

Eurasian Bank JSC

Consolidated Financial Statements
for the year ended 31 December 2020

Contents

Independent Auditors' Report

Consolidated Statement of Profit or Loss and
Other Comprehensive Income 8

Consolidated Statement of Financial Position 9

Consolidated Statement of Cash Flows 10-11

Consolidated Statement of Changes in Equity 12-13

Notes to the Consolidated Financial Statements 14-95



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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 2020, 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 2020, 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 Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

«КПМГ Аудит» ЖШС, Қазақстан Республикасы заңнамасына сәйкес тіркелген компания, жауапкершілігі өз қатысушыларының кепілдіктерімен шектелген KPMG International Limited жекеше ағылшын компаниясының құрамына кіретін KPMG тәуелсіз фирмалары жаһандық ұйымының қатысушысы.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Expected Credit Losses (ECL) for loans to customers

Please refer to Notes 3(g) and 16 in the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Loans to customers represent 47% 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.</p> <p>The Group applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> - 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 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. <p>There is an increased risk of material misstatement of the ECL allowance in the current year due to the higher uncertainty related to judgements and misstatement of assumptions resulting from COVID-19 pandemic. Due to the significant volume of loans to customers and the related estimation uncertainty in estimating of ECL allowance, this area is a key audit matter.</p>	<p>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 risk management.</p> <p>To analyse the adequacy of professional judgement and assumptions made by management in relation to the allowance for ECL estimate, we performed the following procedures:</p> <ul style="list-style-type: none"> - 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 clients, 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 given the impact of COVID-19 on the borrowers' operations by analysing financial and non-financial information, as well as assumptions and professional judgements, 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 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.



	<ul style="list-style-type: none">- We assessed general predictive capability of the models used by the Group to assess ECL by comparing the estimates made as at 1 January 2020 with actual results for 2020. We also assessed the appropriateness of economic forecasts by comparing the Group's forecasts with those we have simulated. As part of this work we critically assessed the appropriateness of the Group's assumptions of the economic uncertainty related to COVID-19. <p>We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.</p>
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Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for 2020 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group for 2020 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, actions taken to eliminate threats or safeguards applied.



Eurasian Bank Joint Stock Company

Independent Auditors' Report

Page 5

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:

Ashley Clarke
Engagement partner

Mukhit Kossayev
Certified auditor,
of the Republic of Kazakhstan Auditor's
Qualification Certificate
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

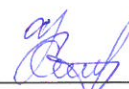
18 May 2021

	Note	2020 KZT'000	2019 KZT'000
Interest income calculated using the effective interest method	5	120,841,962	123,461,816
Other interest income		642,393	828,752
Interest expenses	5	(60,512,379)	(63,703,755)
Net interest income	5	60,971,976	60,586,813
Fee and commission income	6	25,297,380	36,144,838
Fee and commission expenses		(6,436,115)	(6,276,906)
Net fee and commission income		18,861,265	29,867,932
Net loss on financial instruments measured at fair value through profit or loss	7	(499,101)	(2,514,847)
Net foreign exchange gain	8	8,246,120	5,040,928
Net (loss)/gain on financial assets at fair value through other comprehensive income		(11,828)	184,156
Other operating income /(expenses), net		1,081,932	(1,554,039)
Operating income		88,650,364	91,610,943
Impairment losses on debt financial assets	9	(46,878,972)	(50,402,010)
Gain on reversal of impairment losses on loan commitments and financial guarantee contracts		270,635	743,065
Loss on disposal of subsidiary	4	(2,131,283)	-
Estimated liabilities expenses		-	(25,616)
Personnel expenses	10	(19,816,155)	(21,326,952)
Other general and administrative expenses	11	(12,829,659)	(14,119,049)
Profit before income tax		7,264,930	6,480,381
Income tax expense	12	(477,150)	(1,988,268)
Profit for the year		6,787,780	4,492,113
Other comprehensive (loss)/income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve for financial assets measured at fair value through other comprehensive income:			
- Net change in fair value		2,027,313	970,792
- Net change in fair value transferred to profit or loss		11,828	(184,156)
Change in deferred tax		(2,168)	533
Foreign currency translation differences		(2,612,513)	732,487
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>(575,540)</i>	<i>1,519,656</i>
Total other comprehensive (loss)/ income for the year		(575,540)	1,519,656
Total comprehensive income for the year		6,212,240	6,011,769
Earnings per share			
Basic earnings per share (KZT)	28	326.63	220.76

The consolidated financial statements as set out on pages 8 to 95 were approved by management on 18 May 2021 and were signed on its behalf by:


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.

Eurasian Bank JSC
Consolidated Statement of Financial Position as at 31 December 2020

	Note	2020 KZT'000	2019 KZT'000
ASSETS			
Cash and cash equivalents	13	305,893,609	225,759,408
Financial instruments measured at fair value through profit or loss		2,058	-
Financial assets at fair value through other comprehensive income	14	94,084,577	103,781,483
Deposits and balances with banks	15	42,847,205	5,549,167
Loans to customers	16	562,432,857	644,788,006
Investments at amortised cost	17	145,102,359	28,843,636
Current tax asset		3,652	529,027
Property, plant and equipment and intangible assets	18	20,105,644	19,747,551
Right-of-use assets	18	2,443,436	3,349,774
Deferred tax assets	12	-	263,435
Other assets	19	26,773,866	24,404,278
Total assets		1,199,689,263	1,057,015,765
LIABILITIES			
Deposits and balances from banks	20	862,012	1,376,777
Amounts payable under repurchase agreements	21	1,139,662	-
Current accounts and deposits from customers	22	952,874,394	799,376,578
Debt securities issued	23	10,147,295	32,043,765
Subordinated debt securities issued	24	66,629,479	63,437,257
Other borrowed funds	25	27,335,218	33,571,380
Lease liabilities	25	2,782,926	3,557,051
Deferred tax liabilities	12	6,111,707	5,873,665
Other liabilities	26	22,756,170	18,941,135
Total liabilities		1,090,638,863	958,177,608
EQUITY			
Share capital	27	61,135,197	57,135,194
Share premium		25,632	25,632
Reserve for general banking risks		8,234,923	8,234,923
Revaluation reserve for financial assets measured at fair value through other comprehensive income		2,596,940	559,967
Cumulative presentation currency translation reserve		-	2,612,513
Retained earnings		37,057,708	30,269,928
Total equity		109,050,400	98,838,157
Total equity and liabilities		1,199,689,263	1,057,015,765
Book value per ordinary share (KZT)	27(c)	4,871.89	4,527.42

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

	2020 KZT'000	2019 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income	107,107,280	121,017,741
Interest expense	(57,559,293)	(61,617,722)
Fee and commission income	25,980,606	35,448,836
Fee and commission expense	(6,436,514)	(6,277,229)
Net payments from financial instruments measured at fair value through profit or loss	(815,088)	(1,511,089)
Net receipts from foreign exchange	7,341,807	5,477,083
Other receipts/(payments)	319,460	(2,493,669)
Personnel expenses	(19,335,439)	(21,732,151)
Other general and administrative expenses	(8,930,889)	(10,712,967)
(Increase)/decrease in operating assets		
Mandatory reserve	(21,169)	66,653
Deposits and balances with banks	(37,079,864)	(636,235)
Loans to customers	53,950,450	(57,706,695)
Other assets	1,452,382	(1,793,903)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	(706,655)	911,507
Amounts payable under repurchase agreements	1,286,598	(79,825,002)
Current accounts and deposits from customers	125,658,217	36,510,397
Other liabilities	265,825	6,083,769
Net cash provided from/(used in) operating activities before income tax paid	192,477,714	(38,790,676)
Income tax paid	(4,044)	(14,266)
Net cash from /(used in) operating activities	192,473,670	(38,804,942)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of subsidiaries net of cash outflows (Note 4)	(4,806,507)	-
Purchase of financial assets measured at fair value through other comprehensive income	(111,367,284)	(145,612,467)
Sale and redemption of financial assets measured at fair value through other comprehensive income	126,083,045	214,367,629
Purchases of precious metals	(719,899)	(350,590)
Sale of precious metals	666,066	364,972
Acquisition of investments measured at amortised cost	(267,452,153)	(590,524,955)
Repayment of investments measured at amortised cost	156,119,699	676,383,955
Acquisition of property, plant and equipment and intangible assets	(3,819,262)	(2,550,867)
Sale of property, plant and equipment and intangible assets	126,900	70,630
Net cash (used in)/from investing activities	(105,169,395)	152,148,307

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

Eurasian Bank JSC
Consolidated Statement of Cash Flows for the year ended 31 December 2020

	2020 KZT'000	2019 KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt securities issued	-	8,859,480
Repayment of debt securities issued	(22,111,429)	(1,459,300)
Repurchase of debt securities issued	-	(19,481,744)
Repayment of subordinated debt securities issued	-	(9,995,000)
Proceeds from other borrowings	-	2,000,000
Repayment of other borrowings	(6,137,646)	(3,877,500)
Payment of lease liabilities	(1,447,713)	(1,377,399)
Proceeds from issue of share capital	4,000,003	-
Net cash used in financing activities	(25,696,785)	(25,331,463)
Net increase in cash and cash equivalents	61,607,490	88,011,902
Effect of movements in exchange rates on cash and cash equivalents	18,485,481	(723,030)
Effect of movements in expected credit losses	41,230	(53,587)
Cash and cash equivalents as at the beginning of the year	225,759,408	138,524,123
Cash and cash equivalents as at the end of the year (Note 13)	305,893,609	225,759,408

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

Eurasian Bank JSC
Consolidated Statement of Changes in Equity for the year ended 31 December 2020

KZT'000	Share capital	Share premium	Reserve for general banking risks	Dynamic reserve	Revaluation reserve for financial assets measured at fair value through other comprehensive income	Cumulative presentation currency translation reserve	Retained earnings	Total equity
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								
<i>Items that are or may be reclassified subsequently to profit or loss:</i>								
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 at fair value through other comprehensive income, transferred to profit or loss	-	-	-	-	(184,156)	-	-	(184,156)
Change in deferred tax	-	-	-	-	533	-	-	533
Foreign currency translation differences	-	-	-	-	-	732,487	-	732,487
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	-	-	-	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.

Eurasian Bank JSC
Consolidated Statement of Changes in Equity for the year ended 31 December 2020

KZT'000	Share capital	Share premium	Reserve for general banking risks	Revaluation reserve for financial assets measured at fair value through other comprehensive income	Cumulative presentation currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2020	57,135,194	25,632	8,234,923	559,967	2,612,513	30,269,928	98,838,157
Total comprehensive income							
Profit for the year	-	-	-	-	-	6,787,780	6,787,780
Other comprehensive (loss)/income							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	2,027,313	-	-	2,027,313
Net change in fair value of financial assets at fair value through other comprehensive income, transferred to profit or loss	-	-	-	11,828	-	-	11,828
Change in deferred tax	-	-	-	(2,168)			(2,168)
Foreign currency translation differences	-	-	-	-	(2,612,513)	-	(2,612,513)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	-	-	2,036,973	(2,612,513)	-	(575,540)
Total other comprehensive (loss)/income	-	-	-	2,036,973	(2,612,513)		(575,540)
Total comprehensive income for the year	-	-	-	2,036,973	(2,612,513)	6,787,780	6,212,240
Transactions with owners recorded directly in equity							
Shares issued (Note 27(a))	4,000,003	-	-	-	-	-	4,000,003
Balance at 31 December 2020	61,135,197	25,632	8,234,923	2,596,940		37,057,708	109,050,400

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 activity

The accompanying consolidated financial statements include the financial statements of Eurasian Bank JSC (the “Bank”) and of its subsidiaries - Eurasian Project 1 LLP and Eurasian Project 2 LLP (31 December 2019: 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 banking licence No. №1.2.68/242/40 granted on 3 February 2020, to conduct banking and other operations and engage in activities on securities market. The principal activities of the Bank are deposit taking, maintaining customer accounts, extending loans and issuing guarantees, providing custodian services, and settlement and cash services, and securities and foreign exchange activities.

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 (the “KDIF”).

As at 31 December 2020, the Group has 17 regional branches (2019: 17) and 112 cash settlement centres (2019: 117) through which it operates in the Republic of Kazakhstan (2019: in the Republic of Kazakhstan and in the Russian Federation).

The Bank’s head office is registered at: 56 Kunayev street, Almaty, Republic of Kazakhstan. The majority of the Bank’s assets and liabilities are located in 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 merge 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 29 December 2020, the Bank closed the deal to sell its holding of shares of the subsidiary bank of Eurasian Bank JSC (the Russian Federation) to Sovcombank PJSC; share purchase price was RUB 530,644 thousand, which was settled in cash.

(b) Shareholders

As at 31 December 2020, Eurasian Financial Company JSC (“EFC”) is the Bank’s Parent Company, which owns 100% of the Bank’s shares (2019: EFC owned 100% 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 the Republic 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.

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. World Health Organisation announced COVID-19 a global pandemic on March 11, 2020. For the purpose of protection of life and health of the citizens, the Government of the Republic of Kazakhstan has imposed a state of emergency in the Republic of Kazakhstan, for the period from 16th March till 12th May, which resulted in contraction of normal economic activity of many entities in the country.

Due to the disruption of business activity and the self-isolation regime introduced in many countries, global oil demand fell sharply, which led to excessive supply and a sharp drop in oil prices and stock indices, as well as aggravated the depreciation of Kazakhstan tenge. On April 12, 2020, the world's largest oil producers, including Kazakhstan, agreed on a record reduction in crude oil production to stabilize the oil market, which nevertheless did not lead to a decrease in pressure on oil prices. The sharp decline in oil prices and production has led to a corresponding drop in oil companies' revenues and a decrease in public expenditure, which is likely to have serious economic and social consequences and lead to a decline in public sector spending. These developments further increase the uncertainty of the conditions of economic activity in Kazakhstan.

During the year ended 31 December 2020, taking into account the current operating and financial results of the Group, as well as other public information currently available, the Group analysed the dynamics of macroeconomic factors, of which GDP is a key indicator, in estimating expected credit losses on loans to customers. In addition, the Group analyses possible negative scenarios of the situation and is ready to adapt its operational plans accordingly. The Group continues to monitor the situation closely and will take the necessary measures to mitigate the impact of possible negative events and circumstances as they arise.

The accompanying consolidated financial statements reflect management's assessment of the impact of the 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 ("IFRSs").

(b) Basis of measurement

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

(c) Functional and presentation currency

The functional currency of the Group's entities is the currency of the primary economic environment in which the entities operate. The functional currency of the Bank and its subsidiaries (2019: except for Eurasian Bank PJSC, the functional currency of which is Russian Ruble) and presentation currency for the purpose of these consolidated financial statements is the Kazakhstan tenge (KZT).

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

(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 may differ from those estimates.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is included 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 ECL measurement model, including incorporation of forward-looking information – Note 3(g)(iv);
- recognition of fee and commission income on agency services - Note 3(m);
- estimates of fair values 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.

Considering the negative impact of the spread of COVID-19 on its business, the Bank assessed its financial position and modelled 'downside' case scenario, which might be plausible in 2021: the GDP growth was projected at 2.0%; Brent oil price was estimated at USD 25, and an average annual KZT exchange rate against USD was estimated at KZT 509 per USD 1.

Based on its calculations made according to the above scenario, management of the Group concluded that the range of possible outcomes in the 'worst case' scenario does not indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, as the Group has sufficient capital reserves to absorb potential losses.

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 the AQR results, the Group was provided with a report, which stated comments and recommendations on improvement of business processes, on the basis of which a detailed action plan was prepared.

Moreover, in April 2020, the Group's shareholders increased the Bank's capitalisation, having contributed KZT 4,000,003 thousand.

3 Significant accounting policies

The accounting policies set out below have been applied by the Group consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combination

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 consolidated financial statements 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 translated to the functional currency at the exchange rate 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 functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated to the functional currency using the exchange rate at the date of the transaction.

Foreign currency translation differences are recognised in profit or loss, except for equity instruments for which the Group decided to present subsequent changes in fair value within other comprehensive income. Foreign currency differences on such equity instruments are recognised in other comprehensive income.

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 December 2020	31 December 2019
KZT/EUR	516.79	429.00
KZT/USD	420.91	382.59

(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 recognised at amortised cost in the consolidated statement of financial position.

(d) Financial instruments

(i) Classification

In accordance with IFRS 9 *Financial Instruments*, financial assets are classified into the following categories depending on a business model used by the Group for management of its financial assets for generating cash flows:

Financial instruments measured at fair value through other comprehensive income (FVOCI) held within a business model ‘Held for collecting contractual cash flows and/or selling financial assets’, which meet the SPPI criterion (‘solely payments of principal and interest’). This is a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Within this model the level of sales volume is generally higher (in terms of frequency and volume of asset transactions) than within a business-model whose objective is ‘Held for collecting contractual cash flows’.

Financial instruments measured at amortised cost held within a business model ‘Held for collecting contractual cash flows’. An objective pursued under this business model is:

- to hold assets for collecting contractual cash flows;
- sales are irrelevant in relation to the objective of this model;
- within this model, the level of sales volume is generally the lowest as compared to other business-models (in terms of frequency and volume of asset transactions).

Financial instruments measured at fair value through profit or loss, held within a business model ‘Managing assets on fair-value basis and maximising collection of cash flows by selling financial assets’, which do not meet the SPPI criterion.

Within this business model, neither ‘Held for collecting’ objective nor ‘Held for collecting and/or selling’ objective is pursued. Collecting contractual cash flows is irrelevant in relation to the objective of this model.

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

- how the performance of the business model is evaluated (and the financial assets held within that business model) and how this information is communicated to key management personnel;
- 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 managers responsible for portfolio management are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Information about sales activity is not considered in isolation, 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. Information about sales in prior periods, the reasons for such sales and conditions existed at that time compared to current conditions is considered.

Management determines the category into which financial instruments have to be classified at the time of the initial recognition.

In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss 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 in the consolidated financial statements as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported in the consolidated financial statements as liabilities.

The Group reclassifies financial assets if the Group changes its business model for managing those financial assets. Reclassification is applied prospectively from the next reporting period preceding the period, in which a business model changes.

The Group classifies its financial assets as follows:

- *loans and receivables* are classified as assets measured at amortised cost as they are managed within a business model ‘Held for collecting contractual cash flows’, which meet the SPPI criterion, except for the loans that do not meet the SPPI criterion;
- *correspondent balances, interbank credits and deposits and repo agreements* are classified as assets measured at amortised cost as they are managed within a business model ‘Held for collecting contractual cash flows’, which meet the SPPI criterion;
- *debt securities* may be classified into any of the three categories depending on the selected business model and meeting the SPPI criterion;
- *equity securities* will be generally classified into the category of instruments measured at fair value with the change in fair value recognised in profit or loss for the period;
- *derivative financial instruments* are classified into the category of financial assets measured at fair value with the change in fair value recognised in profit or loss for the period.

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

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

(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 of 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 ‘Held for collecting 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 financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. 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 (provided that the fair value is measured on the basis of observable inputs). 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 on debt financial instruments 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 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 it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of 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 in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. 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, if there are no reasonable expectations for their recovery.

(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 cash and cash equivalents 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, plant and equipment are stated in the consolidated financial statements 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, plant 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. Items of property, plant and equipment are depreciated from the date that they are acquired, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Land is not depreciated. The estimated useful lives of items of property, plant and equipment are as follows:

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

(f) Intangible assets

Acquired intangible assets are stated in the consolidated financial statements at cost less accumulated amortisation and impairment losses.

Acquired computer software licences 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 requires application of 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:

- interbank deposits and interbank loans;
- cash placed in correspondent accounts;
- financial assets that are debt instruments;
- accounts receivable under documentary settlements and guarantees;
- financial guarantees issued, commitments and contingencies under unsecured letters of credit, issued or confirmed guarantees;
- loan commitments issued.

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

- debt investment securities and other financial assets that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk has not increased significantly since 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 transaction is made with a counterparty having a credit rating of BBB- according to the international rating scale of S&P rating agency or similar ratings of Moody’s and Fitch rating agencies, or a loan transaction is made with a company owned by the Government of the Republic of Kazakhstan.

12-month expected credit losses (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

When determining whether the credit risk on a financial asset has increased significantly, the Group considers:

- change in the risk of a default occurring over the expected life of a financial asset by comparing a risk of a default occurring on the financial asset with the risk of a default occurring on the financial asset as at the date of its 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 increase in credit risk on a financial asset is evidenced by the occurrence of one or more of the below events:

- significant changes in indicators of credit risk (increase in long-term probability of default point in time 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 value of collateral (more than 50% of the value at the time of initial

- recognition of an asset) for asset or in guarantee quality;
- payments are past due for thirty calendar days or more;

Monitoring work implies controlling and analysing the status of a counteragent and of the entire relations between the Group and the counteragent and consists of the following:

- control over compliance with payment discipline for a financial asset;
- regular review of a counteragent's financial statements;
- monitoring account turnover;
- monitoring the progress of the project funded by the Group.

As part of implementation of measures taken by the Government of the Republic of Kazakhstan to support small and medium-size businesses and population in connection with the COVID-19 pandemic and declared state of emergency, the Group has provided the repayment holidays for up to three months to the borrowers. The repayment holidays provided by the Group in connection with the COVID-19 pandemic were not treated automatically as an indicator of significant increase in credit risk or evidence of credit impairment, as they were based on legislative requirements, but all relevant facts and circumstances are considered in determining the IFRS staging of restructured loans. The Group considers modification of a loan in case of financial difficulties of the borrower as evidence of credit impairment of a loan.

(iii) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets 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 homogeneous financial assets;
- the restructuring of a loan by the Group due to financial difficulty of the borrower;
- it is 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 and security delisting.

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

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

- downgrade of the bonds' long-term sovereign credit rating below B in accordance with Standard&Poor's credit agency scale or in scale of other agencies transferred to Standard&Poor's scale;
- internal economic reasons (military activities in the country's territory, global natural and/or technogenic catastrophes which significantly impact the state's economy, undemocratic seizure of power and refusal servicing government debt, and other similar events which significantly affect the state's economy);
- a decision on restructuring bond acquisition liabilities.

(iv) Measurement of expected credit losses (ECL)

ECL are a probability-weighted estimate of credit losses. Subsequently, 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 the 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 transactions made with financial organisations:

- PD is derived based on global corporate and global sovereign average cumulative PDs published by S&P agency, depending on the counteragent's creditworthiness grade assigned by S&P agency or similar rating assigned by Moody's and Fitch agencies.
- For interbank deposits and interbank loans and cash placed in correspondent accounts, LGD is derived based on Recovery Rate for unsecured bonds, published by Moody's agency.
- For unsecured corporate bonds of the issuers, LGD is determined at 70%.

For loans related both to individual and homogeneous financial assets, PD and LGD are derived based on statistical models used by the Group and other historical data, considering forward-looking information on macroeconomic factors.

Individual financial assets

Estimate of PD on loans related to individual financial assets is based on historical data on borrowers' ratings which are determined at the time of consideration of lending application and during quarterly monitoring, and on historical data on the borrowers' default rates for the period of observation of at least five years.

Estimate of PD corresponding to borrower's credit rating is based on determination of a ratio of total balance sheet debt of defaulted borrowers to total balance sheet debt (average for the year) of a borrower with a certain credit rating, for a period of 1 calendar year, at each reporting date of the observation period, for the observation period.

Homogeneous financial assets

Estimate of PD on loans related to homogeneous financial assets is based on historical data on borrowers' default rates 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 2020 used 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, %	United States dollar exchange rate (average annual)	Export, bln. USD	Revenues of the Republic's budget (bln. KZT)	Oil price, USD	Basic rate of NB of Kazakhstan, in%
2021 forecast	6.0	2.8	445.0	41.40	6,926	35.0	8.50

Based on the correlation results, scripting was applied:

- for individual financial assets: the average annual exchange rate of the US dollar in three scenarios on the level of heterogeneous financial assets that defaulted in the analysed period:

Period	USD exchange rate (average annual base)	USD exchange rate (average annual upside)	USD exchange rate (average annual downside)
2021 forecast	445.0	420.0	509.0

- for homogeneous financial assets: inflation under three scenarios, at the level of individual /homogeneous financial assets being in default during the year in the observation period:

Period	Inflation (base scenario), %	Inflation (upside scenario), %	Inflation (downside scenario), %
2021 forecast	6.0	4.0	7.0

Impact assessment is performed using the linear regression method (statistics for at least 5 years); PIT coefficient is calculated as a ratio of projected default rate (D) to an average D over the over the latest 12-month period.

LGD is estimated by the Group as a difference between carrying amount of an asset and amount of cash recovered (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 original effective interest rate of a financial asset (i.e. effective interest rate calculated on initial recognition).

Exposure at default (EAD) 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 and arising from amortisation. The EAD of homogeneous financial assets is the gross carrying amount.

(v) *Recognised impairment losses*

All impairment losses on loans and receivables (including reversal of impairment losses or impairment gain) 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 reasonable expectation of recovering a financial asset. 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. 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 tax assets, are assessed at each reporting date to determine whether there is any indication 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 cash generated unit (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 when the carrying amount of an asset or its cash-generating unit 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 reversed is only reversed 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 in consolidated financial statements.

(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 amount of such liability is significant, 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 the risks specific to the liability.

A provision for restructuring is recognised 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 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 commitments are included in other liabilities.

Loan commitments are not recognised in the consolidated financial statements, 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 loans 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 for financial reporting purposes 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.

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 and other comprehensive income.

(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 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.

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(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) Leases

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*.

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

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, and depreciation charge for right-of-use assets and interest expense on lease liabilities.

Lease liability is determined on initial recognition as present value of lease payments and expected payments till the end of the lease term using a discount rate as a borrowing rate. The cost of right-of-use assets includes the amount of initially estimated lease liabilities, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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 is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the 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 consolidated statement of profit or loss and other comprehensive income, 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 consolidated 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

A number of new amendments to standards and interpretations are effective from 1 January 2020. The amended standards and interpretations have no significant impact on the Group’s consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards;
- *Definition of a business (Asset acquisition and Business acquisition)* (Amendments to IFRS 3);
- *Definition of Material* (Amendments to IAS 1 and IAS 8).

New and revised IFRS standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 with earlier application permitted. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements:

- *Interest Rate Benchmark Reform (IBOR)– Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16;*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 Property, Plant and Equipment);*
- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);*
- *Annual Improvements to IFRS Standards 2018-2020 Cycle;*
- *Reference to Conceptual Framework (Amendments to IFRS 3);*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1);*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*

4 Disposal of subsidiary

On 29 December 2020, the Group closed a deal to sell its holding of shares of the subsidiary bank Eurasian Bank JSC (the Russian Federation) to Sovcombank PJS; share purchase price was RUB 530,644 thousand, which was settled in cash. The Group also assigned to Sovcombank PJSC the rights of claim on its subordinated loans issued to the subsidiary.

Assets and liabilities of the subsidiary as at the date of loss of control are as follows:

	29 December 2020 (unaudited) KZT'000
ASSETS	
Cash and cash equivalents	12,243,520
Financial instruments at FVTPL	304,624
Deposits and balances with banks	56,931
Loans to customers	112,189
Property, plant and equipment and intangible assets	248,808
Right-of-use assets	852,272
Deferred tax assets	10,335
Other assets	123,828
Total assets	13,952,507
LIABILITIES	
Deposits and balances from banks	318,819
Current accounts and deposits from customers	3,344,070
Other borrowed funds	4,362,211
Lease liabilities	913,849
Other liabilities	102,948
Total liabilities	9,041,897
Net disposed assets	4,910,610
	At the date of disposal
Net assets and liabilities of subsidiary	(4,910,610)
Previously recognised goodwill relating to subsidiary	(243,480)
Effect of inter-group transactions	(12,477)
Consideration received settled in cash	3,035,284
Loss on disposal	(2,131,283)
Disposed cash	(12,189,850)
Cash consideration received for assignment of the rights of claim on subordinated loans	4,348,059
Net cash outflow	(4,806,507)

The effect of the results of the subsidiary's activities on profit for the 2020 year amounted to a loss of 552,161 thousand tenge.

5 Interest income and expense

	2020 KZT'000	2019 KZT'000
Interest income calculated using the effective interest method		
Loans to customers measured at amortised cost	104,931,089	106,404,931
Financial assets measured at fair value through other comprehensive income	6,925,348	10,236,988
Investments measured at amortised cost	6,407,648	4,863,382
Amounts receivable under reverse repurchase agreements	1,412,710	1,084,689
Cash and cash equivalents	893,668	828,524
Deposits and balances with banks	15,564	43,302
Other financial assets	255,935	
	120,841,962	123,461,816
Other interest income		
Loans to customers measured at fair value	634,549	828,752
Securities measured at fair value through profit or loss	7,844	-
	121,484,355	124,290,568
Interest expense		
Current accounts and deposits from customers	(46,262,778)	(46,366,814)
Subordinated debt securities issued	(10,375,143)	(10,754,453)
Debt securities issued	(2,114,971)	(3,710,176)
Other borrowed funds	(868,802)	(1,296,171)
Amounts payable under repurchase agreements	(566,604)	(1,206,181)
Lease liabilities	(317,914)	(369,960)
Deposits and balances from banks	(6,167)	-
	(60,512,379)	(63,703,755)
	60,971,976	60,586,813

6 Fee and commission income and expense

	2020 KZT'000	2019 KZT'000
Agency services	14,776,266	26,273,578
Payment card maintenance fees	5,670,134	4,729,632
Settlement	2,040,839	2,151,417
Cash withdrawal	1,358,426	1,257,512
Guarantee and letter of credit issuance	792,503	1,066,908
Custodian services	38,480	48,222
Cash collection	28,246	32,525
Other	592,486	585,044
	25,297,380	36,144,838
Fee and commission expenses		
Payment card maintenance fees	(4,902,292)	(4,568,425)
Settlement	(628,159)	(764,632)
Services of the State Centre for Pension Payments and credit bureaus	(387,046)	(433,247)
Cash withdrawal	(258,261)	(208,049)
Custodian services	(67,277)	(229,250)
Securities operations	(52,299)	(30,008)
Other	(140,781)	(43,295)
	(6,436,115)	(6,276,906)
	18,861,265	29,867,932

7 Net loss on financial instruments measured at fair value through profit or loss

	2020 KZT'000	2019 KZT'000
Gain on change in the value of loans to customers measured at fair value	13,968	69,918
Net unrealised loss on financial instruments measured at fair value through profit or loss	(1,690)	-
Net realised loss on financial instruments measured at fair value through profit or loss	(511,379)	(2,584,765)
	(499,101)	(2,514,847)

8 Net foreign exchange gain

	2020 KZT'000	2019 KZT'000
Dealing operations, net	7,341,807	5,477,083
Translation differences, net	904,313	(436,155)
	8,246,120	5,040,928

9 Impairment losses on debt financial assets

	2020 KZT'000	2019 KZT'000
Loans to customers (Note 16)	45,429,321	48,479,189
Other assets (Note 19)	1,486,588	1,860,127
Financial assets measured at fair value through other comprehensive income (Note 14)	3,347	4,546
Investments measured at amortised cost (Note 17)	860	3,975
Deposits and balances with banks (Note 15)	86	586
Cash and cash equivalents (Note 13)	(41,230)	53,587
	46,878,972	50,402,010

10 Personnel expenses

	2020 KZT'000	2019 KZT'000
Wages, salaries, bonuses and related taxes	18,985,368	20,410,115
Other employee costs	830,787	916,837
	19,816,155	21,326,952

11 Other general and administrative expenses

	2020 KZT'000	2019 KZT'000
Depreciation and amortisation	2,943,010	3,193,634
Communication and information services	2,543,336	2,670,392
Depreciation of right-of-use assets	1,647,512	1,583,373
Taxes other than income tax	1,088,788	1,138,432
Security	825,861	805,400
Repair and maintenance	710,592	685,859
Professional services	446,858	782,221
Advertising and marketing	353,855	751,493
Cash collection	275,334	248,812
Operating lease expense	223,746	178,383
Stationary and office supplies	192,471	273,502
Business travel	121,254	243,628
Transportation	78,725	74,616
Insurance	72,545	210,525
Other	1,305,772	1,278,779
	12,829,659	14,119,049

12 Income tax expense

	2020 KZT'000	2019 KZT'000
Current income tax expense		
Current period	4,044	1,048
Adjustment of current income tax expenses for prior periods	761	-
	4,805	1,048
Deferred income tax expense		
Origination and reversal of temporary differences	472,345	1,987,220
Total income tax expense	477,150	1,988,268

In 2020, the applicable tax rate for current and deferred tax is 20% (2019: 20%).

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

	2020 KZT'000	%	2019 KZT'000	%
Profit before tax	7,264,930		6,480,381	
Income tax at the applicable tax rate	1,452,986	20.00	1,296,076	20.00
Tax-exempt income on securities	(2,629,802)	(36.20)	(3,013,901)	(46.51)
Adjustment of current income tax expenses for prior periods	761	0.01	-	-
Impairment losses	513,588	7.07	2,034,350	31.39
Non-deductible expense/(non-taxable income)	1,139,617	15.69	1,671,743	25.80
	477,150	6.57	1,988,268	30.68

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 assets and liabilities as at 31 December 2020 and 2019.

Tax loss carry-forwards originated in 2017 will expire on 31 December 2027. During 2020, the Group utilised tax loss of KZT 8,964,424 thousand (2019: KZT 13,600,586 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 2020 and 31 December 2019 are as follows:

2020 KZT'000	Balance at 1 January 2020	Recognised in profit or loss	Recognised in equity	Effect of disposal of subsidiary	Balance at 31 December 2020
Loans to customers	87,413	1,023,540	(9,819)	-	1,101,134
Property, plant and equipment	(1,018,737)	(57,845)	(625)	(7,666)	(1,084,873)
Securities measured at fair value through other comprehensive income and at amortised cost	533	-	(2,168)	-	(1,635)
Other assets	60,094	(38,886)	-	-	21,208
Subordinated debt securities issued	(20,553,556)	508,267	-	-	(20,045,289)
Warranties	46,459	(40,581)	(3,209)	(2,669)	-
Other liabilities	375,238	(51,186)	(2,976)	-	321,076
Right-of-use assets	(596,916)	108,229	-	-	(488,687)
Lease liabilities	635,586	(79,001)	-	-	556,585
Interest payable on deposits and balances with banks	1,730	(1,688)	-	-	42
Tax loss carry-forwards	15,351,926	(1,843,194)	-	-	13,508,732
	(5,610,230)	(472,345)	(18,797)	(10,335)	(6,111,707)

2019 KZT'000	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)
Warranties	-	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)

13 Cash and cash equivalents

	2020 KZT'000	2019 KZT'000
Cash on hand	30,098,896	36,970,584
Nostro accounts with the NBRK and the CBRF	143,104,232	83,882,592
Nostro accounts with other banks		
- rated from AA- to AA+	26,057,564	18,552,020
- rated from A- to A+	1,732,281	286,347
- rated from BBB- to BBB+	7,657,089	5,217,457
- rated from BB- to BB+	551,617	1,816,612
- rated from B- to B+	77,391	56,158
- not rated	302,525	102,325
Total Nostro accounts with other banks	36,378,467	26,030,919
Term deposits with the NBRK and the CBRF	95,189,422	65,349,182
Term deposits with other banks		
- rated from BBB- to BBB+	1,124,115	-
- rated from BB- to BB+	-	1,848,000
- rated from B- to B+	-	4,317,691
Total term deposits with other banks	1,124,115	6,165,691
Amounts receivable under reverse repurchase agreements		
- rated from BBB- to BBB+	-	3,416,233
- not rated*	-	4,000,001
Total cash and cash equivalents before allowance for expected credit losses	305,895,132	225,815,202
Allowance for expected credit losses	(1,523)	(55,794)
Total cash and cash equivalents	305,893,609	225,759,408

* 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 2020 the Group has 2 banks (31 December 2019: 2 banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2020 is KZT 264,351,218 thousand (31 December 2019: KZT 160,841,688 thousand).

During 2020 and 2019, 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 2020, the fair value of financial assets that serve as collateral under reverse repurchase agreements is KZT 1,204,349 thousand (31 December 2019: KZT 7,672,955 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 (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 2020 the minimum reserves amounted to KZT 17,384,894 thousand (31 December 2019: KZT 14,395,261 thousand).

14 Financial assets at fair value through other comprehensive income

	2020 KZT'000	2019 KZT'000
Held by the Group		
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	78,512,607	23,271,216
NBRK discount notes	2,869,489	61,219,618
US treasury bonds	-	15,797,007
<i>Bonds of development banks</i>		
Asian Development Bank bonds	2,941,833	-
<i>Corporate bonds</i>		
rated from BBB- to BBB+	7,262,473	1,006,092
rated from B- to B+	2,498,175	2,487,550
	94,084,577	103,781,483

As at 31 December 2020 allowance for expected credit losses on financial assets measured fair value through other comprehensive income was KZT 44,185 thousand (31 December 2019: KZT 41,157 thousand).

As at 31 December 2020 and 31 December 2019, 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 financial assets at fair value through other comprehensive income are overdue or impaired as at 31 December 2020 and 2019.

15 Deposits and balances with banks

	2020 KZT'000	2019 KZT'000
Mandatory reserves with the CBRF	-	38,574
Term deposits		
- conditional deposit with the NBRK	37,283,936	2,554,172
- rated from AA- to AA+"	1,503,613	838,875
- rated from A- to A+	2,287,380	2,069,760
- rated from B- to B+	1,707,699	-
- not rated	66,000	49,000
Total term deposits	42,848,628	5,511,807
Total deposits and balances with banks before allowance for expected credit losses	42,848,628	5,550,381
Allowance for expected credit losses	(1,423)	(1,214)
Total deposits and balances with banks	42,847,205	5,549,167

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 2020 and 2019, all deposits and balances with banks are categorised into Stage 1 of the credit risk grade.

As at 31 December 2020, a conditional deposit with the NBRK comprises funds of KZT 35,286,125 thousand received from the "Kazakhstan Sustainability Fund" JSC ("KSF JSC") (31 December 2019: KZT 0), KZT 993,042 thousand (31 December 2019: KZT 1,699,449 thousand) received from the "Development Bank of Kazakhstan" JSC ("DBK JSC") and KZT 1,004,769 thousand (31 December 2019: KZT 854,723 thousand) received from "DAMU Entrepreneurship Development Fund" JSC ("EDF DAMU JSC") in accordance with the loan agreements with "KSF" JSC, "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 "KSF JSC", "DBK" JSC and "EDF DAMU" JSC, respectively.

Funds from "KFU" JSC were raised as part of the Program for preferential lending to small and medium-sized enterprises, approved by NBK Resolution No. 39 of March 19, 2020. The purpose of the funds is to finance small and medium-sized enterprises affected by the introduction of a state of emergency, to replenish working capital at a rate of up to 8% per annum for a period of no more than 12 months (but no later than December 31, 2021). In accordance with the terms of the program, the funds from repayment of loans are returned to the current account and can be withdrawn from the conditional deposit only after the approval of "KSF" JSC.

Movements in the loss allowance for expected credit losses for deposits and balances with banks for the year ended 31 December 2020 are as follows:

Deposits and balances with banks at amortised cost	Stage 1 KZT'000	Total KZT'000
Loss allowance for expected credit losses at the beginning of the year	1,214	1,214
Net remeasurement of loss allowance	86	86
Foreign exchange and other movements	123	123
Loss allowance for expected credit losses at the end of the year	1,423	1,423

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 at amortised cost	Stage 1 KZT'000	Total KZT'000
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

Concentration of deposits and balances with banks

As at 31 December 2020 the Group has no deposits and balances with banks, except NBRK (2019: nil), whose balances exceed 10% of equity.

16 Loans to customers

	2020 KZT'000	2019 KZT'000
Loans to customers measured at amortised cost		
Loans to corporate customers		
Loans to large corporates	211,498,310	208,744,751
Loans to small- and medium-size companies	13,254,381	18,102,814
Total loans to corporate customers	224,752,691	226,847,565
Loans to retail customers		
Uncollateralised consumer loans	269,122,585	336,964,227
Car loans	167,638,429	173,750,608
Mortgage loans	11,637,155	12,370,903
Non-program loans on individual terms	6,381,350	7,544,532
Loans for individual entrepreneurship	3,311,473	4,289,175
Loans issued under <i>Business Auto</i> Program	2,501,937	-
Total loans to retail customers	460,592,929	534,919,445
Loans to customers measured at amortised cost before allowance for expected credit losses	685,345,620	761,767,010
Allowance for expected credit losses	(127,521,016)	(125,068,984)
Loans to customers measured at amortised cost net of allowance for expected credit losses	557,824,604	636,698,026
Loans to customers measured at fair value through profit or loss		
Loans to corporate customers		
Loans to large corporates	4,608,253	8,079,667
Loans to retail customers		
Mortgage loans	-	10,313
Total loans to customers measured at fair value through profit or loss	4,608,253	8,089,980
Total loans to customers	562,432,857	644,788,006

Movements in the impairment allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2020 are as follows:

KZT'000	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	19,895,077	1,801,229	102,952,832	419,846	125,068,984
Transfer to Stage 1	5,787,213	(2,541,684)	(3,245,529)	-	-
Transfer to Stage 2	(3,221,445)	6,462,876	(3,241,431)	-	-
Transfer to Stage 3	(1,161,651)	(6,016,439)	7,178,090	-	-
Net remeasurement of loss allowance*	(15,792,986)	9,531,477	39,753,192	534,521	34,026,204
New financial assets originated or purchased	11,403,117	-	-	-	11,403,117
Financial assets that have been derecognised**	-	-	-	-	-
(Write-offs of loans)/recovery of previously written off loans	-	-	(44,788,749)	(419,581)	(45,208,330)
Unwinding of discount on present value of expected credit losses	-	-	1,970,152	154,897	2,125,049
Recognition of POCI-assets	-	-	(266,517)	-	(266,517)
Disposal of subsidiary	(11)	(795)	(11,705)	-	(12,511)
Foreign exchange and other movements	(179,193)	816,578	(252,365)	-	385,020
Loss allowance for expected credit losses at the end of the year	16,730,121	10,053,242	100,047,970	689,683	127,521,016

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

** Excludes repayments (including early repayments).

KZT'000	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	1,781,217	548,741	49,464,179	419,846	52,213,983
Transfer to Stage 1	516	(516)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(65,293)	(138,693)	203,986	-	-
Net remeasurement of loss allowance*	(712,086)	5,510,188	16,280,805	439,851	21,518,758
New financial assets originated or purchased	317,137	-	-	-	317,137
Financial assets that have been derecognised**	-	-	-	-	-
Write-offs of loans	-	-	(18,005,837)	(462,633)	(18,468,470)
Unwinding of discount on present value of expected credit losses	-	-	1,612,908	154,023	1,766,931
Recognition of POCI-assets	-	-	(1,162)	-	(1,162)
Disposal of subsidiary	(11)	(795)	(11,705)	-	(12,511)
Foreign exchange and other movements	394,491	73,325	(304,589)	-	163,227
Loss allowance for expected credit losses at the end of the year	1,715,971	5,992,250	49,238,585	551,087	57,497,893

KZT'000	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	18,113,860	1,252,488	53,488,653	-	72,855,001
Transfer to Stage 1	5,786,697	(2,541,168)	(3,245,529)	-	-
Transfer to Stage 2	(3,221,445)	6,462,876	(3,241,431)	-	-
Transfer to Stage 3	(1,096,358)	(5,877,746)	6,974,104	-	-
Net remeasurement of loss allowance*	(15,080,900)	4,021,289	23,472,387	94,670	12,507,446
New financial assets originated or purchased	11,085,980	-	-	-	11,085,980
Financial assets that have been derecognised**	-	-	-	-	-
(Write-offs of loans)/recovery of previously written off loans	-	-	(26,782,912)	43,052	(26,739,860)
Unwinding of discount on present value of expected credit losses	-	-	357,244	874	358,118
Recognition of POCI-assets	-	-	(265,355)	-	(265,355)
Foreign exchange and other movements	(573,684)	743,253	52,224	-	221,793
Loss allowance for expected credit losses at the end of the year	15,014,150	4,060,992	50,809,385	138,596	70,023,123

* 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 2019 are as follows:

KZT'000	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 expected credit losses	-	-	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).

KZT'000	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	-	-	(13,010,947)	(148,578)	(13,159,525)
Unwinding of discount on present value of expected credit losses	-	-	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

KZT'000	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 expected credit losses	-	-	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).

During 2020, the Group has written off loans of KZT 45,208,330 thousand, which resulted in decrease in loss allowance for expected credit on loans referred to as Stage 3 and POCI for the same amount (2019: KZT 18,020,541 thousand).

The high volume of loans to customers originated during the year has caused increase in the gross book value of the loan portfolio by KZT 359,931,646 thousand, (2019: KZT 533,197,480 thousand), with a corresponding increase of loss allowance assessed on a 12-month basis by KZT 11,403,117 thousand (2019: KZT 20,459,083 thousand).

The high volume of loans repaid during the year decreased the gross carrying amount of the loan portfolio by KZT 507,207,288 thousand (2019: KZT 583,503,640 thousand) with a corresponding decrease in the loss allowance by KZT 26,003,556 thousand (2019: KZT 29,292,383 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.

The following table provides information by types of loan products for loans measured at amortised cost as at 31 December 2020:

	Gross amount KZT'000	Loss allowance for expected credit losses KZT'000	Carrying amount KZT'000
Loans to corporate customers			
Loans to large corporates	211,498,310	(53,158,956)	158,339,354
Loans to small- and medium-size companies	13,254,381	(4,338,937)	8,915,444
Loans to retail customers			
Uncollateralised consumer loans	269,122,585	(58,207,915)	210,914,670
Car loans	167,638,429	(7,318,294)	160,320,135
Mortgage loans	11,637,155	(1,593,826)	10,043,329
Non-program loans on individual terms	6,381,350	(1,352,974)	5,028,376
Loans for individual entrepreneurship	3,311,473	(1,347,446)	1,964,027
Loans issued under <i>Business Auto</i> Program	2,501,937	(202,668)	2,299,269
Total loans to customers	685,345,620	(127,521,016)	557,824,604

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

	Gross amount KZT'000	Loss allowance for expected credit losses KZT'000	Carrying amount KZT'000
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-program 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

(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 2020.

KZT'000	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	14,754,098	-	-	-	14,754,098
Low risk	54,724,978	-	-	-	54,724,978
Medium risk	-	26,055,297	5,126,146	264,442	31,445,885
Increased risk	-	-	68,288,429	-	68,288,429
Problem	-	-	3,139,521	227,963	3,367,484
High risk	-	-	36,057,321	457,252	36,514,573
Not rated (secured with cash)	2,402,863	-	-	-	2,402,863
Total loans to large corporates	71,881,939	26,055,297	112,611,417	949,657	211,498,310
Loss allowance	(1,686,934)	(5,992,250)	(44,928,685)	(551,087)	(53,158,956)
Carrying amount	70,195,005	20,063,047	67,682,732	398,570	158,339,354

KZT'000	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	3,226,628	-	-	-	3,226,628
Low risk	3,397,723	-	-	-	3,397,723
Medium risk	-	-	526,866	-	526,866
Problem	-	-	47,793	-	47,793
High risk	-	-	5,238,022	-	5,238,022
Not rated	479,169	-	42,640	-	521,809
Not rated (secured with cash)	295,540	-	-	-	295,540
Total loans to small- and medium-size companies	7,399,060	-	5,855,321	-	13,254,381
Loss allowance	(29,037)	-	(4,309,900)	-	(4,338,937)
Carrying amount	7,370,023	-	1,545,421	-	8,915,444

KZT'000	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 at initial recognition	Total
Car loans					
Not overdue	142,088,181	5,915,738	7,929,520	46	155,933,485
Overdue less than 30 days	3,243,008	1,653,132	1,049,700	-	5,945,840
Overdue 30-89 days	-	498,102	434,810	-	932,912
Overdue 90-179 days	-	-	1,284,827	-	1,284,827
Overdue 180-360 days	-	-	590,150	-	590,150
Overdue more than 360 days	-	-	2,951,215	-	2,951,215
	145,331,189	8,066,972	14,240,222	46	167,638,429
Loss allowance	(1,598,338)	(555,586)	(5,164,324)	(46)	(7,318,294)
Net car loans	143,732,851	7,511,386	9,075,898	-	160,320,135
Uncollateralised consumer loans					
Not overdue	190,771,309	10,013,294	20,864,352	-	221,648,955
Overdue less than 30 days	6,886,775	3,130,975	1,658,332	-	11,676,082
Overdue 30-89 days	-	2,632,761	865,869	-	3,498,630
Overdue 90-179 days	-	46,363	10,439,400	-	10,485,763
Overdue 180-360 days	-	-	4,297,627	-	4,297,627
Overdue more than 360 days	-	-	17,515,528	-	17,515,528
	197,658,084	15,823,393	55,641,108	-	269,122,585
Loss allowance	(13,199,150)	(3,406,523)	(41,602,242)	-	(58,207,915)
Carrying amount	184,458,934	12,416,870	14,038,866	-	210,914,670
Non-program loans on individual terms					
Not overdue	3,677,554	-	170,430	234,903	4,082,887
Overdue 30-89 days	-	-	53,242	-	53,242
Overdue more than 360 days	-	-	2,245,221	-	2,245,221
	3,677,554	-	2,468,893	234,903	6,381,350
Loss allowance	(12,597)	-	(1,288,883)	(51,494)	(1,352,974)
Carrying amount	3,664,957	-	1,180,010	183,409	5,028,376
Mortgage loans					
Not overdue	8,128,428	554,251	472,988	121,602	9,277,269
Overdue less than 30 days	109,023	83,841	159,258	7,028	359,150
Overdue 30-89 days	-	37,831	181,375	37,115	256,321
Overdue 90-179 days	-	-	132,552	-	132,552
Overdue 180-360 days	-	-	166,599	-	166,599
Overdue more than 360 days	-	-	1,445,264	-	1,445,264
	8,237,451	675,923	2,558,036	165,745	11,637,155
Loss allowance	(84,016)	(34,742)	(1,388,266)	(86,802)	(1,593,826)
Carrying amount	8,153,435	641,181	1,169,770	78,943	10,043,329
Loans for individual entrepreneurship					
Not overdue	1,106,996	182,523	585,818	424	1,875,761
Overdue less than 30 days	528	44,521	54,295	-	99,344
Overdue 30-89 days	-	5,895	42,836	-	48,731
Overdue 90-179 days	-	3,160	4,487	-	7,647
Overdue 180-360 days	-	-	41,265	-	41,265
Overdue more than 360 days	-	-	1,238,725	-	1,238,725
	1,107,524	236,099	1,967,426	424	3,311,473
Loss allowance	(16,723)	(61,963)	(1,268,506)	(254)	(1,347,446)
Carrying amount	1,090,801	174,136	698,920	170	1,964,027
Loans used under Business Auto Program					
Not overdue	2,083,443	13,171	399,860	-	2,496,474
Overdue less than 30 days	5,463	-	-	-	5,463
	2,088,906	13,171	399,860	-	2,501,937
Loss allowance	(103,326)	(2,178)	(97,164)	-	(202,668)
Carrying amount	1,985,580	10,993	302,696	-	2,299,269

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

KZT'000	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

KZT'000	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

KZT'000	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-program 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

(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 0.88-26.06%, referred to as Stage 2 in terms of credit quality - 0.29-39.16%, depending on the borrower's internal rating;
- LGD for loans referred to as 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 79.46%. LGD for loans referred to as 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 2020 would be KZT 1,672,548 thousand lower/higher.

(ii) Loans to retail customers and other loans measured on a collective basis

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 5.67-15.32% (minimum value of 5.67% relates to the product "Auto lending" and maximum value of 15.32% relates to the product "UnCL" ("Uncollateralised consumer loans")); lifetime PD referred to as Stage 2 in terms of credit quality was 30.70-48.58%, depending on the group of products of homogeneous retail portfolio (minimum value of 30.70% relates to the product "PayRoll" ("Uncollateralised consumer loans") and maximum value of 48.58% relates to the product "UnCL" ("Uncollateralised consumer loans"));
- recovery rates for uncollateralised loans are estimated based on historical cash recovery rates for the past 5-8 years; LGD for products of homogeneous portfolio referred to as Stage 1 and Stage 2 was 50.25% for the product "Car" (car loans) and 66.96% for the product "POS" (Uncollateralised consumer loans); Recovery rate for products of homogeneous portfolio referred to as Stage 3 was varied from 23.46% for the "Business Car SME" product to 100% for the "Uncollateralised consumer loans" product;
- 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 2020 would be KZT 11,717,094 thousand lower/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 2020 KZT'000	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 measured at amortised cost				
Loans not credit-impaired				
Real estate	43,077,940	41,813,820	1,264,120	-
Vehicles	19,581,524	19,567,155	14,369	-
Corporate guarantees and guarantees of individuals	5,513,711	-	-	5,513,711
Construction-in-progress	-	-	-	-
Cash and deposits	5,663,102	5,663,102	-	-
Insurance	3,526,072	-	-	3,526,072
Goods in turnover	2,538,151	2,538,151	-	-
Equipment	1,657,282	1,657,282	-	-
Mineral rights	354,181	354,181	-	-
Property/money in the future	65,398	65,398	-	-
Other collateral	4,781	4,781	-	-
No collateral and other credit enhancements	15,645,933	-	-	15,645,933
Total unimpaired loans	97,628,075	71,663,870	1,278,489	24,685,716
31 December 2020 KZT'000				
Credit-impaired loans				
Real estate	62,857,708	62,645,188	212,520	-
Construction-in-progress	4,794,464	4,794,464	-	-
Equipment	942,039	942,039	-	-
Corporate guarantees and guarantees of individuals	474,720	-	-	474,720
Vehicles	163,043	163,029	14	-
Other collateral	71,281	71,281	-	-
Cash and deposits	9,809	9,809	-	-
No collateral and other credit enhancements	313,659	-	-	313,659
Total credit-impaired loans	69,626,723	68,625,810	212,534	788,379
Total loans to corporate customers measured at amortised cost	167,254,798	140,289,680	1,491,023	25,474,095
Loans measured at fair value				
Real estate	4,608,253	4,608,253	-	-
Total loans to corporate customers measured at fair value	4,608,253	4,608,253	-	-
	171,863,051	144,897,933	1,491,023	25,474,095

31 December 2019 KZT'000	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 of 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 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 enhancement	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 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 enhancement	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 enhancement	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

The tables above exclude overcollateralisation.

The key assumption with respect to Stage 3 impaired loans is the valuation of underlying real estate collateral. This is valued at the reporting date, by a combination of income based methods and comparative sales. Third party appraisers are engaged by the Group for more significant and specialised pieces of collateral.

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 the majority of loans the fair value of collateral was assessed 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 impairment 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 past due 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 1,097,395 thousand (31 December 2019: KZT 1,519,356 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 263,014 thousand (31 December 2019: KZT 349,898 thousand).

Management believes that fair value of collateral for mortgage loans with a net carrying amount of KZT 8,945,934 thousand (31 December 2019: KZT 8,623,707 thousand), 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.

The fair value of collateral for mortgage loans with a net carrying amount of 2,982,828 thousand (31 December 2019: KZT 3,703,525 thousand) 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 248,142 thousand (31 December 2019: KZT 334,304 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 38,335 thousand (31 December 2019: KZT 13,402 thousand).

Management believes that the fair value of collateral for loans for individual entrepreneurship with a net carrying amount of KZT 1,715,885 thousand (31 December 2019: KZT 2,661,270 thousand) 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.

Management believes that the fair value of collateral for loans for individual entrepreneurship with a net carrying amount of KZT 153,467 thousand (31 December 2019: KZT 123,803 thousand) 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 233,012 thousand (31 December 2019: KZT 3,358,219 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 137,826 thousand (31 December 2019: KZT 2,220,480 thousand).

Management believes that the fair value of collateral for non-programme loans on individual terms with a net carrying amount of KZT 4,795,364 thousand (31 December 2019: KZT 1,427,110 thousand) 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.

Management believes that the fair value of collateral for non-programme loans on individual terms with a net carrying amount of KZT 34,667 thousand (31 December 2019: KZT 36,539 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 credit KZT 2,166,208 thousand (31 December 2019: KZT 75,773 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 253,637 thousand (31 December 2019: KZT 73,939 thousand).

Management believes that fair value of collateral for car loans with a net carrying amount of KZT 158,153,927 thousand (31 December 2019: KZT 162,580,630 thousand), 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:

	2020 KZT'000	2019 KZT'000
Loans to corporate customers - at amortised cost		
Construction	50,393,008	47,091,548
Wholesale trade	44,243,107	56,401,451
Manufacturing	26,475,208	24,655,383
Real estate	23,019,058	24,109,789
Retail trade	19,283,173	24,031,231
Financial intermediary	19,134,592	13,166,950
Textile manufacturing	9,506,188	9,963,800
Food production	9,421,832	7,915,754
Services	9,266,209	3,444,208
Agriculture, forestry and timber industry	6,756,255	10,080,494
Machinery manufacturing	2,328,479	88,301
Mining/metallurgy	2,130,720	2,588,993
Transport	1,976,777	1,969,841
Lease, rental and leasing	295,928	318,261
Medical and social care	62,929	144,340
Electrical power generation and supply	30,122	108,767
Research activities	3,072	13,448
Other	426,034	755,006
Loans to retail customers at amortised cost:		
Uncollateralised consumer loans	269,122,585	336,964,227
Car loans	167,638,429	173,750,608
Mortgage loans	11,637,155	12,370,903
Non-programme loans issued on individual terms	6,381,350	7,544,532
Loans for individual entrepreneurship	3,311,473	4,289,175
Loans under Business Agro programme	2,501,937	-
	685,345,620	761,767,010
Allowance for expected credit losses	(127,521,016)	(125,068,984)
Total loans to corporate customers measured at amortised cost	557,824,604	636,698,026
Loans to corporate customers measured at fair value		
Mining/metallurgy	4,608,253	8,079,667
Total loans to corporate customers measured at fair value	4,608,253	8,079,667
Loans to retail customers measured at fair value		
Mortgage loans	-	10,313
Total loans to retail customers measured at fair value	-	10,313
Total loans to customers measured at fair value	4,608,253	8,089,980
	562,432,857	644,788,006

As at 31 December 2020 the Group has 6 borrowers or groups of related borrowers (31 December 2019: 6), whose loan balances exceed 10% of equity. The gross value of these balances (before allowance for expected credit losses) as at 31 December 2020 is KZT 111,442,376 thousand (31 December 2019: KZT 114,999,380 thousand).

(e) Loan maturities

The maturity of the Bank's loan portfolio as at the reporting date is presented in Note 30(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

(f) Transfer of financial assets

In 2020, as part of its participation in the state mortgage programmes '7-20-25' and "Market Mortgage Product" ("Baspana Hit") the Group transferred to Baspana Mortgage Organisation JSC the mortgage loans of KZT 1,917,990 thousand (2019: KZT 1,653,303 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 3,437,654 thousand (2019: KZT 1,798,934 thousand).

During 2020, the Group did not sell other consumer loans to third parties (during 2019: 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 2020 the Group's continuing involvement with such transferred portfolio is recorded in the consolidated statement of financial position in other assets (Note 19) in the amount of KZT 18,583 thousand (31 December 2019: KZT 1,429,693 thousand) with corresponding liability on continuing involvement included in other liabilities of KZT 13,131 thousand (31 December 2019: KZT 809,164 thousand) (Note 26) and the guarantee with the fair value of KZT zero (31 December 2019: KZT 149,438 thousand) recognised in other liabilities. This asset also includes an interest strip receivable of KZT zero (31 December 2019: KZT 960,942 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.

(g) Loans issued under Government programs

During 2020 the Group provided financing to 598 borrowers at the expense of the funds of "DBK JSC" for the total amount of KZT 4,989,589 thousand; to 241 borrowers at the expense of the funds of "EDF DAMU JSC" for the total amount of KZT 10,124,568 thousand, and to 2 borrowers at the expense of the funds of "KSF JSC" for the total amount of KZT 2,180,153 thousand (2019: "DBK JSC" – funding to 964 borrowers for the amount of KZT 6,372,467 thousand, "EDF DAMU JSC" – funding to 138 borrowers for the amount of KZT 7,910,541 thousand, "MoF RK" – funding to 1 borrower for the amount of KZT 18,750 thousand). These amounts of financing include funds utilised under the open credit facility limits, including those on a revolving basis.

17 Investments at amortised cost

	2020 KZT'000	2019 KZT'000
Held by the Bank		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	46,823,460	13,749,670
NBRK discount notes	71,354,909	9,523,175
Bonds of the Government of the Russian Federation	-	29,821
Bonds of Eurasian Development Bank	6,537,391	-
Bonds of Development Bank of Kazakhstan	2,224,218	-
Corporate bonds rated from BBB- to BBB+	8,384,092	-
Corporate bonds rated from BB- to BB+	8,604,037	5,565,573
	143,928,107	28,868,239
Pledged under sale and repurchase agreements		
Bonds of Eurasian Development Bank	1,201,924	-
	1,201,924	-
	145,130,031	28,868,239
Allowance for expected credit losses	(27,672)	(24,603)
Investments at amortised cost	145,102,359	28,843,636

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 2020 and 31 December 2019, all investment measured at amortised cost are referred to as 'Stage 1' financial instruments.

None of the NBRK discount notes and bonds are overdue or impaired as at 31 December 2020 and 31 December 2019.

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

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademarks	Software and other intangible assets	Total
<i>Cost</i>									
Balance at 1 January 2020	11,830,093	15,715,284	590,297	861,425	461	787,305	1,075,716	16,991,900	47,852,481
Additions	-	1,590,686	15,939	44,583	1,637	46,985	-	2,226,550	3,926,380
Disposals	-	(898,672)	(50,581)	(47,612)	-	(46,858)	-	(844,903)	(1,888,626)
Effect of movements in exchange rates	-	(12,998)	(997)	(1,435)	-	(127)	-	(26,034)	(41,591)
Balance at 31 December 2020	11,830,093	16,394,300	554,658	856,961	2,098	787,305	1,075,716	18,347,513	49,848,644
<i>Depreciation and amortisation</i>									
Balance at 1 January 2020	(2,276,702)	(12,561,656)	(540,726)	(594,931)	-	(777,078)	(834,573)	(10,519,264)	(28,104,930)
Depreciation and amortisation for the year	(150,078)	(1,185,711)	(34,549)	(72,709)	-	(7,856)	(103,411)	(1,388,697)	(2,943,011)
Disposals	-	854,871	37,208	42,945	-	-	-	341,440	1,276,464
Effect of movements in exchange rates	-	11,041	961	1,417	-	-	-	15,058	28,477
Balance at 31 December 2020	(2,426,780)	(12,881,455)	(537,106)	(623,278)	-	(784,934)	(937,984)	(11,551,463)	(29,743,000)
<i>Carrying amount</i>									
At 31 December 2020	9,403,313	3,512,845	17,552	233,683	2,098	2,371	137,732	6,796,050	20,105,644

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademarks	Software and other intangible assets	Total
<i>Cost</i>									
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 movements in exchange rates	-	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
<i>Depreciation and amortisation</i>									
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 movements in exchange rates	-	(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)
<i>Carrying amount</i>									
As 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

Capitalised borrowing costs related to the acquisition or construction of property, plant and equipment during 2020 and 2019 were nil.

	2020 KZT'000	2019 KZT'000
Right-of-use assets		
<i>Cost</i>		
Effect of adoption of IFRS 16	-	4,096,026
Balance at 1 January	4,661,580	4,096,026
Additions	1,659,715	779,616
Disposals	(1,040,319)	(283,433)
Disposal of a subsidiary	(1,025,485)	-
Foreign exchange difference	(48,793)	69,371
Balance at 31 December	4,206,698	4,661,580
 <i>Depreciation and amortisation</i>		
Balance at 1 January	(1,311,805)	-
Depreciation and amortisation for the year	(1,647,512)	(1,583,373)
Disposals	1,001,528	283,405
Disposal of a subsidiary	173,213	--
Foreign exchange difference	21,314	(11,838)
Balance at 31 December	(1,763,262)	(1,311,806)
 <i>Carrying amount</i>		
At 31 December	2,443,436	3,349,774

19 Other assets

	2020 KZT'000	2019 KZT'000
Plastic cards settlements	9,255,098	7,596,254
Finance lease receivables	2,974,741	-
Debtors on loan operations	2,254,439	6,199,437
Settlements with professional participants of securities market	1,725,578	1,360,566
Debtors for guarantees and letters of credit	1,115,462	1,115,462
Accrued commission income	444,046	1,126,871
Asset from continuing involvement in transferred assets (Note 16 (f))	18,583	1,429,693
Other	1,368,464	4,596,319
Expected credit losses	(3,856,793)	(10,329,013)
Total other financial assets	15,299,618	13,095,589
Collateral carried on balance sheet	5,695,030	7,106,708
Non-current assets held for sale	2,541,229	735,020
Taxes prepaid other than income tax	1,640,251	1,783,844
Prepayments	1,009,832	1,011,551
Advances for capital expenditures	259,811	446,050
Raw materials and consumables	242,587	242,320
Precious metals	85,508	20,618
Other	-	25
Impairment allowance	-	(37,447)
Total other non-financial assets	11,474,248	11,308,689
Total other assets	26,773,866	24,404,278

As at 31 December 2019 debtors on loan operations primarily comprise amounts receivable on assignment of claims on loans issued of KZT 3,637,295 thousand; the Group recognised the expected credit losses for the full amount of said claims.

Asset from continuing involvement in transferred assets in the amount of KZT 18,583 thousand (31 December 2019: KZT 1,429,693 thousand) originated as a result of loans sale to a mortgage company in June 2014 and December 2013 (Note 15).

Analysis of movements in the ECL allowance

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

	2020 KZT'000	2019 KZT'000
Balance at beginning of the year	10,366,460	7,953,008
Net charge/(recovery) of ECL allowance	1,486,588	1,860,127
Write-off of bad debt	(8,091,746)	(214,822)
Recovery of assets previously written off	76,127	724,855
Disposal of subsidiary	(6,937)	-
Effect of movements in exchange rates	26,301	43,292
Balance at the end of the year	3,856,793	10,366,460

As at 31 December 2020, included in other assets are overdue receivables of KZT 57,587 thousand (31 December 2019: KZT 115,381 thousand) of which the receivables of KZT 10,366 thousand are overdue for more than 90 days but less than one year (31 December 2019: KZT 89,376 thousand) and KZT 40,136 thousand are overdue for more than one year (31 December 2019: KZT 16,495 thousand).

20 Deposits and balances from banks

	2020 KZT'000	2019 KZT'000
Term deposits	-	57,389
Vostro accounts	862,012	1,319,388
	862,012	1,376,777

21 Amounts payable under repurchase agreements

Securities pledged

As at 31 December 2020 the amounts payable under repurchase agreements is KZT 1,139,662 thousand (31 December 2019: no amounts payable under repurchase agreements). The fair value of assets transferred as collateral under repurchase agreements was KZT 1,204,349 thousand as at 31 December 2020.

As at 31 December 2020 the Group had securities pledged under repurchase agreements (31 December 2019: the Bank had no securities pledged under repurchase agreements) (Note 17).

22 Current accounts and deposits from customers

	2020 KZT'000	2019 KZT'000
Current accounts and demand deposits		
- Retail	81,140,220	61,594,589
- Corporate	260,378,109	99,371,685
Term deposits		
- Retail	390,322,933	376,371,395
- Corporate	221,033,132	262,038,909
	952,874,394	799,376,578

As at 31 December 2020, the current accounts and deposits from the Group customers in the total amount of KZT 10,995,595 thousand (31 December 2019: KZT 4,981,262 thousand) serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 31 December 2020, the Group has 12 customers (2019: 5 customers), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2020 is KZT 287,936,042 thousand (31 December 2019: KZT 146,129,949 thousand).

As at 31 December 2020, the Group maintains current accounts and demand deposits from retail customers of KZT 7,380,634 thousand (31 December 2019: KZT 9,523,118 thousand), which 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.

23 Debt securities issued

	2020 KZT'000	2019 KZT'000
Nominal value	10,118,890	32,230,319
Discount	(268,420)	(657,127)
Accrued interest	296,825	470,573
	10,147,295	32,043,765

A summary of bond issues as at 31 December 2020 and 31 December 2019 is presented below:

	Date of first placement of issue	Maturity date	Coupon rate	Effective interest rate	Carrying amount	
					2020 KZT'000	2019 KZT'000
Bonds of the fifth issue	24-Oct-08	1-Sep-23	Inflation rate+1%	9.43%	8,064,559	7,936,268
Bonds of the eighteenth issue	15-Aug-19	15-Aug-26	10.95%	10.96%	2,082,736	2,082,238
Bonds of the fifteenth issue	6-Sep-17	14-May-20	8.50%	13.16%	-	12,185,446
Bonds of the sixteenth issue	17-Oct-18	17-Oct -20	11.00%	12.01%	-	2,891,245
Certificates of deposit	18-July-19	18-July-20	8.00%	8.00%	-	6,948,568
					10,147,295	32,043,765

24 Subordinated debt securities issued

	2020 KZT'000	2019 KZT'000
Nominal value	167,469,550	167,469,550
Discount	(102,398,804)	(105,537,991)
Accrued interest	1,558,733	1,505,698
	66,629,479	63,437,257

As at 31 December 2020 and 31 December 2019, 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 subordinated debt securities issues at 31 December 2020 and 31 December 2019 is presented below:

	Date of first placement of issue	Maturity date	Coupon rate	Effective interest rate	Carrying amount	
					2020 KZT'000	2019 KZT'000
Bonds of the seventeenth issue	18-Oct-17	18-Oct-32	4.00%	18.00%	50,945,334	48,402,166
Bonds of the eighth issue	21-Aug-09	15-Oct-23	Inflation rate+1%	13.59%	13,372,141	12,795,534
Bonds of the thirteenth issue	25-Aug-16	10-Jan-24	9.00%	13.81%	2,312,004	2,239,557
					66,629,479	63,437,257

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 the 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 actions intended to withdraw the Bank’s assets; at that, 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; Bonds bear a coupon rate of 4.00 % p.a. and mature in 15 years. The result of discounting Bonds using market interest rate of 18.00%, which was recognised within income in consolidated statement of profit and loss and other comprehensive income upon Bonds initial recognition, amounted to KZT 106,961,607 thousand.

25 Other borrowed funds

	2020 KZT’000	2019 KZT’000
Loans from state financial institutions	26,754,175	32,832,053
Loans from the Ministry of Finance of the Republic of Kazakhstan	581,043	739,327
	27,335,218	33,571,380

As at 31 December 2020, the terms and conditions and schedule of repayment of the borrowed funds are as follows:

	Currency	Average interest rate	Year of maturity	Carrying value, KZT’000
Damu Entrepreneurship Development Fund JSC	KZT	1.00-8.50%	2021-2035	13,954,592
Development Bank of Kazakhstan JSC	KZT	1.00-2.00%	2034-2037	12,799,583
Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2023	304,414
Ministry of Finance of the Republic of Kazakhstan	US Dollar	Libor +1%	2023	276,629
				27,335,218

As at 31 December 2019, the terms and conditions and schedule of repayment of the borrowed funds are as follows:

	Currency	Average interest rate	Year of maturity	Carrying value, KZT'000
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 Dollar	Libor +1%	2023	333,800
				33,571,380

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 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 large 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 on 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 2020 and 31 December 2019.

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

KZT'000	Liabilities				Total
	Other borrowed funds	Subordinated debt securities issued	Debt securities issued	Lease liabilities	
Balance at 1 January 2020	33,571,380	63,437,257	32,043,765	3,557,051	132,609,453
Changes from financing cash flows					
Repayment of other borrowed funds	(6,137,646)	-	-	-	(6,137,646)
Repayment/repurchase of debt securities issued	-	-	(22,111,429)	-	(22,111,429)
Payments under lease agreements	-	-	-	(1,447,713)	(1,447,713)
Total changes from financing cash flows	(6,137,646)	-	(22,111,429)	(1,447,713)	(29,696,788)
Effect of movements in foreign exchange rates	35,029	-	-	(28,600)	6,429
Other changes					
Interest expense	868,802	10,375,143	2,114,971	317,914	13,676,830
Interest paid	(1,002,347)	(7,182,921)	(1,900,012)	(321,051)	(10,406,331)
Recognition of lease liabilities	-	-	-	1,659,718	1,659,718
Disposal of subsidiary	-	-	-	(954,393)	(954,393)
Balance at 31 December 2020	27,335,218	66,629,479	10,147,295	2,782,926	106,894,918

	Liabilities				Total
	Other borrowed funds	Subordinated debt securities issued	Debt securities issued	Lease liabilities	
KZT'000					
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 movements in foreign exchange rates	(1,369)	-	-	58,075	56,706
Other changes					
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

26 Other liabilities

	2020 KZT'000	2019 KZT'000
Plastic cards settlements	9,086,289	5,889,865
Liability from continuing involvement (Note 16 (f))	3,450,785	2,608,098
Assignment of rights of claim payable	1,388,393	1,268,302
Liabilities on electronic money issued	1,340,681	710,188
Funds of depositors of Tengri Bank JSC	809,328	-
Funds of depositors of Bank of Astana JSC	432,643	-
Payables to insurance company	369,952	417,783
Accrued administrative expenses	340,581	797,646
Payables to borrowers on lending operations	319,695	937,992
Capital expenditures payables	-	79,121
Other financial liabilities	2,020,340	3,108,977
Total other financial liabilities	19,558,687	15,817,972
Payables to employees	1,616,095	1,022,339
Vacation reserve	633,298	780,803
Deferred income	285,397	550,319
Other taxes payable	239,099	353,574
Loss allowance for losses on contingent liabilities	17	300,201
Other non-financial liabilities	423,577	115,927
Total other non-financial liabilities	3,197,483	3,123,163
Total other liabilities	22,756,170	18,941,135

27 Share capital

(a) Issued capital and share premium

The authorised share capital of the Bank comprises 2,096,038,900 ordinary shares (31 December 2019: 2,034,807,500 ordinary shares) and 3,000,000 non-redeemable cumulative preference shares (2019: 3,000,000 preference shares).

During 2020, 612,314 ordinary shares were issued and paid at the price of KZT 6,532.60 per share (2019: no shares were issued).

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

	2020 Shares	2019 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	7,030,137	6,417,823
Total issued and outstanding shares	20,960,389	20,348,075

As at 31 December 2020, the charter capital of the Bank amounted to KZT 61,135,197 thousand (31 December 2019: KZT 57,135,194 thousand).

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 2020, no dividends were declared or paid (2019: 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 ordinary share is calculated dividing net assets less intangible assets by the number of outstanding ordinary shares. As at 31 December 2020 the book value per ordinary share was KZT 4,871.89 (31 December 2019: KZT 4,527.42).

(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 2020 and 31 December 2019, no transfers to/from general reserve were made by the Bank to cover general banking risks.

28 Earnings per share

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

	2020 KZT'000	2019 KZT'000
Net earnings	6,787,780	4,492,113
Weighted average number of ordinary shares	20,781,379	20,348,075
Basic earnings per share (KZT)	326.63	220.76

29 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.

	2020 KZT'000	2019 KZT'000
ASSETS		
Retail banking	392,998,515	464,996,472
Assets and liabilities management	585,296,280	340,396,222
Corporate banking	171,676,195	182,271,232
Treasury	23,363,875	19,453,332
Small and medium size companies banking	14,825,658	17,224,607
Unallocated assets	29,705,695	39,179,065
Total assets	1,217,866,218	1,063,520,930
LIABILITIES		
Retail banking	468,585,436	432,635,050
Corporate banking	356,985,785	276,250,956
Small and medium size companies banking	110,325,784	117,762,249
Assets and liabilities management	76,695,712	87,812,737
Treasury	3,164,872	2,032,814
Unallocated liabilities	94,354,964	45,571,138
Total liabilities	1,110,112,553	962,064,944

Reconciliations of reportable segment total assets and total liabilities:

	2020 KZT'000	2019 KZT'000
Total assets for reportable segments	1,217,866,218	1,063,520,930
Consolidation effect	1,015,393	5,820,235
Gross presentation of foreign currency swaps	(18,949,464)	(7,499,288)
Other adjustments	(242,884)	(4,826,112)
Total assets	1,199,689,263	1,057,015,765

	2020 KZT'000	2019 KZT'000
Total liabilities for reportable segments	1,110,112,553	962,064,944
Consolidation effect	(168,155)	4,654,546
Gross presentation of foreign currency swaps	(18,949,464)	(7,499,288)
Other adjustments	(356,071)	(1,042,594)
Total liabilities	1,090,638,863	958,177,608

Segment information for the main reportable segments for the year ended 31 December 2020 is set out below:

KZT'000	Corporate banking	Small and medium size companies banking	Retail banking	Treasury	Assets and liabilities management	Unallocated assets and liabilities	Total
Interest income	15,086,688	1,501,583	99,254,585	318,782	14,928,832	-	131,090,470
Fee and commission income	1,099,551	2,157,934	22,181,329	38,490	-	-	25,477,304
Net gain/(loss) on securities, dealing and translation differences	1,760,274	822,707	1,060,658	3,629,878	(1,774,160)	-	5,499,357
Other income	-	-	57,754	-	-	188,067	245,821
Funds transfer pricing	17,045,433	9,270,717	36,810,575	11,109	24,648,210	-	87,786,044
Revenue	34,991,946	13,752,941	159,364,901	3,998,259	37,802,882	188,067	250,098,996
Interest expenses	(11,609,492)	(5,033,197)	(30,992,133)	-	(12,465,150)	-	(60,099,972)
Fee and commission expenses	(395,312)	(23,456)	(11,921,911)	(216,848)	(132,450)	-	(12,689,977)
Impairment losses	(24,277,807)	(1,413,908)	(28,174,145)	-	226,146	(220,180)	(53,859,894)
Funds transfer pricing	(12,129,469)	(719,639)	(59,762,920)	(220,163)	(14,851,570)	(102,283)	(87,786,044)
Operational costs (direct)	(749,272)	(940,287)	(9,631,978)	(362,107)	(30,303)	(1,673,141)	(13,387,088)
Operational costs (indirect)	(1,462,097)	(1,832,197)	(13,571,276)	(456,952)	(36,044)	(613,851)	(17,972,417)
Corporate income tax	-	(43,940)	(61,564)	(32,068)	(121,603)	-	(259,175)
Segment result	(15,631,503)	3,746,317	5,248,974	2,710,121	10,391,908	(2,421,388)	4,044,429
Other segment items							
Additions of property and equipment	-	-	-	-	-	3,783,988	3,783,988
Depreciation and amortisation	(12,776)	(14,642)	(558,890)	(1,150)	(392)	(3,605,755)	(4,193,605)

Information on the main reportable segments for the year ended 31 December 2019 is set out below:

KZT'000	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)

Reconciliations of reportable segment revenues and profit or loss:

	2020	2019
	KZT'000	KZT'000
Reportable segment revenue	250,098,996	263,727,434
Consolidation effect	2,803,758	414,280
Funds transfer pricing	(87,786,044)	(91,791,078)
Other adjustments	(10,088,855)	(6,874,302)
Total revenue	155,027,855	165,476,334
	2020	2019
	KZT'000	KZT'000
Reportable segment profit	4,044,429	6,215,087
Other adjustments	112,979	(3,467,856)
Consolidation effect	2,630,372	1,744,882
Total profit	6,787,780	4,492,113

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 large customers and geographical areas

During the year ended 31 December 2020, the Group had no revenues from large corporate customers that individually exceed 10% of total revenue (31 December 2019: none).

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

30 Risk management

Management of risk is fundamental to the Group's business and forms 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 Group 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 certain 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 2020 and 2019 for major financial instruments is as follows:

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2020							
ASSETS							
Cash and cash equivalents	103,939,291	-	-	-	-	201,954,318	305,893,609
Financial instruments measured at fair value through profit or loss	-	-	-	-	-	2,058	2,058
Financial assets at fair value through other comprehensive income	1,313,009	16,341,515	2,869,615	72,907,267	653,171	-	94,084,577
Deposits and balances with banks	3,789,570	-	-	1,707,699	-	37,349,936	42,847,205
Loans to customers	122,927,644	41,290,040	98,314,341	273,970,801	25,930,031	-	562,432,857
Investments measured at amortised cost	59,237,647	33,452,797	-	52,411,915	-	-	145,102,359
	291,207,161	91,084,352	101,183,956	400,997,682	26,583,202	239,306,312	1,150,362,665
LIABILITIES							
Deposits and balances from banks	-	-	-	-	-	862,012	862,012
Amounts payable under repurchase agreements	1,139,662	-	-	-	-	-	1,139,662
Current accounts and deposits from customers	247,873,224	107,832,918	218,392,552	93,422,966	15,197,994	270,154,740	952,874,394
Debt securities issued	82,125	-	8,064,558	-	2,000,612	-	10,147,295
Subordinated debt securities issued	106,038	-	14,572,141	2,205,966	49,745,334	-	66,629,479
Other borrowed funds	631,023	622,460	508,261	5,797,837	19,775,637	-	27,335,218
Lease liabilities	11,692	41,227	243,829	2,486,178	-	-	2,782,926
	249,843,764	108,496,605	241,781,341	103,912,947	86,719,577	271,016,752	1,061,770,986
	41,363,397	(17,412,253)	(140,597,385)	297,084,735	(60,136,375)	(31,710,440)	88,591,679

KZT'000	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

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2020 and 31 December 2019. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2020			2019		
	Average effective interest rate, %			Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	7.88	0.21	0.57	8.26	0.62	3.83
Securities measured at fair value through other comprehensive income	10.37	2.74	2.58	10.00	2.22	2.58
Deposits and balances with banks	-	0.1	5.25	-	0.67	-
Loans to customers	20.10	5.86	14.98	21.15	6.42	16.99
Securities measured at amortised cost	10.05	3.27	-	9.76	4.80	6.40
Interest bearing liabilities						
Amounts payable under repurchase agreements	-	-	4.30	-	-	-
Current accounts and deposits from customers						
- Corporate	6.67	0.48	0.11	7.29	1.36	3.19
- Retail	9.98	2.06	0.33	9.46	1.25	1.30
Debt securities issued	9.78	-	-	10.87	-	-
Subordinated debt securities issued	16.17	-	-	16.54	-	-
Other borrowed funds						
- Loans from state financial institutions	2.81	-	-	3.52	-	-
- Loans from the Ministry of Finance of the Republic of Kazakhstan	9.00	2.41	-	9.25	4.33	-

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 2020 and 31 December 2019, is as follows:

	2020		2019	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	78,712	78,712	(455,860)	(455,860)
100 bp parallel rise	(78,712)	(78,712)	455,860	455,860

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets measured at fair value through other comprehensive income and loans issued measured at fair value due to changes in the interest rates based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2020		2019	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	41,397	2,304,071	121,218	1,673,710
100 bp parallel rise	(40,631)	(2,303,303)	(118,362)	(1,670,854)

(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 2020:

	USD KZT'000	RUB* KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS					
Cash and cash equivalents	236,974,337	8,973,512	18,404,010	457,978	264,809,837
Financial assets measured at fair value through other comprehensive income	39,427,921	-	655,095	-	40,083,016
Deposits and balances with banks	3,789,570	1,707,699	-	-	5,497,269
Loans to customers	75,249,739	3,359,058	1,437,958	-	80,046,755
Investments measured at amortised cost	42,038,234	-	-	-	42,038,234
Other financial assets	761,455	562	87	-	762,104
Total assets	398,241,256	14,040,831	20,497,150	457,978	433,237,215
LIABILITIES					
Deposits and balances from banks	703,824	398	132,826	12,378	849,426
Amounts payable under repurchase agreements	-	1,139,662	-	-	1,139,662
Current accounts and deposits from customers	386,659,019	10,906,562	19,737,195	346,176	417,648,952
Other borrowed funds	276,629	-	-	-	276,629
Other financial liabilities	10,326,733	66,039	607,926	52	11,000,750
Total liabilities	397,966,205	12,112,661	20,477,947	358,606	430,915,419
Net position as at 31 December 2020	275,051	1,928,170	19,203	99,372	2,321,796
The effect of derivatives held for risk management**	(7,997,290)	-	-	-	(7,997,290)
Net position as at 31 December 2020 with the effect of derivatives held for risk management	(7,722,239)	1,928,170	19,203	99,372	(5,675,494)

** including spot transactions.

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

	USD KZT'000	RUB* KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
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 as at 31 December 2019 with the effect of derivatives held for risk management	1,637,775	5,487,912	303,254	46,623	7,475,564

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

** including spot transactions.

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2020 and 2019 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.

	2020 KZT'000		2019 KZT'000	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
20% appreciation of USD against KZT	(1,235,558)	(1,235,558)	262,044	262,044
20% appreciation of RUR against KZT	308,507	308,507	(62,954)	(62,954)
20% appreciation of EUR against KZT	3,072	3,072	48,521	48,521
20% appreciation of other currencies against KZT	15,900	15,900	7,460	7,460

A strengthening of the KZT against the above currencies at 31 December 2020 and 2019 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 possible scenarios, particularly those that are 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:

	2020 KZT'000	2019 KZT'000
Foreign exchange risk	128,311	31,130

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for review and approval of 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 Block, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Corporate Credit Risks Block and a second opinion is given accompanied by verification that credit policy requirements are met. The Credit Committee makes decisions based on opinions of internal Bank's services. Individual transactions are also reviewed by the Bank's Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

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 put up additional security.

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

Apart from individual customer analysis by the Bank's Credit Risk and Collateral Valuation Department, 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 anytime.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of 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:

	2020 KZT'000	2019 KZT'000
ASSETS		
Cash and cash equivalents	275,794,713	188,788,824
Financial instruments measured at fair value through profit or loss	2,058	-
Financial assets measured at fair value through other comprehensive income	94,084,577	103,781,483
Deposits and balances with banks	42,847,205	5,549,167
Loans to customers	562,432,857	644,788,006
Investments measured at amortised cost	145,102,359	28,843,636
Other financial assets	15,299,618	13,095,589
Total maximum exposure	1,135,563,387	984,846,705

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 16.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 32.

As at 31 December 2020, Group had one debtor (NBRK) (December 31, 2019: none) for which the exposure to credit risk exceeded 10% of the maximum exposure to credit risk. The aggregate balances with this counterparty as at 31 December 2020 comprised 349,805,002 thousand KZT (31 December 2019: 215,631,985 thousand KZT).

Offsetting financial assets and 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 agreement that covers 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 following table provides information on financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020:

KZT'000	Gross amounts of recognised financial assets/liability	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	Related amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral received	Net amount
Investments measured at amortised cost	1,201,924	-	1,201,924	(1,139,662)	-	62,262
Total financial assets	1,201,924	-	1,201,924	(1,139,662)	-	62,262
Accounts payable under repurchase agreements	(1,139,662)	-	(1,139,662)	1,139,662	-	-
Total financial liabilities	(1,139,662)	-	(1,139,662)	1,139,662	-	-

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 (Note 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 of the securities, it cannot use the transferred assets during the term of the agreement.

(d) Liquidity risk

Liquidity risk - the likelihood of financial losses arising from the Group's inability to meet its obligations within the specified period without significant losses. Liquidity risk occurs when the maturity of assets and liabilities does not match. Coincidence and/or controlled mismatch in maturity and interest rates of assets and liabilities is fundamental to liquidity risk management. Due to the variety of transactions and the uncertainty associated with them, full overlap in the maturity of assets and liabilities is not common practice for financial institutions. This mismatch makes it possible to increase the profitability of operations, but increases the risk of loss.

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 management regulation is reviewed and approved by the Management Board.

The Group seeks to 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.

ALM monitors the liquidity position daily, and the Risk Management Unit regularly conducts "stress tests" taking into account various possible market scenarios, both in normal and unfavourable conditions. ALM receives information from divisions on the liquidity structure of their financial assets and liabilities, as well as on forecast cash flows expected in the future. Forecasting is carried out on the short and medium-term horizon, tactical steps are envisaged at each time interval of planning, taking into account the possibility of using various sources of funding, including external attractions and various ways of placing temporarily available funds. Based on the forecast of expected inflows and outflows, ALM estimates liquidity deficit/surplus, and also carries out an operational forecast of liquidity standards.

The Group's management regularly receives information on the liquidity status. The frequency of information provision depends on the state of the Group's liquidity at any given time. Under normal market conditions, liquidity reports are provided to senior management on a weekly basis. The information provided is sufficient for an adequate assessment of the Group's liquidity position in general and in certain areas (currencies, clients, etc.), which also allows the collegiate bodies and structural divisions of the Group to make a reasonable decision regarding the Group's ability to meet its liquidity needs and timely fulfil its obligations in full.

The following tables provide information on undisclosed cash flows for financial obligations and unrecognized obligations of a credit nature relating to the earliest maturity date possible under the terms of the contract. The totals of cash inflows and outflows in these tables are contractual, undiscounted cash flows for financial liabilities or contingent liabilities. The maturity analysis for financial liabilities as at 31 December 2020 is as follows:

KZT'000	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	862,011	-	-	-	-	862,011	862,012
Accounts payable under repurchase agreements	1,139,662	-	-	-	-	1,139,662	1,139,662
Current accounts and deposits from customers	371,108,836	156,687,575	113,758,660	225,667,755	129,710,070	996,932,896	952,874,394
Debt securities issued	-	434,256	-	434,256	12,512,912	13,381,424	10,147,295
Subordinated debt securities issued	112,276	-	606,469	6,718,744	236,456,802	243,894,291	66,629,479
Other borrowed funds	172	696,393	210,726	971,679	30,385,194	32,264,164	27,335,218
Lease liabilities	111,431	212,887	302,144	508,739	1,871,688	3,006,889	2,782,926
Other financial liabilities	19,432,670	-	118,720	7,099	-	19,558,489	19,558,687
Derivative financial liabilities*							
- Inflow	(27,372,168)	-	-	-	-	(27,372,168)	(4,504)
- Outflow	27,367,664	-	-	-	-	27,367,664	-
Total liabilities	392,762,554	158,031,111	114,996,719	234,308,272	410,936,666	1,311,035,322	1,081,325,169
Credit related commitments	78,965,152	-	-	-	-	78,965,152	78,965,152

* including SPOT transactions.

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

KZT'000	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
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
Lease liabilities	130,707	247,552	356,839	594,224	2,478,712	3,808,034	3,557,051
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	213,430,420	84,567,968	132,718,711	270,781,265	504,224,655	1,205,723,019	949,179,264
Credit related commitments	86,591,130	-	-	-	-	86,591,130	86,591,130

* including SPOT transactions.

In accordance with legislation of the Republic of Kazakhstan, legal entities and individuals and in accordance with legislation of the Russian Federation, individuals can withdraw their term deposits at any time, 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 30,317,424 thousand are categorised to ‘demand deposits’ and those which mature within less than one month (31 December 2019: KZT 37,944,144 thousand);
- KZT 156,278,567 thousand are categorised to deposits, which mature within one to three months (31 December 2019: KZT 79,492,938 thousand);
- KZT 113,534,638 thousand are categorised to deposits, which mature within three to six months (31 December 2019: KZT 117,740,508 thousand);
- KZT 225,665,313 thousand are categorised to deposits, which mature within six to twelve months (31 December 2019: KZT 251,603,384 thousand);
- KZT 129,587,107 thousand are categorised to deposits, which mature within the period of more than one year (31 December 2019: KZT 210,488,245 thousand).

However management believes that in spite of 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 customer 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, excluding derivative instruments, as at 31 December 2020:

KZT'000	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	305,893,609	-	-	-	-	-	-	305,893,609
Securities measured at fair value through other comprehensive income	938,276	374,733	19,211,130	72,907,267	653,171	-	-	94,084,577
Deposits and balances with banks	37,283,936	-	-	1,707,699	3,855,570	-	-	42,847,205
Loans to customers	54,838,205	36,598,377	137,616,871	273,362,651	25,360,604	-	34,656,149	562,432,857
Securities measured at amortised cost	8,721,209	50,516,438	33,452,797	52,411,915	-	-	-	145,102,359
Current tax asset	3,652	-	-	-	-	-	-	3,652
Property, plant and equipment and intangible assets	-	-	-	-	-	20,105,644	-	20,105,644
Right-of-use assets	3,091	10,250	261,795	2,168,300	-	-	-	2,443,436
Other assets	17,236,104	219,269	302,256	5,789,805	2,974,741	242,587	9,104	26,773,866
Total assets	424,918,082	87,719,067	190,844,849	408,347,637	32,844,086	20,348,231	34,665,253	1,199,687,205
Non-derivative financial liabilities								
Deposits and balances from banks	862,012	-	-	-	-	-	-	862,012
Accounts payable under repurchase agreements	1,139,662	-	-	-	-	-	-	1,139,662
Current accounts and deposits from customers	367,662,817	150,358,864	326,227,937	93,424,713	15,200,063	-	-	952,874,394
Debt securities issued	-	296,825	-	7,849,859	2,000,611	-	-	10,147,295
Subordinated debt securities issued	106,038	-	1,452,696	15,325,412	49,745,333	-	-	66,629,479
Other borrowed funds	137	630,886	747,718	6,180,840	19,775,637	-	-	27,335,218
Lease liabilities	1,478	15,260	280,010	2,486,178	-	-	-	2,782,926
Deferred tax liabilities	-	-	-	-	-	6,111,707	-	6,111,707
Other liabilities	22,630,351	-	125,819	-	-	-	-	22,756,170
Total liabilities	392,402,495	151,301,835	328,834,180	125,267,002	86,721,644	6,111,707	-	1,090,638,863
Net position	32,515,587	(63,582,768)	(137,989,331)	283,080,635	(53,877,558)	14,236,524	34,665,253	109,048,342
Accumulated net position	32,515,587	(31,067,181)	(169,056,512)	114,024,123	60,146,565	74,383,089	109,048,342	109,048,342

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position, excluding derivative instruments, as at 31 December 2019:

KZT'000	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
Securities 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
Securities 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

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 offering of competitive interest rates provides for high level of renewals.
- As at 31 December 2020 the balance of accounts and deposits from related parties, which fall due within 1 year, is KZT 235,953,312 thousand (2019: KZT 128,511,354 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 operations.

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.

31 Capital management

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

The Bank defined 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 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 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 of 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 2020 (as at 31 December 2019, total capital is the sum of tier 1 and tier 2 capital).

There are 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 2020, the minimum level of ratios as applicable to the Bank are as follows:

	Including capital conservation buffer		Net of capital conservation buffer	
	2020	2019	2020	2019
k1 – not less than	0.065	0.075	0.055	0.055
k1-2 – not less than	0.075	0.085	0.065	0.065
k2 – not less than	0.090	0.100	0.080	0.080

On 1 October 2019, NBRK introduced a new regulatory capital buffer for the capitalisation 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.

Since 1 June 2020, the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market has lowered the capital conservation buffer requirement to 1% for a period until 1 June 2021 as part of measures to ensure socioeconomic stability.

The Bank complied with all prudential capital adequacy ratios k1, k1-2 and k2 as at 31 December 2020. The Bank’s actual coefficients are as follows: k1 – 0.121, k1-2 – 0.121 and k2 – 0.302 (31 December 2019: k1 – 0.100, k1-2 – 0.100 and k2 – 0.262).

The Bank’s capital position as at 31 December 2020 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 252,512,250 thousand (31 December 2019: KZT 249,720,379 thousand). Tier 1 capital as at 31 December 2020 amounted to KZT 100,775,697 thousand (31 December 2019: KZT 95,097,739 thousand).

32 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.

	2020 KZT'000	2019 KZT'000
Contracted amount		
Loan and credit line commitments	61,179,984	44,328,533
Guarantees	17,379,675	42,239,402
Letters of credit	405,493	23,195
Total	78,965,152	86,591,130
Loss allowance	(17)	(300,201)

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

These commitments may terminate without their partial or full fulfilment. Consequently, the liabilities stated above do not represent expected cash outflows.

As at 31 December 2020 the Group has 1 customer whose balances exceed 10% of total commitments (31 December 2019: 1 customer). The value of these commitments as at 31 December 2020 amounted to KZT 13,177,966 thousand (31 December 2019: KZT 12,833,821 thousand).

The table below shows movement in loss allowance on credit related commitments for the year ended 31 December 2020.

KZT'000

Credit related commitments	Stage 1	Stage 2	Stage 3	Total
Loss allowance for expected credit losses at the beginning of the year	234,670	-	65,531	300,201
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	45,265	(45,265)	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(205,164)	(45,265)	(20,266)	(270,695)
New financial assets originated or purchased	60	-	-	60
Disposal of subsidiary	(13,343)	-	-	(13,343)
Foreign exchange and other movements	(16,206)	-	-	(16,206)
Loss allowance for expected credit losses at the end of the year	17	-	-	17

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

KZT'000

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

During 2020, the Group issued guarantees for the total amount of KZT 6,886,099 thousand (in 2019: KZT 14,273,574 thousand), including those that were subsequently classified to Stage 1 of credit quality in the amount of KZT 6,881,053 thousand, to Stage 2 - of KZT 0, to Stage 3 - of KZT 5,046 thousand (in 2019: to Stage 1 of credit quality in the amount of KZT 10,402,542 thousand, to Stage 2 - of KZT 198 thousand and to Stage 3 - of KZT 3,870,834 thousand). During 2020, the Group derecognised credit related commitments on guarantees for the total amount of KZT 13,321,973 thousand (in 2019: KZT 14,007,293 thousand), including those that were subsequently classified to Stage 1 of credit quality in the amount of KZT 11,018,860 thousand, to Stage 2 - of 2,048,204 thousand, to Stage 3 - of KZT 254,909 thousand (in 2019: to Stage 1 of credit quality in the amount of KZT 8,390,988 thousand, to Stage 2 - of KZT 37,147 thousand and to Stage 3 - of KZT 5,579,158 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 results of future operations of the Group.

(c) Taxation contingencies

The taxation system in the Republic 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, in particular recognition of income, expenses and other items of the consolidated financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of 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 relationships

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:

	2020 KZT'000	2019 KZT'000
Members of the Board of Directors	355,225	386,167
Members of the Management Board	881,560	858,161
Other key management personnel	1,116,480	908,029
	2,353,265	2,152,357

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 2020 and 2019 for transactions with members of the Board of Directors, the Management Board and other key management personnel are as follows:

	2020 KZT'000	Average contractual interest rate, %	2019 KZT'000	Average contractual interest rate, %
Consolidated statement of financial position				
ASSETS				
Loans to customers	30,956	8.33	15,206	8.27
Loans to customers (loss allowance for expected credit losses)	(818)		(401)	-
LIABILITIES				
Current accounts and deposits from customers	25,140,822	6.63	15,381,118	5.42

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:

	2020 KZT'000	2019 KZT'000
Profit or loss		
Interest income under the effective interest method	1,195	2,013
Interest expense	(973,993)	(762,947)
Fee and commission income	771	304
(Impairment loss) on debt financial assets/Reversal of impairment loss	(373)	107

(c) Transactions with other related parties

The outstanding balances and the related average contractual interest rates as at 31 December 2020 and related profit or loss amounts of transactions for the year ended 31 December 2020 with other related parties are as follows:

31 December 2020	Parent Company		Other subsidiaries of the Parent Company		Other related parties*		Total KZT'000
	Average contractual interest rate, %	Average contractual interest rate, %		Average contractual interest rate, %			
	KZT'000	%	KZT'000	%	KZT'000	%	
Consolidated statement of financial position							
ASSETS							
Loans to customers							
- in KZT	-	-	-	-	3,656,119	15.04	3,656,119
- in USD	-	-	-	-	45,955,849	4.61	45,955,849
Loans to customers (loss allowance for expected credit losses)	-	-	-	-	(685,300)		(685,300)
Other assets							
- in KZT	-	-	89,860	-	1,806	-	91,666
LIABILITIES							
Current accounts and deposits from customers							
- in KZT	135,284	8.50	2,583,175	10.94	17,379,601	4.04	20,098,060
- in USD	-	-	8,736,069	1.50	193,708,716	0.22	202,444,785
- in other currencies	-	-	1,788,728	0.02	1,700,687	0.04	3,489,415
Debt securities issued							
- in KZT	-	-	27,122	8.00	-	-	27,122
Subordinated debt securities issued							
- in KZT	-	-	27,227	8.10	-	-	27,227
Other liabilities	-	-				-	
- in KZT	-	-	376,577	-	188,724	-	565,301
- in USD	-	-	-	-	-	-	-

31 December 2020

	Parent Company		Other subsidiaries of the Parent Company		Other related parties*		Total
	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	KZT'000
Items not recognised in the consolidated statement of financial position							
Guarantees issued	-		-		45,427		45,427
Guarantees received	-		-		11,982,469		11,982,469
Letters of credit	-		-		405,493		405,493
Profit/(loss)							
Interest income under the effective interest method	-		-		1,387,657		1,387,657
Other interest income	-		-		634,549		634,549
Interest expense	(74,246)		(1,162,004)		(2,432,426)		(3,668,676)
Fee and commission income	874		3,337,156		530,064		3,868,094
Fee and commission expenses	-		(2,888)		(22,088)		(24,976)
Net gain on financial instruments measured at fair value through profit or loss	-		-		18,089		18,089
Net foreign exchange loss	2		(160,375)		(8,921,878)		(9,082,251)
Impairment losses on debt financial assets	-		-		(2,649,994)		(2,649,994)
Other general and administrative expenses	-		(66,865)		(191,930)		(258,795)

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*		
	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	Total KZT'000
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*		Total KZT'000
	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	
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 under the effective interest method	-		-		1,645,485		1,645,485
Other interest income	-		-		813,151		813,151
Interest expense	(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)

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

Loans to related parties with net carrying amount of KZT 51,710,866 thousand (31 December 2019: KZT 51,652,416 thousand) are secured by land plots, 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.

The term of expiry of the guarantees received to secure the loans issued is determined by the terms of repayment of these loans.

35 Financial assets and liabilities: fair values and accounting classification

(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 2020:

KZT'000	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	305,893,609	305,893,609	305,893,609
Financial instruments measured at fair value through profit or loss	2,058	-	-	2,058	2,058
Financial assets measured at fair value through other comprehensive income	-	94,084,577	-	94,084,577	94,084,577
Deposits and balances with banks	-	-	42,847,205	42,847,205	42,847,205
Loans to customers	-	-	-	-	-
Loans to corporate customers	4,608,253	-	167,254,798	171,863,051	173,076,424
Loans to retail customers	-	-	390,569,806	390,569,806	370,643,810
Investments measured at amortised cost	-	-	-	-	-
Government bonds	-	-	118,178,369	118,178,369	120,153,076
Development bank bonds	-	-	9,951,123	9,951,123	10,067,027
Corporate bonds	-	-	16,972,867	16,972,867	17,041,852
Other financial assets	-	-	15,299,618	15,299,618	15,299,618
	4,610,311	94,084,577	1,066,967,395	1,165,662,283	1,149,109,256
Deposits and balances from banks	-	-	862,012	862,012	862,012
Accounts payable under repurchase agreements	-	-	1,139,662	1,139,662	1,204,349
Current accounts and deposits from customers:	-	-	952,874,394	952,874,394	963,174,618
Debt securities issued	-	-	10,147,295	10,147,295	9,522,658
Subordinated debt securities issued	-	-	66,629,479	66,629,479	67,037,076
Other borrowed funds	-	-	27,335,218	27,335,218	27,335,218
Other financial liabilities	-	-	19,558,687	19,558,687	19,558,687
	-	-	1,078,546,747	1,078,546,747	1,088,694,618

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

KZT'000	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 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 judgement, 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 and 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 judgment 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 includes certain 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 4.70 – 12.20% and 14.90 – 27.65% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively (31 December 2019: 4.40 – 13.60% and 6.00 – 27.98%, respectively);
- discount rates of 0.40 – 7.30% and 1.00 – 9.20% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively (31 December 2019: 0.80 – 7.40% and 1.40 – 8.80%, 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 less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using 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 valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised.

KZT'000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Derivative assets	-	2,058	-	2,058
Financial assets measured at fair value through other comprehensive income				
- Debt and other fixed-income instruments	40,083,015	54,001,562	-	94,084,577
Loans to customers	-	-	4,608,253	4,608,253
	40,083,015	54,003,620	4,608,253	98,694,888

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:

KZT'000	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

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 2020 and 2019 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 2020 and 31 December 2019 for fair value measurements in Level 3 of the fair value hierarchy:

KZT'000	Level 3	
	Financial instruments measured at fair value through profit or loss for the period	
	Loans to customers	
	2020	2019
Balance at the beginning of the year	8,089,980	12,583,315
Net gain on financial instruments measured at fair value through profit or loss	13,968	69,918
Interest income accrued	634,549	828,752
Foreign exchange and other movements	710,606	(64,456)
Loans issued	-	168,470
Repayments	(4,840,850)	(5,496,019)
Balance at the end of the year	4,608,253	8,089,980

Management used interest rate of 7.48% in respect of USD cash flows to determine the fair value of loans to customers (31 December 2019: 10.93%).

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 2020 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 40,631 thousand)/KZT 41,397 thousand (31 December 2019: (KZT 118,362 thousand)/KZT 121,218 thousand).

36 Subsequent events

On February 3, 2021, one of the beneficial owners of Eurasian Bank JSC Alijan Ibragimov passed away. In accordance with the legislation of the Republic of Kazakhstan, the period for accepting an inheritance is six months from the date of opening of the inheritance. In March 2021, Shukhrat Ibragimov, a member of the Board of Directors of the Bank, one of the sons of Alijan Ibragimov, was elected to the Board of Managers of the ERG group of companies and became a representative of the interests of the family of Mr. Alijan Ibragimov in all assets of the Group in Kazakhstan.