278,447**
Deposits and balances from banks			1,376,777	1,376,777	1,376,777
Current accounts and deposits from customers	-	-	799,376,578	799,376,578	816,309,699
Debt securities issued	-	-	32,043,765	32,043,765	31,351,784
Subordinated debt securities issued	-	-	63,437,257	63,437,257	63,078,287
Other borrowed funds	-	-	33,571,380	33,571,380	33,571,380
Other financial liabilities	-	-	15,817,972	15,817,972	15,817,972
	-	**-**	**945,623,729**	**945,623,729**	**961,505,899**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2018.

‘000 KZT	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortised cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	-	-	138,524,123	138,524,123	138,524,123
Financial instruments measured at fair value through profit or loss	1,073,676	-	-	1,073,676	1,073,676
Financial assets measured at fair value through other comprehensive income	-	173,175,483	-	173,175,483	173,175,483
Deposits and balances with banks	-	-	5,008,892	5,008,892	5,008,892
Loans to customers		-			
Loans to corporate customers	12,017,505	-	255,927,570	267,945,075	260,470,155
Loans to retail customers	565,810	-	369,498,831	370,064,641	356,647,251
Investments measured at amortised cost		-			
Government bonds	-	-	108,846,150	108,846,150	109,052,508
Corporate bonds	-	-	5,608,162	5,608,162	5,791,833
Other financial assets	-	-	12,856,479	12,856,479	12,856,479
	13,656,991	**173,175,483**	**896,270,207**	**1,083,102,681**	**1,062,600,400**
Deposits and balances from banks	-	-	474,078	474,078	474,078
Accounts payable under repurchase agreements	-	-	79,882,889	79,882,889	79,882,889
Current accounts and deposits from customers	-	-	766,667,220	766,667,220	766,235,620
Debt securities issued	-	-	43,711,582	43,711,582	44,235,076
Subordinated debt securities issued	-	-	70,735,198	70,735,198	70,534,535
Other borrowed funds	-	-	35,479,720	35,479,720	35,479,720
Other financial liabilities	-	-	10,936,547	10,936,547	10,936,547
	-	**-**	**1,007,887,234**	**1,007,887,234**	**1,007,778,465**

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, the Group uses proprietary valuation models. 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. Example of instruments involving significant unobservable inputs include some loans and securities for which there is no active market.

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

- discount rates of 4.40 – 13.60% and 6.00 – 27.98% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively (31 December 2018: 4.90 – 15.40% and 9.50 – 26.98%, respectively);
- discount rates of 0.80 – 7.40% and 1.40 – 8.80% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively (31 December 2018: 0.90 – 7.10% and 1.30 – 9.70%, respectively);
- quoted market price is used for determination of fair value of debt securities issued.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

(b) Fair value hierarchy

The Group measures fair values of financial instruments recognised in the consolidated statement of financial position using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered as less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's measurement. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised.

'000 KZT	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through other comprehensive income				
- Debt and other fixed income instruments	15,797,007	87,984,476	-	103,781,483
Loans to customers	-	-	8,089,980	8,089,980
	15,797,007	**87,984,476**	**8,089,980**	**111,871,463**

The table below analyses financial instruments measured at fair value at 31 December 2018 by the level in the fair value hierarchy into which the fair value measurement is categorised.

'000 KZT	**Level 2**	**Level 3**	**Total**
Financial instruments measured at fair value through profit or loss			
- Derivative assets	1,073,676	-	1,073,676
- Derivative liabilities	(19,334)	-	(19,334)
Financial assets measured at fair value through other comprehensive income			
- Debt and other fixed income instruments	173,175,483	-	173,175,483
Loans to customers	-	12,583,315	12,583,315
	174,229,825	**12,583,315**	**186,813,140**

Due to low market liquidity, management considers that quoted prices in active markets are not available, including for government securities listed on the Kazakhstan Stock Exchange. Accordingly, as at 31 December 2019 and 2018 the estimated fair value of these financial instruments is based on the results of valuation techniques involving the use of observable market inputs.

Unobservable valuation differences on initial recognition

In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the currency market. In cases where all inputs are not observable, for example because there are no observable trades in a similar risk at the reporting date, the Group uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlying financial instruments, expectations of termination periods. When fair value at initial recognition is not evidenced by a quoted price in an active market or based on a valuation technique that uses data only from observable markets, any difference between the fair value at initial recognition and the transaction price is not recognised in profit or loss immediately, but is deferred (see note 3(d)(v)).

The following table shows a reconciliation for the years ended 31 December 2019 and 31 December 2018 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3	
	Financial instruments at fair value through profit or loss for the period	
	Loans to customers	
‘000 KZT	**2019**	**2018**
Balance at the beginning of the year	**12,583,315**	**18,106,950**
Net gain on financial instruments measured at fair value through profit or loss	69,918	989,368
Interest income accrued	828,752	626,188
Foreign exchange and other movements	(64,456)	1,941,700
Loans issued	168,470	565,810
Repayments	(5,496,019)	(9,646,701)
Balance at the end of the year	**8,089,980**	**12,583,315**

Management used interest rate of 10.93% in respect of USD cash flows to determine the fair value of loans to customers (31 December 2018: 11.74%).

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

As at 31 December 2018 if the interest rate applied to cash flows had increased/(decreased) by 1%, the fair value of loans to customers in Level 3 of the fair value hierarchy would have (decreased)/increased by (KZT 118,362 thousand)/KZT 121,218 thousand (31 December 2018: (KZT 281,866 thousand) /KZT 291,261 thousand).