Eurasian Bank JSC

Unconsolidated Financial Statements

for the year ended 31 December 2020

Contents

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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 unconsolidated financial statements of Eurasian Bank Joint Stock Company and its subsidiaries (the "Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2020, the unconsolidated 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 unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2020, and its unconsolidated financial performance and its unconsolidated 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Bank 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 unconsolidated 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 unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Expected Credit Losses (ECL) for loans to customers</th></tr>
<tr><td colspan="2">Please refer to the Notes 3(g) and 15 in the financial statements.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>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.

The Bank applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas:
- timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with 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.

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 uncertainly in estimating of allowance for ECL, this area is a key audit matter.</td><td>We analysed the key aspects of the Bank'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.

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:

- 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 unconsolidated financial statements we tested whether Stages are correctly assigned by the Bank 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 Bank.
- 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 Bank 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.
- We assessed general predictive capability of the models used by the Bank to assess ECL</td></tr>
</table>

	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 Bank's forecasts with those we have simulated. As part of this work we critically assessed the appropriateness of the Bank's assumptions of the economic uncertainty related to COVID-19. We also assessed whether the unconsolidated financial statements disclosures appropriately reflect the Bank's exposure to credit risk.

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

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

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

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated 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 Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated 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
No. 558 of 24 December 2003

KPMG Audit LLC

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

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

18 May 2021

	Note	2020 KZT'000	2019 KZT'000
Interest income calculated using the effective interest method	4	120,517,602	123,190,616
Other interest income	4	869,207	953,226
Interest expense	4	(60,309,073)	(63,367,112)
Net interest income	4	**61,077,736**	**60,776,730**
Fee and commission income	5	24,819,233	35,409,385
Fee and commission expense	5	(6,389,319)	(6,128,088)
Net fee and commission income		**18,429,914**	**29,281,297**
Net loss on financial instruments at fair value through profit or loss	6	(299,492)	(2,684,176)
Net foreign exchange gain	7	6,018,055	5,508,827
Net (loss)/gain on financial assets at fair value through other comprehensive income		(11,828)	184,156
Other operating income /(expenses), net		122,739	(1,945,533)
Operating income		**85,337,124**	**91,121,301**
Impairment losses on debt financial assets	8	(47,278,476)	(50,093,701)
Reversal of impairment losses on loan commitments and financial guarantee contracts		65,534	968,535
Impairment loss on investments in subsidiaries		(2,715,523)	(3,504,487)
Estimated liabilities expenses		-	(25,616)
Personnel expenses	9	(18,972,164)	(20,300,381)
Other general and administrative expenses	10	(12,019,913)	(13,439,321)
Profit before income tax		**4,416,582**	**4,726,330**
Income tax expense	11	(259,174)	(1,979,099)
Profit for the year		**4,157,408**	**2,747,231**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
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
Total items that are or may be reclassified subsequently to profit or loss:		*2,036,973*	*787,169*
Total other comprehensive income for the year		**2,036,973**	**787,169**
Total comprehensive income for the year		**6,194,381**	**3,534,400**
Earnings per share			
Basic and diluted earnings per share, KZT	28	326.63	220.76

The unconsolidated financial statements as set out on pages 7 to 95 were approved by management on 18 May 2021 and were signed on its behalf by:

V.V. Morozov	N.M. Druzhinina	Sh.K. Kapekova
Chairman of the Board	*Deputy Chairman of the Board*	*Chief Accountant*

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

	Note	2020 KZT'000	2019 KZT'000
ASSETS			
Cash and cash equivalents	12	305,893,609	212,882,228
Financial instruments at fair value through profit or loss		2,058	-
Financial assets at fair value through other comprehensive income	13	94,084,577	103,781,483
Deposits and balances with banks	14	42,847,205	9,291,007
Loans to customers	15	569,120,665	650,903,848
Investments at amortised cost	16	145,102,359	28,813,840
Investments in subsidiaries	17	-	5,116,536
Current tax asset		-	529,027
Property, plant and equipment and intangible assets	18	20,087,416	19,320,958
Right-of-use assets	18	2,443,436	2,984,582
Other assets	19	19,092,545	17,572,021
Total assets		**1,198,673,870**	**1,051,195,530**
LIABILITIES			
Deposits and balances from banks	20	862,012	1,381,651
Amounts payable under repurchase agreements	21	1,139,662	-
Current accounts and deposits from customers	22	953,112,246	795,612,722
Debt securities issued	23, 25	10,147,295	32,043,765
Subordinated debt securities issued	24, 25	66,629,479	63,437,257
Other borrowed funds	25	27,335,218	33,571,380
Lease liabilities	25	2,782,926	3,177,932
Deferred tax liabilities	11	6,111,707	5,851,126
Other liabilities	26	22,686,473	18,447,229
Total liabilities		**1,090,807,018**	**953,523,062**
EQUITY			
Share capital	27	61,135,197	57,135,194
Share premium		2,025,632	2,025,632
Reserves for general banking risks		8,234,923	8,234,923
Revaluation reserve for financial assets at fair value through other comprehensive income		2,596,940	559,967
Retained earnings		33,874,160	29,716,752
Total equity		**107,866,852**	**97,672,468**
Total equity and liabilities		**1,198,673,870**	**1,051,195,530**
Book value per ordinary share, KZT	27(c)	4,815.42	4,489.63

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

	2020 KZT'000	2019 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income	106,692,563	120,511,771
Interest expense	(57,362,542)	(61,279,722)
Fee and commission income	25,502,058	34,713,058
Fee and commission expense	(6,389,319)	(6,128,088)
Net payments on financial instruments at fair value through profit or loss	(495,853)	(1,511,089)
Net receipts from foreign exchange	7,285,346	5,252,767
Other receipts/(payments)	114,135	(2,510,971)
Personnel expenses	(18,492,572)	(20,712,055)
Other general and administrative expenses	(8,515,119)	(10,277,241)
(Increase)/decrease in operating assets		
Deposits and balances with banks	(37,079,920)	(3,414,584)
Loans to customers	53,189,129	(61,208,964)
Other assets	1,287,482	(2,111,336)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	(735,179)	841,962
Amounts payable under repurchase agreements	1,286,598	(79,825,002)
Current accounts and deposits from customers	125,949,374	40,833,246
Other liabilities	396,858	6,178,563
Net cash provided from/(used in) operating activities before income tax paid	**192,633,039**	**(40,647,685)**
Income tax paid	-	(13,218)
Cash flows from/(used in) operating activities	**192,633,039**	**(40,660,903)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Contribution to share capital of subsidiary	(13,000)	(297,571)
Sale of a subsidiary and claim rights under a subordinated loan of a subsidiary (Notes 1 and 14)	7,383,343	-
Purchase of financial assets at fair value through other comprehensive income	(111,367,284)	(145,612,467)
Sale and redemption of financial assets at fair value through other comprehensive income	126,083,045	214,367,629
Purchase of precious metals	(719,899)	(350,590)
Sale of precious metals	666,066	364,972
Purchase of investments measured at amortised cost	(222,050,614)	(565,725,706)
Repayment of investments measured at amortised cost	110,690,630	651,613,158
Acquisition of property, plant and equipment and intangible assets	(3,676,870)	(2,492,051)
Proceeds from sale of property and equipment and intangible assets	122,416	70,630
Net cash (used in)/from investing activities	**(92,882,167)**	**151,938,004**

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

	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	(1,142,190)	(1,100,115)
Proceeds from issue of share capital	4,000,003	-
Net cash used in financing activities	**(25,391,262)**	**(25,054,179)**
Net increase in cash and cash equivalents	**74,359,610**	**86,222,922**
Effect of movements in exchange rates on cash and cash equivalents	18,597,547	(1,603,642)
Effect of movements in ECL on cash and cash equivalents	54,224	(51,519)
Cash and cash equivalents as at the beginning of the year	212,882,228	128,314,467
Cash and cash equivalents as at the end of the year (Note 12)	**305,893,609**	**212,882,228**

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

KZT'000	Share capital	Share premium	Reserve for general banking risks	Revaluation reserve for financial assets measured at fair value through other comprehensive income	Retained earnings	Total equity
Balance at 1 January 2019	**57,135,194**	**2,025,632**	**8,234,923**	**(227,202)**	**26,969,521**	**94,138,068**
Total comprehensive income						
Profit for the year	-	-	-	-	2,747,231	2,747,231
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	970,792	-	970,792
Net change in fair value of financial assets at fair value through other comprehensive income, transferred to profit or loss	-	-	-	(184,156)	-	(184,156)
Change in deferred tax	-	-	-	533	-	533
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	*787,169*	-	*787,169*
Total other comprehensive income	-	-	-	787,169	-	787,169
Total comprehensive income for the year	**-**	**-**	**-**	**787,169**	**2,747,231**	**3,534,400**
Balance at 31 December 2019	**57,135,194**	**2,025,632**	**8,234,923**	**559,967**	**29,716,752**	**97,672,468**

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

KZT'000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Revaluation reserve for financial assets measured at fair value through other comprehensive income**	**Retained earnings**	**Total equity**
Balance at 1 January 2020	**57,135,194**	**2,025,632**	**8,234,923**	**559,967**	**29,716,752**	**97,672,468**
Total comprehensive income						
Profit for the year	-	-	-	-	4,157,408	4,157,408
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	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)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	*2,036,973*	-	*2,036,973*
Total other comprehensive income	-	-	-	2,036,973	-	2,036,973
Total comprehensive income for the year	**-**	**-**	**-**	**2,036,973**	**4,157,408**	**6,194,381**
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**	**2,025,632**	**8,234,923**	**2,596,940**	**33,874,160**	**107,866,852**

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

1 Background

(a) Principal activity

Eurasian Bank JSC (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 carries on its activities in accordance with the 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 activity of the Bank is 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 Bank has 17 regional branches (31 December 2019: 17) and 112 cash settlement centres (2019: 114) through which it operates in the Republic of Kazakhstan.

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 Eurasian Bank PJSC (Public Joint Stock Company) (Note 17).

On 30 December 2015, the Bank acquired a subsidiary, BankPozitiv Kazakhstan JSC, located in Almaty, Republic of Kazakhstan which was renamed 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) 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 3 February 2020, the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan granted the licence No. 1.2.68/242/40 to the Bank to conduct banking and other operations and activities in the securities market.

On 29 December 2020, the Bank closed a 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 Bank operates mainly in the Republic of Kazakhstan. As a result, the Bank is exposed to economic and financial risks in the markets of Kazakhstan, which exhibit characteristic characteristics inherent in emerging markets. The legal framework and tax legislation continue to improve, but allow for different interpretations and are subject to frequent changes, which, together with other shortcomings of the legal and fiscal systems, create additional difficulties for enterprises operating in the Republic of Kazakhstan.

The first months of 2020 were due to significant instability in the global market caused by an outbreak of coronavirus. On March 11, 2020, the World Health Organization announced that the spread of a new coronavirus infection had become a pandemic. In response to the potentially serious threat posed to the health of the population by the COVID-19 virus, in order to protect the life and health of citizens, it was decided to introduce a state of emergency in accordance with the legislation of the Republic of Kazakhstan throughout the territory of the Republic of Kazakhstan for the period from March 16, 2020 for the period until May 12, 2020.

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

The unconsolidated financial statements reflect management's assessment of the possible impact of the existing financial and economic conditions on the Bank's performance and financial position. The subsequent development of the conditions for the implementation of financial and economic activities may differ from the assessment of management.

2 Basis of preparation

(a) Statement of compliance

These unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The Bank has also prepared consolidated financial statements for the year ended 31 December 2020 in accordance with IFRS, which can be obtained from the Bank’s head office registered at: 56 Kunayev street, Almaty, Republic of Kazakhstan.

(b) Basis of measurement

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

(c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan tenge (“KZT”) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

Tenge is also the presentation currency for the purposes of this unconsolidated financial statements.

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

(d) Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with IFRSs 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 critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the unconsolidated financial statements 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 expected credit losses (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 Bank's ability to continue as a going concern

The accompanying unconsolidated financial statements have been prepared on assumption that the Bank 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 according to the above scenario, management of the Bank concluded that the range of possible outcomes in the 'worst case' scenario does not indicate that a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern exists, as the Bank 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 accordance with requirements of the legislation of the Republic of Kazakhstan related to accounting and prudential regulation.

Based on the AQR results, the Bank 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 Bank'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 consistently by the Bank to all periods presented in these unconsolidated financial statements.

(a) Accounting for investments in subsidiaries in the unconsolidated financial statements

Subsidiaries are investees controlled by the Bank. The Bank 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. Investments in subsidiaries are accounted for in the Bank's unconsolidated financial statements at cost.

Impairment of investments in subsidiaries

The Bank assesses at each reporting date whether there is any indication that investments in subsidiaries may be impaired. If any indication exists, or when annual impairment testing for investment is required, the Bank estimates the investment's recoverable amount. The recoverable amount of investment is the higher of an asset's fair value less costs to sell and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate before tax, which reflects current market assessments of the time value of money and the risks specific to the assets. In determining fair value less costs of disposal, recent market transactions are taken into account. In their absence the relevant valuation model is applied. These calculations are corroborated by valuation multiples, quoted prices for publicly traded shares or other available fair value indicators. The Bank estimates the impairment amount based on detailed budgets and forecast calculations which are prepared separately for each of the cash generating units to which individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long term growth rate is determined and applied to future cash flows expected after the fifth year.

Impairment losses on investments in subsidiaries are recognised in the unconsolidated statement of profit or loss and other comprehensive income in the 'Impairment losses on investments in subsidiaries' line item. For investments excluding goodwill, an assessment is made by the Bank at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the recoverable amount of investments. A previously recognised impairment loss is reversed only if there has been a change in the assumption used to determine the investments' recoverable amount since when the last impairment loss was recognised. Any impairment loss is only reversed to the extent that the investment's carrying amount does not exceed its recoverable amount and also does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised. Such reversal is recognised in the unconsolidated statement of profit or loss and other comprehensive income.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Bank 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 Bank 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 Bank in the preparation of the unconsolidated 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 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 Bank in the management of short-term commitments. Cash and cash equivalents are recognised at amortised cost in the unconsolidated statement of financial position.

(d) Financial instruments

(i) Classification of financial instruments

In accordance with IFRS 9 *Financial Instruments*, financial assets are classified into the following categories depending on a business model used by the Bank 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 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, 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.

To determine a business model for specific financial assets, the Bank considers 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 of the Bank 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. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank'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 Bank 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 unconsolidated financial statements as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported in the unconsolidated financial statements as liabilities.

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

The Bank 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 Bank 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 unconsolidated statement of financial position when the Bank 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 effective interest method.

(iv) Amortised cost and 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 fair value is measured on the basis of the observed baseline data). 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 Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank is recognised as a separate asset or liability in the unconsolidated statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Bank enters into transactions whereby it transfers assets recognised in its unconsolidated 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 Bank 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 Bank 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 Bank purchases its own debt, it is removed from the unconsolidated 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 Bank 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 unconsolidated 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 . 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 Bank 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 unconsolidated 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 Bank currently 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 Bank and all counterparties.

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated in the unconsolidated financial statements at cost less accumulated depreciation and impairment losses.

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

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. 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 us. Land is not depreciated. The estimated useful lives of various 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 unconsolidated financial statements at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of various items of property, plant and equipment are as follows:

- Trademark 10 years;
- Software and other intangible assets 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 Bank 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 Bank 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 Bank considers:

- a debt investment 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 counteragent 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 Bank 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 LTPD PIT by 80% from initial recognition of the financial asset) for a particular financial asset or similar financial assets with the same expected life;
- an actual or expected internal credit rating downgrade for the borrower determined upon monitoring based on a set of quantitative and qualitative indicators of the counterparty;
- significant changes in value of collateral (over 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 Bank 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 Bank.

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, and IFRS-based approaches and requirements of the current legislation have been applied to all subsequent restructurings. 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 Bank assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due for individual financial assets and 90 days past due for homogenous financial assets;
- the restructuring of a loan by the Bank 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 is credit-impaired, the Bank 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' 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. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);

- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount 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 Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts*: the present value of expected payments to reimburse the holder less any amounts that the bank 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 employed by the Bank 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 specific 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.

Impact of macroeconomic indicators

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, oil price (Brent, annual average), US dollar exchange rate (annual average), base rate of NB RK, export:

Period	Inflation, %	GDP growth, %	United States dollar exchange rate (average annual)	Export, bln. USD	Revenues of the Republic-can budget (bln. KZT)	Oil price, USD	Basic rate of NB RK, 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	US dollar exchange rate (annual average) base	US dollar exchange rate (annual average) optimistic	US dollar (annual average) pessimistic
2021 forecast	445.0	420.0	509.0

- for homogeneous financial assets: inflation under three scenarios, on 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 Bank as a difference between carrying amount of an asset and overall recovery rate (Recovery Rates) for defaulted loans from the time of default against an outstanding debt as at the date of default and present value of estimated future cash flows from enforcement of collateral discounted at the original effective interest rate of a financial asset (i.e. effective interest rate calculated on initial recognition).

EAD represents the expected exposure in the event of a default. The Bank 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 unconsolidated 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 Bank 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 Bank's procedures for recovery of amounts due.

(vii) Non-financial assets

Non-financial assets, other than deferred tax assets, are reviewed 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 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 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 the unconsolidated financial statements.

(h) Provisions

A provision is recognised in the unconsolidated statement of financial position when the Bank 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 Bank 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 Bank 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 Bank 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 commitment are included in other liabilities.

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

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss;
- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments;
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;
- commitments to provide a loan at a below-market interest rate.

(j) Share capital

(i) Ordinary shares

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

(ii) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of Kazakhstan legislation.

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 is 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 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 to the extent that where the Bank 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 plan of the Bank.

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 Bank 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 Bank 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 Bank. Within the effective period of a contract, the discount amount is amortised and stated as the Bank'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 unconsolidated 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 Bank expects to receive in exchange for the services provided, and is recognised when or as the Bank provides the services to customers.

The Bank 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 Bank 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.

(n) Segment reporting

An operating segment is a component of a Bank 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 Bank 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 Bank 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 in-substance fixed lease payments.

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

In the unconsolidated 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 expenses on interest 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 unconsolidated statements of cash flows, the bank 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 Bank's unconsolidated 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 a 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 Bank has not early adopted the new or amended standards in preparing these unconsolidated 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 Interest income and expense

	2020 KZT'000	2019 KZT'000
Interest income calculated using the effective interest method		
Loans to customers at amortised cost	105,075,558	106,691,436
Financial assets at fair value through other comprehensive income	6,925,348	10,236,988
Investments measured at amortised cost	6,397,599	4,856,534
Amounts receivable under reverse repurchase agreements	1,329,720	450,131
Cash and cash equivalents	579,384	829,159
Other financial assets	194,429	83,066
Deposits and balances with banks	15,564	43,302
	120,517,602	**123,190,616**
Other interest income		
Loans to customers measured at fair value	634,549	813,151
Deposits and balances with banks measured at fair value	234,658	140,075
	121,386,809	**124,143,842**
Interest expense		
Current accounts and deposits from customers	(46,082,117)	(46,072,589)
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)	(1,202,170)
Lease liabilities	(295,269)	(331,553)
Deposits and balances from banks	(6,167)	-
	(60,309,073)	**(63,367,112)**
	61,077,736	**60,776,730**

5 Fee and commission income and expense

	2020 KZT'000	2019 KZT'000
Fee and commission income		
Agency services	14,776,266	26,273,578
Payment card maintenance fees	5,670,134	4,729,632
Settlement	1,956,768	2,095,419
Cash withdrawal	1,358,484	1,257,560
Guarantee and letter of credit issuance	398,997	404,091
Cash collection	28,246	32,566
Custodian services	38,480	32,525
Other	591,858	584,014
	24,819,233	**35,409,385**
Fee and commission expenses		
Payment card maintenance fees	(4,902,292)	(4,568,425)
Settlement	(611,282)	(749,442)
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)	(98,868)
Securities operations	(24,115)	(30,008)
Other	(139,046)	(40,049)
	(6,389,319)	**(6,128,088)**
	18,429,914	**29,281,297**

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

	2020 KZT'000	2019 KZT'000
Gain/(loss) on change in the value of deposits and balances with banks measured at fair value	176,214	(160,990)
Gain on change in the value of loans to customers measured at fair value	18,089	61,579
Net unrealised gain on financial instruments at fair value through profit or loss	2,458	-
Net realised loss on financial instruments at fair value through profit or loss	(496,253)	(2,584,765)
	(299,492)	**(2,684,176)**

7 Net foreign exchange gain

	2020 KZT'000	2019 KZT'000
Dealing operations, net	7,285,346	5,252,767
Translation differences, net	(1,267,291)	256,060
	6,018,055	**5,508,827**

8 Impairment losses on debt financial assets

	2020 KZT'000	2019 KZT'000
Loans to customers (Note 15)	45,850,717	48,899,459
Other assets (Note 19)	1,477,690	1,158,327
Financial assets at fair value through other comprehensive income (Note 13)	3,347	4,546
Investments measured at amortised cost (Note 16)	860	3,952
Deposits and balances with banks (Note 14)	86	(24,102)
Cash and cash equivalents (Note 12)	(54,224)	51,519
	47,278,476	**50,093,701**

9 Personnel expenses

	2020 KZT'000	2019 KZT'000
Wages, salaries, bonuses and related taxes	18,141,377	19,383,544
Other employee costs	830,787	916,837
	18,972,164	**20,300,381**

10 Other general and administrative expenses

	2020 KZT'000	2019 KZT'000
Depreciation and amortisation	2,902,139	3,141,862
Communication and information services	2,507,032	2,620,631
Depreciation of right-of-use assets	1,291,466	1,292,705
Taxes other than income tax	985,715	1,058,656
Security	800,641	776,366
Repair and maintenance	558,272	638,245
Professional services	424,483	711,301
Advertising and marketing	351,332	750,590
Cash collection	275,334	248,812
Operating lease expense	222,438	172,960
Stationary and office supplies	192,471	273,502
Business travel	117,850	236,829
Transportation	74,535	74,616
Insurance	52,534	178,609
Other	1,263,671	1,263,637
	12,019,913	**13,439,321**

11 Income tax expense

	2020 KZT'000	2019 KZT'000
Current income tax expense		
Adjustment of current income tax expenses for prior periods	761	-
	761	**-**
Deferred tax expense		
Origination of temporary differences	258,413	1,979,099
Total income tax benefit	**259,174**	**1,979,099**

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	**4,416,582**		**4,726,330**	
Income tax at the applicable tax rate	883,316	20.00	945,266	20.00
Tax-exempt income on securities	(2,629,802)	(59.54)	(3,013,901)	(63.77)
Adjustment of current income tax expenses for prior periods	761	0.02	-	-
Impairment losses	513,588	11.63	2,034,350	43.04
Non-deductible expenses	1,491,311	33.77	2,013,384	42.60
	259,174	**5.87**	**1,979,099**	**41.87**

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 Bank 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.

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**	**Balance at 31 December 2020**
Loans to customers	12,530	1,088,604	-	1,101,134
Property, plant and equipment	(1,038,390)	(46,483)	-	(1,084,873)
Other assets	60,094	(38,886)	-	21,208
Interest payable on deposits and balances with banks	1,730	(1,688)	-	42
Subordinated debt securities issued	(20,553,556)	508,267	-	(20,045,289)
Other liabilities	325,646	(4,570)	-	321,076
Tax loss carry-forwards	15,301,617	(1,792,885)	-	13,508,732
Financial assets at fair value through other comprehensive income	533	-	(2,168)	(1,635)
Right-of-use assets	(596,916)	108,229	-	(488,687)
Lease liabilities	635,586	(79,001)	-	556,585
	(5,851,126)	**(258,413)**	**(2,168)**	**(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	-	12,530	-	-	12,530
Property, plant and equipment	(1,067,324)	28,934	-	-	(1,038,390)
Other assets	21,817	38,277	-	-	60,094
Interest payable on deposits and balances with banks	17,389	(15,659)	-	-	1,730
Subordinated debt securities issued	(20,979,896)	426,340	-	-	(20,553,556)
Other liabilities	113,719	211,927	-	-	325,646
Tax loss carry-forwards	18,021,735	(2,720,118)	-	-	15,301,617
Financial assets at fair value through other comprehensive income	-	-	533	-	533
Right-of-use assets	-	102,624	-	(699,540)	(596,916)
Lease liabilities	-	(63,954)	-	699,540	635,586
	(3,872,560)	**(1,979,099)**	**533**	**-**	**(5,851,126)**

12 Cash and cash equivalents

	2020 KZT'000	2019 KZT'000
Cash on hand	**30,098,896**	**36,628,348**
Nostro accounts with NBRK	**143,104,232**	**83,717,609**
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	5,140,275
- rated from BB- to BB+	551,617	1,227,276
- rated from B- to B+	77,391	55,227
- not rated	302,525	462,292
Total Nostro accounts with other banks	**36,378,467**	**25,723,437**
Term deposits with NBRK	**95,189,422**	**58,572,058**
Term deposits with other banks		
- rated from BBB- to BBB+	1,124,115	-
- rated from B- to B+	-	4,292,681
Total term deposits with other banks	**1,124,115**	**4,292,681**
Amounts receivable under reverse repurchase agreements		
- not rated*	-	4,000,001
Total cash and cash equivalents before allowance for expected credit losses	**305,895,132**	**212,934,134**
Allowance for expected credit losses	(1,523)	(51,906)
Total cash and cash equivalents	**305,893,609**	**212,882,228**

* 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 Bank has 2 banks (31 December 2019: 2 banks), whose balances on cash equivalents 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 Bank entered into reverse repurchase agreements with counterparties on the Kazakhstan Stock Exchange. The agreements have been secured mainly by the treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, NBRK discount notes (2019: NBRK discount notes). As at 31 December 2020, there were no pending "reverse repo" transactions (2019: as collateral under reverse repurchase agreements is KZT 4,193,812 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).

13 Financial assets at fair value through other comprehensive income

	2020 KZT'000	2019 KZT'000
Held by the Bank		
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
Bonds of development banks		
Asian Development Bank bonds	2,941,833	-
Corporate bonds		
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 treasury bonds and corporate bonds are overdue or impaired as at 31 December 2020 and 2019.

14 Deposits and balances with banks

	2020 KZT'000	2019 KZT'000
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 BB- to BB+	1,707,699	-
- not rated	66,000	49,000
Total term deposits	**42,848,628**	**5,511,807**
Total deposits and balances with banks measured at amortised cost before allowance for expected credit losses	**42,848,628**	**5,511,807**
Allowance for expected credit losses	(1,423)	(1,214)
Total deposits and balances with banks measured at amortised cost net of allowance for expected credit losses	**42,847,205**	**5,510,593**
Loans to banks measured at fair value through profit or loss		
- not rated	-	3,780,414
Total deposits and balances with banks	**42,847,205**	**9,291,007**

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 measured at amortised cost 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 “KSF 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”.

As at 31 December 2019 not rated loans to banks measured at fair value through profit or loss of KZT 3,780,414 thousand comprise subordinated loans issued to the subsidiary - Eurasian Bank PJSC. In December 2020, rights of claim for the loans were transferred to Sovcombank PJSC.

Movements in the loss allowance for expected credit losses for deposits and balances with banks measured at amortised cost 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 measured at amortised cost 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	25,326	25,326
Net remeasurement of loss allowance	(24,102)	(24,102)
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 accounts and deposits with banks

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

15 Loans to customers

	2020 KZT'000	2019 KZT'000
Loans to customers measured at amortised cost		
Loans to corporate customers		
Loans to large corporates	209,205,661	202,252,055
Loans to small and medium-size businesses	12,969,075	16,349,132
Total loans to corporate customers	**222,174,736**	**218,601,187**
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 *Business Auto* 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	**682,767,665**	**753,520,632**
Allowance for expected credit losses	(118,255,253)	(110,696,451)
Loans to customers measured at amortised cost net of allowance for expected credit losses	**564,512,412**	**642,824,181**
Loans to customers measured at fair value through profit or loss		
Loans to customers measured at fair value	4,608,253	8,079,667
Total loans to customers	**569,120,665**	**650,903,848**

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	**19,894,086**	**1,799,918**	**82,269,988**	**6,732,459**	**110,696,451**
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)	(6,015,219)	7,176,870	-	-
Net remeasurement of loss allowance*	(15,792,074)	9,530,680	39,603,063	1,105,931	34,447,600
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	-	-	(40,810,750)	(361,825)	(41,172,575)
Unwinding of discount on present value of expected credit losses	-	-	1,970,152	519,571	2,489,723
Recognition of POCI-assets	-	-	(266,517)	-	(266,517)
Foreign exchange and other movements	(179,125)	816,671	32,806	(12,898)	657,454
Loss allowance for expected credit losses at the end of the year	**16,730,121**	**10,053,242**	**83,488,652**	**7,983,238**	**118,255,253**

* 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	**1,780,226**	**547,430**	**28,781,335**	**6,732,459**	**37,841,450**
Transfer to Stage 1	516	(516)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(65,293)	(137,473)	202,766	-	-
Net remeasurement of loss allowance*	(711,174)	5,509,391	16,130,676	1,011,261	21,940,154
New financial assets originated or purchased	317,137	-	-	-	317,137
Financial assets that have been derecognised**	-	-	-	-	-
(Write-offs of loans)/recovery of previously written off loans	-	-	(14,027,838)	(404,877)	(14,432,715)
Unwinding of discount on present value of expected credit losses	-	-	1,612,908	518,697	2,131,605
Recognition of POCI-assets	-	-	(1,162)	-	(1,162)
Disposal of subsidiary	394,559	73,418	(19,418)	(12,898)	435,661
Foreign exchange and other movements	**1,715,971**	**5,992,250**	**32,679,267**	**7,844,642**	**48,232,130**
Loss allowance for expected credit losses at the end of the year	**1,780,226**	**547,430**	**28,781,335**	**6,732,459**	**37,841,450**

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	-	-	(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	**15,687,522**	**1,292,625**	**63,635,041**	**(538,168)**	**80,077,020**
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)	(1,143,292)	1,514,786	-	-
Net remeasurement of loss allowance*	(17,269,929)	327,688	40,625,942	6,630,061	30,313,762
New financial assets originated or purchased	20,459,083	-	-	-	20,459,083
Financial assets that have been derecognised**	-	-	(1,873,386)	-	(1,873,386)
(Write-offs of loans)/recovery of previously written off loans	-	-	(17,811,195)	(148,578)	(17,959,773)
Unwinding of discount on present value of expected credit losses	-	-	1,997,028	778,322	2,775,350
Recognition of POCI-assets	-	-	(3,300,802)	-	(3,300,802)
Foreign exchange and other movements	(8,698)	79,275	123,798	10,822	205,197
Loss allowance for expected credit losses at the end of the year	**19,894,086**	**1,799,918**	**82,269,988**	**6,732,459**	**110,696,451**

* 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	**1,342,243**	**524,609**	**21,109,739**	**(538,168)**	**22,438,423**
Transfer to Stage 1	842,604	(507,520)	(335,084)	-	-
Transfer to Stage 2	(738,592)	794,412	(55,820)	-	-
Transfer to Stage 3	-	(8,909)	8,909	-	-
Net remeasurement of loss allowance*	(66,702)	(240,260)	25,418,112	6,630,061	31,741,211
New financial assets originated or purchased	366,573	-	-	-	366,573
Financial assets that have been derecognised**	-	-	(1,930,512)	-	(1,930,512)
(Write-offs of loans)/recovery of previously written off loans	-	-	(13,010,947)	(148,578)	(13,159,525)
Unwinding of discount on present value of expected credit losses	-	-	885,280	778,322	1,663,602
Recognition of POCI-assets	-	-	(3,300,802)	-	(3,300,802)
Foreign exchange and other movements	34,100	(14,902)	(7,540)	10,822	22,480
Loss allowance for expected credit losses at the end of the year	**1,780,226**	**547,430**	**28,781,335**	**6,732,459**	**37,841,450**

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**	**768,016**	**42,525,302**	**-**	**57,638,597**
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)	(1,134,383)	1,505,877	-	-
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	-	-	(4,800,248)	-	(4,800,248)
Unwinding of discount on present value of expected credit losses	-	-	1,111,748	-	1,111,748
Foreign exchange and other movements	(42,798)	94,177	131,338	-	182,717
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 Bank has written off loans of KZT 41,172,575 thousand, which resulted in decrease in loss allowance for expected credit on loans referred to as Stage 3 and POCI-loans for the same amount (2019: KZT 17,959,773 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 has caused decrease in the gross carrying amount of the loan portfolio by KZT 507,207,288 thousand, including accrued interest (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	209,205,661	(44,021,291)	165,184,370
Loans to small- and medium-size companies	12,969,075	(4,210,839)	8,758,236
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 *Business Auto* Program	2,501,937	(202,668)	2,299,269
Total loans to customers at the end of the year	**682,767,665**	**(118,255,253)**	**564,512,412**

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	202,252,055	(33,707,548)	168,544,507
Loans to small- and medium-size companies	16,349,132	(4,133,902)	12,215,230
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 at the end of the year	**753,520,632**	**(110,696,451)**	**642,824,181**

(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 at 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
High risk	-	-	68,288,429	-	68,288,429
Problem	-	-	3,139,521	14,366,534	17,506,055
High risk	-	-	19,626,101	457,252	20,083,353
Not rated (secured with cash)	2,402,863	-	-	-	2,402,863
Total loans to large corporates	**71,881,939**	**26,055,297**	**96,180,197**	**15,088,228**	**209,205,661**
Loss allowance	(1,686,934)	(5,992,250)	(28,497,465)	(7,844,642)	(44,021,291)
Net loans to large corporates	**70,195,005**	**20,063,047**	**67,682,732**	**7,243,586**	**165,184,370**

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
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	-	-	4,952,716	-	4,952,716
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**	**-**	**5,570,015**	**-**	**12,969,075**
Loss allowance	(29,037)	-	(4,181,802)	-	(4,210,839)
Net loans to small and medium-sized companies	**7,370,023**	**-**	**1,388,213**	**-**	**8,758,236**

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 less than 30 days	-	-	-	-	-
Overdue 30-89 days	-	-	53,242	-	53,242
Overdue 90-179 days	-	-	-	-	-
Overdue 180-360 days	-	-	-	-	-
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 issued 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 at initial recognition	Total
Loans to customers at amortised cost – corporate customers					
Not externally rated:					
Standard	10,466,004	-	-	-	10,466,004
Low risk	50,859,623	-	-	-	50,859,623
Medium risk	209,614	90,457,813	-	-	90,667,427
Problem	-	-	4,230,467	13,783,016	18,013,483
High risk	-	-	31,325,633	919,885	32,245,518
Total loans to large corporates	**61,535,241**	**90,457,813**	**35,556,100**	**14,702,901**	**202,252,055**
Loss allowance	(1,688,420)	(546,172)	(24,740,497)	(6,732,459)	(33,707,548)
Carrying amount	**59,846,821**	**89,911,641**	**10,815,603**	**7,970,442**	**168,544,507**

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
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	3,338,932	11,100	-	-	3,350,032
Medium risk	125,947	105,270	162,408	-	393,625
Problem	-	-	17,494	-	17,494
High risk	-	-	7,156,692	-	7,156,692
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	**8,804,295**	**208,243**	**7,336,594**	**-**	**16,349,132**
Loss allowance	(91,806)	(1,258)	(4,040,838)	-	(4,133,902)
Carrying amount	**8,712,489**	**206,985**	**3,295,756**	**-**	**12,215,230**

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 1,739,426 thousand lower/higher.

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

The Bank 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 11,717,084 thousand lower/higher.

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

(c) Analysis of collateral

(i) Loans to corporate customers

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	5,663,102	5,663,102	-	-
Cash and deposits	-	-	-	-
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	-	-
Income/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 loans not credit-impaired	**97,628,075**	**71,663,870**	**1,278,489**	**24,685,716**

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**
Credit-impaired loans				
Real estate	69,545,516	69,332,996	212,520	-
Construction in progress	4,794,464	4,794,464	-	-
Equipment	942,039	942,039	-	-
Vehicles	163,043	163,029	14	-
Corporate guarantees and guarantees of individuals	474,720	-	-	474,720
Cash and deposits	9,809	9,809	-	-
Other collateral	71,281	71,281	-	-
No collateral and other credit enhancements	**313,659**	**-**	**-**	**313,659**
Total credit-impaired loans	**76,314,531**	**75,313,618**	**212,534**	**788,379**
Total loans to corporate customers measured at amortised cost	**173,942,606**	**146,977,488**	**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**	**-**	**-**
	178,550,859	**151,585,741**	**1,491,023**	**25,474,095**

The tables above exclude overcollateralisation.

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 at loan inception date	Fair value of collateral not determined
Loans measured 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	9,328,968	-	-	9,328,968
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
Equipment	736,395	736,395	-	-
Cash and deposits	1,063,342	1,063,342	-	-
Mineral rights	519,586	519,586	-	-
Other collateral	493,397	493,397	-	-
No collateral and other credit enhancements	15,034,898	-	-	15,034,898
Total loans not credit-impaired	**158,677,936**	**130,883,360**	**1,624,548**	**26,170,028**
Credit-impaired loans				
Real estate	12,781,182	11,908,128	873,054	-
Equipment	623,502	622,268	1,234	-
Vehicles	258,937	258,920	17	-
Corporate guarantees and guarantees of individuals	118,472	-	-	118,472
Cash and deposits	24,786	24,786	-	-
Goods in turnover	5,725	5,725	-	-
Other collateral	436,468	436,468	-	-
No collateral and other credit enhancements	7,832,729	-	-	7,832,729
Total credit-impaired loans	**22,081,801**	**13,256,295**	**874,305**	**7,951,201**
Total loans to corporate customers measured at amortised cost	**180,759,737**	**144,139,655**	**2,498,853**	**34,121,229**
Loans measured at fair value				
Real estate	8,041,284	8,041,284	-	-
No collateral and other credit enhancements	38,383	-	-	38,383
Total loans to corporate customers measured at fair value	**8,079,667**	**8,041,284**	**-**	**38,383**
	188,839,404	**152,180,939**	**2,498,853**	**34,159,612**

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 Bank for more significant and specialised pieces of collateral.

The Bank 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 and information about collateral 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 Bank 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 Bank updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Bank 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 Bank updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Bank 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 Bank updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Bank 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 were primarily issued to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	2020 KZT'000	2019 KZT'000
Loans to customers - at amortised cost		
Construction	50,393,008	45,470,895
Wholesale trade	37,706,730	47,523,754
Manufacturing	26,475,208	24,502,011
Retail trade	19,283,173	24,031,231
Financial intermediary	19,134,592	13,166,950
Acquisition and management of doubtful and bad assets	14,138,571	13,679,320
Real estate	13,124,215	14,214,946
Textile manufacturing	9,506,188	9,963,800
Food production	9,421,832	7,915,754
Services	9,266,209	2,737,424
Agriculture, forestry and timber industry	6,756,255	9,794,615
Machinery manufacturing	2,328,479	88,301
Mining/metallurgy	2,130,720	2,588,993
Transport	1,892,601	1,814,795
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	224,904	523,582
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 large 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	-
	682,767,665	**753,520,632**
Allowance for expected credit losses	(118,255,253)	(110,696,451)
Total loans to corporate customers measured at amortised cost	**564,512,412**	**642,824,181**
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**
	569,120,665	**650,903,848**

As at 31 December 2020 the Bank 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 109,149,727 thousand (31 December 2019: KZT 110,865,276 thousand).

(e) Loan maturities

The maturity of the loan portfolio 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 Bank transferred to Baspana Mortgage Organisation JSC the mortgage loans of KZT 1,917,990 thousand (2019: KZT 1,653,303 thousand). The Bank 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 unconsolidated 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 Bank did not sell other consumer loans to third parties (during 2019: the Bank did not sell other consumer loans to third parties).

In December 2013 and June 2014, the Bank 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 would 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 unconsolidated statement of profit or loss and other comprehensive income at the date of transfer amounted to KZT 149,521 thousand. The Bank has determined that it has transferred some but not substantially all of the risks and rewards to the transferee, accordingly the Bank retains control and continues to recognise the loans to the extent of its continuing involvement in those mortgage loans.

As at 31 December 2020 the Bank's continuing involvement with such transferred portfolio is recorded in the unconsolidated 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 Bank 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.

16 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 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	**28,838,418**
Pledged under sale and repurchase agreements		
Bonds of Eurasian Development Bank	1,201,924	-
	1,201,924	**-**
	145,130,031	**28,838,418**
Allowance for expected credit losses	(27,672)	(24,578)
estments measured at amortised cost	**145,102,359**	**28,813,840**

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.

17 Investments in subsidiaries

As at 31 December 2020, the Bank has two subsidiaries, which are accounted for at cost (31 December 2019: three subsidiaries).

Name	Country of incorpora-tion	Activity	Ownership interest,% 31 December 2020	Carrying amount KZT'000 31 December 2020	Ownership interest,% 31 December 2019	Carrying amount KZT'000 31 December 2019
Eurasian Bank PJSC, Moscow	Russian Federation	Banking	0.00	-	99.99	7,097,853
Eurasian Project 1 LLP, Almaty	Republic of Kazakhstan	Acquisition and management of doubtful and bad assets	100.00	1,499,170	100.00	1,499,170
Eurasian Project 2 LLP, Almaty	Republic of Kazakhstan	Acquisition and management of doubtful and bad assets	100.00	37,000	100.00	24,000
				1,536,170		**8,621,023**
Impairment allowance				(1,536,170)		(3,504,487)
				-		**5,116,536**

On 1 April 2010, the Bank acquired 99.99% share in the Russian bank "Bank Troika Dialog" OJSC from third parties for a total consideration of USD 22,075 thousand and RUB 150 thousand, satisfied in cash. The sole shareholder of Bank acquired the remaining 0.01% share for USD 0.09.

Upon acquisition "Bank Troika Dialog" OJSC was renamed "Eurasian Bank" OJSC. On 28 November 2014, the extraordinary general meeting of shareholders made decision to change the name from an open joint-stock company to public joint-stock company.

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 a deal to sell its holding of shares of the subsidiary bank of Eurasian Bank JSC (the Russian Federation) to Sovcombank PJS; share purchase price was RUB 530,644 thousand, which was settled in cash.

Changes in the book value of investments in subsidiaries less recognized impairment for 2020 and 2019 are presented below:

	2020 KZT’000	2019 KZT’000
Balance as of January 1,	**5,116,536**	**8,323,452**
Contribution to equity of subsidiary	13,000	297,571
Impairment losses of investments in subsidiaries	(2,715,523)	(3,504,487)
Additional investments recognized as a result of intra-group transactions	621,271	-
Sale of a subsidiary	(3,035,284)	-
Balance as at 31 December	**-**	**5,116,536**

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 intangibles	Total
Cost									
Balance at 1 January 2020	11,830,093	15,529,606	576,454	841,293	461	787,305	1,075,716	16,385,172	47,026,100
Additions	-	1,554,355	-	40,298	1,637	-	-	2,187,698	3,783,988
Disposals	-	(709,689)	(21,797)	(25,407)	-	-	-	(225,356)	(982,249)
Balance at 31 December 2020	**11,830,093**	**16,374,272**	**554,657**	**856,184**	**2,098**	**787,305**	**1,075,716**	**18,347,514**	**49,827,839**
Depreciation and amortisation									
Balance at 1 January 2020	(2,276,702)	(12,405,675)	(526,884)	(575,005)	-	(777,078)	(834,573)	(10,309,225)	(27,705,142)
Depreciation and amortisation for the year	(150,078)	(1,170,877)	(32,019)	(72,419)	-	(7,856)	(103,411)	(1,365,479)	(2,902,139)
Disposals	-	697,515	21,797	24,305	-	-	-	123,241	866,858
Balance at 31 December	**(2,426,780)**	**(12,879,037)**	**(537,106)**	**(623,119)**	**-**	**(784,934)**	**(937,984)**	**(11,551,463)**	**(29,740,423)**
Carrying amount									
At 31 December 2020	**9,403,313**	**3,495,235**	**17,551**	**233,065**	**2,098**	**2,371**	**137,732**	**6,796,051**	**20,087,416**

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 intangibles	Total
Cost									
Balance at 1 January 2019	11,830,093	14,696,752	641,897	811,140	461	787,305	1,075,716	15,184,771	45,028,135
Additions	-	1,115,150	-	44,799	-	-	-	1,223,108	2,383,057
Disposals	-	(282,296)	(65,443)	(14,646)	-	-	-	(22,707)	(385,092)
Balance at 31 December 2019	**11,830,093**	**15,529,606**	**576,454**	**841,293**	**461**	**787,305**	**1,075,716**	**16,385,172**	**47,026,100**
Depreciation and amortisation									
Balance at 1 January 2019	(2,126,624)	(11,343,605)	(522,019)	(514,437)	-	(714,136)	(731,157)	(8,948,210)	(24,900,188)
Depreciation and amortisation for the year	(150,078)	(1,338,846)	(50,624)	(74,570)	-	(62,942)	(103,416)	(1,361,386)	(3,141,862)
Disposals	-	276,776	45,759	14,002	-	-	-	371	336,908
Balance at 31 December 2019	**(2,276,702)**	**(12,405,675)**	**(526,884)**	**(575,005)**	**-**	**(777,078)**	**(834,573)**	**(10,309,225)**	**(27,705,142)**
Carrying amount									
As at 31 December 2019	**9,553,391**	**3,123,931**	**49,570**	**266,288**	**461**	**10,227**	**241,143**	**6,075,947**	**19,320,958**

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		
Cost		
Effect of adoption of IFRS 16	-	3,497,699
Balance at 1 January	**3,993,882**	**3,497,699**
Additions	750,321	779,616
Disposals	(537,505)	(283,433)
Balance at 31 December	**4,206,698**	**3,993,882**
Depreciation and amortisation		
Balance at 1 January	**(1,009,300)**	**-**
Depreciation and amortisation for the year	(1,291,466)	(1,292,705)
Disposals	537,504	283,405
Balance at 31 December	**(1,763,262)**	**(1,009,300)**
Carrying amount	**2,443,436**	**2,984,582**

19 Other assets

	2020 KZT'000	2019 KZT'000
Plastic cards settlements	9,255,098	7,596,254
Debtors on loan operations	1,552,810	5,497,027
Settlements with professional participants of securities market	1,725,578	1,360,566
Debtors on letters of credit and guarantees	1,115,462	1,115,462
Accrued commission income	444,046	1,126,871
Asset from continuing involvement in transferred assets (Note 15(f))	18,583	1,429,693
Other	2,939,435	5,974,242
Allowance for expected credit losses	(3,159,096)	(9,637,080)
Total other financial assets	**13,891,916**	**14,463,035**
Non-current assets held for sale	2,541,229	735,020
Taxes prepaid other than income tax	1,098,905	877,402
Prepayments	972,589	790,071
Advances for capital expenditures	259,811	446,050
Raw materials and consumables	242,587	242,320
Precious metals	85,508	18,123
Total other non-financial assets	**5,200,629**	**3,108,986**
Total other assets	**19,092,545**	**17,572,021**

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 Bank recognised an impairment allowance 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 allowance for expected credit losses

Movement in ECL allowance for the years ended 31 December 2020 and 31 December 2019 are as follows:

	2020 KZT'000	2019 KZT'000
Balance at beginning of the year	9,637,080	7,928,654
Net charge/(recovery) of ECL allowance	1,477,690	1,158,327
Write-off of bad debt	(8,060,701)	(214,822)
Recovery of receivables previously written off	76,127	724,855
Effect of movements in exchange rates	28,900	40,066
Balance at the end of the year	**3,159,096**	**9,637,080**

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	1,324,262
	862,012	**1,381,651**

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 Bank had securities pledged under repurchase agreements (31 December 2019: the Bank had no securities pledged under repurchase agreements) (Note 16).

22 Current accounts and deposits from customers

	2020 KZT'000	2019 KZT'000
Current accounts and demand deposits		
- Retail	81,140,220	61,364,944
- Corporate	260,408,596	99,170,535
Term deposits		
- Retail	390,322,933	372,932,395
- Corporate	221,240,497	262,144,848
	953,112,246	**795,612,722**

As at 31 December 2020, the current accounts and deposits from the Bank 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 Bank.

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

	Issue registration date	Maturity date	Coupon rate	Effective interest rate	Carrying amount 2020 KZT'000	Carrying amount 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 Bank. In case of bankruptcy, the repayment of the subordinated debt securities would be made after repayment in full of all other liabilities of the Bank.

A summary of subordinated debt securities issues at 31 December 2020 and 31 December 2019 is presented below:

	Issue registration date	Maturity date	Coupon rate	Effective interest rate	Carrying amount 2020 KZT'000	Carrying amount 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 unconsolidated 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 finds 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 finds 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 Bank, the Bank 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 Bank, the Bank is responsible to extend loans to companies operating in the agriculture industry.

According to loan agreements with “EDF DAMU JSC” and “DBK JSC”, the Bank 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% p.a. Management of the Bank 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 Bank is liable for compliance with covenants of loan agreements stated above. The Bank 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

	Liabilities				
KZT’000	**Other borrowed funds**	**Subordinated debt securities issued**	**Debt securities issued**	**Lease liabilities**	**Total**
Balance at 1 January 2020	**33,571,380**	**63,437,257**	**32,043,765**	**3,177,932**	**132,230,334**
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	-	-	-	(1,142,190)	(1,142,190)
Total changes from financing cash flows	**(6,137,646)**	**-**	**(22,111,429)**	**(1,142,190)**	**(29,391,265)**
Effect of changes in foreign exchange rates	35,029	-	-		35,029
Other changes					
Interest expense	868,802	10,375,143	2,114,971	295,269	13,654,185
Interest paid	(1,002,347)	(7,182,921)	(1,900,012)	(298,406)	(10,383,686)
Recognition of lease liabilities	-	-	-	750,321	750,321
Balance at 31 December 2020	**27,335,218**	**66,629,479**	**10,147,295**	**2,782,926**	**106,894,918**

KZT'000	Liabilities Other borrowed funds	Subordinated debt securities issued	Debt securities issued	Lease liabilities	Total
Balance at 1 January 2019	**35,479,720**	**70,735,198**	**43,711,582**	**-**	**149,926,500**
Transition to IFRS 16	-	-	-	3,497,699	3,497,699
Balance at 1 January 2019 (restated)	**35,479,720**	**70,735,198**	**43,711,582**	**3,497,699**	**153,424,199**
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	-	-	-	(1,100,115)	(1,100,115)
Total changes from financing cash flows	**(1,877,500)**	**(9,995,000)**	**(12,081,564)**	**(1,100,115)**	**(25,054,179)**
Effect of changes in foreign exchange rates	(1,369)	-	-	-	(1,369)
Other changes					
Interest expense	1,296,171	10,754,453	3,710,176	331,553	16,092,353
Interest paid	(1,325,642)	(8,057,394)	(3,296,429)	(330,943)	(13,010,408)
Recognition of lease liabilities	-	-	-	779,738	779,738
Balance at 31 December 2019	**33,571,380**	**63,437,257**	**32,043,765**	**3,177,932**	**132,230,334**

26 Other liabilities

	2020 KZT'000	2019 KZT'000
Plastic cards settlements	9,086,289	5,889,865
Liability from continuing involvement (Note 15(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
Accrued administrative expenses	340,317	797,646
Payables to insurance company	369,952	417,783
Funds of depositors of Tengri Bank JSC	809,328	-
Funds of depositors of Bank of Astana JSC	432,643	477,280
Payables to borrowers on lending operations	319,695	937,992
Capital expenditures payables	-	79,121
Other financial liabilities	2,012,614	2,626,896
Total other financial liabilities	**19,550,697**	**15,813,171**
Payables to employees	1,615,615	1,022,339
Vacation reserve	633,298	747,416
Deferred income	285,397	362,755
Other taxes payable	239,099	334,314
Loss allowance for losses on contingent liabilities	17	65,550
Other non-financial liabilities	362,350	101,684
Total other non-financial liabilities	**3,135,776**	**2,634,058**
Total other liabilities	**22,686,473**	**18,447,229**

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, 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 the Bank's distributable reserves are limited to the balance of retained earnings as recorded in the Bank's statutory unconsolidated financial statements prepared in accordance with IFRS or net profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank's insolvency.

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 Bank should present book value per ordinary share in its unconsolidated 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 4,815.42 (31 December 2019: KZT 4,489.63).

(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 Bank 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 Bank has five reportable segments, as described below, which are the Bank'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
Gross presentation of foreign currency swaps	(18,949,464)	(7,499,288)
Other adjustments	(242,884)	(4,826,112)
Total assets	**1,198,673,870**	**1,051,195,530**

	2020 KZT'000	2019 KZT'000
Total liabilities for reportable segments	1,110,112,553	962,064,944
Gross presentation of foreign currency swaps	(18,949,464)	(7,499,288)
Other adjustments	(356,071)	(1,042,594)
Total liabilities	**1,090,807,018**	**953,523,062**

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 expense	(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 for 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	-	-	-	-	-	2,383,057	**2,383,057**
Depreciation and amortisation	(1,612)	(6,212)	(635,404)	(517)	(28)	(3,790,794)	**(4,434,567)**

Reconciliations of reportable segment revenues and profit or loss:

	2020 KZT'000	2019 KZT'000
Reportable segment revenue	250,098,996	263,727,434
Funds transfer pricing	(87,786,044)	(91,791,078)
Other adjustments	(10,088,855)	(6,874,302)
Total revenue	**152,224,097**	**165,062,054**

	2020 KZT'000	2019 KZT'000
Reportable segment profit	4,044,429	6,215,087
Other adjustments	112,979	(3,467,856)
Total profit	**4,157,408**	**2,747,231**

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 unconsolidated 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, there are no revenues from large corporate customers that individually exceed 10% of total revenue (31 December 2019: none).

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

30 Risk management

Management of risk is fundamental to the business of banking and forms an essential element of the Bank's operations. The major risks faced by the Bank 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 Bank, 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 Bank 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 Bank 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 Bank. Special attention is given to revealing the whole list of risk factors and determining the level of adequacy of the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Business Units monitor financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is a probability that financial losses arise on balance sheet and off-balance sheet items because of unfavourable changes in market situation, which comprise movements in interest rates, foreign exchange rates, market value of financial instruments and goods. The Bank manages its market risk (currency risk, interest risk and price risk) at the portfolio level. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

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

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

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

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank'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 Bank include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

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

The Bank 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 Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its unconsolidated 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	122,770,436	41,290,040	98,342,210	280,787,948	25,930,031	-	569,120,665
Investments measured at amortised cost	59,237,647	33,452,797	-	52,411,915	-	-	145,102,359
	291,049,953	**91,084,352**	**101,211,825**	**407,814,829**	**26,583,202**	**239,306,312**	**1,157,050,473**
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	108,040,283	218,392,552	93,422,966	15,197,994	270,185,227	953,112,246
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	**108,703,970**	**241,781,341**	**103,912,947**	**86,719,577**	**271,047,239**	**1,062,008,838**
	41,206,189	**(17,619,618)**	**(140,569,516)**	**303,901,882**	**(60,136,375)**	**(31,740,927)**	**95,041,635**

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	92,536,272	-	-	-	-	120,345,956	212,882,228
Financial assets 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	-	-	-	3,780,414	2,603,172	9,291,007
Loans to customers	124,660,007	53,056,481	134,148,101	311,097,623	27,941,636	-	650,903,848
Investments measured at amortised cost	260,954	75,115	9,523,175	14,265,756	4,688,840	-	28,813,840
	246,261,328	**53,188,505**	**195,709,501**	**334,010,004**	**53,553,940**	**122,949,128**	**1,005,672,406**
LIABILITIES							
Deposits and balances from banks	-	-	-	-	-	1,381,651	1,381,651
Current accounts and deposits from customers	115,898,559	108,840,555	239,481,670	165,246,126	16,734,440	149,411,372	795,612,722
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	16,495	32,121	71,621	1,601,913	1,455,782	-	3,177,932
	120,357,379	**122,292,644**	**272,175,452**	**174,872,359**	**88,733,850**	**150,793,023**	**929,224,707**
	125,903,949	**(69,104,139)**	**(76,465,951)**	**159,137,645**	**(35,179,910)**	**(27,843,895)**	**76,447,699**

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 Average effective interest rate, %			**2019 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	8.24	0.57	1.84
Financial assets 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	-	3.47	-
Loans to customers	20.41	5.86	14.98	21.15	6.42	17.51
Investments at amortised cost	10.05	3.27	-	9.76	4.80	-
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	3.27
- Retail	9.98	2.06	0.33	9.46	1.25	0.35
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	80,794	80,794	(382,875)	(382,875)
100 bp parallel rise	(80,794)	(80,794)	382,875	382,875

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)	(2,303,305)	(118,362)	(1,670,855)

(ii) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank hedges its exposure to currency risk. The Bank 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	**EUR KZT'000**	**RUB KZT'000**	**Other currencies KZT'000**	**Total KZT'000**
ASSETS					
Cash and cash equivalents	236,974,337	18,404,010	8,973,512	457,978	264,809,837
Financial assets 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	1,437,958	3,359,058	-	80,046,755
Investments at amortised cost	42,038,234	-	-	-	42,038,234
Other financial assets	761,455	87	562	-	762,104
Total assets	**398,241,256**	**20,497,150**	**14,040,831**	**457,978**	**433,237,215**
LIABILITIES					
Deposits and balances from banks	703,824	132,826	398	12,378	849,426
Amounts payable under repurchase agreements	-	-	1,139,662	-	1,139,662
Current accounts and deposits from customers	386,659,019	19,737,195	10,906,562	346,176	417,648,952
Other borrowed funds	276,629	-	-	-	276,629
Other financial liabilities	10,326,733	607,926	66,039	52	11,000,750
Total liabilities	**397,966,205**	**20,477,947**	**12,112,661**	**358,606**	**430,915,419**
Net position as at 31 December 2020	**275,051**	**19,203**	**1,928,170**	**99,372**	**2,321,796**
The effect of derivatives held for risk management**	(7,997,290)	-	-	-	(7,997,290)
Net position with the effect of derivatives as at 31 December 2020	**(7,722,239)**	**19,203**	**1,928,170**	**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	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS					
Cash and cash equivalents	154,646,480	21,548,439	3,602,146	391,470	180,188,535
Financial assets at fair value through other comprehensive income	38,529,887	538,336	-	-	39,068,223
Deposits and balances with banks	6,687,835	-	-	-	6,687,835
Loans to customers	80,458,608	1,711,039	3,601,624	-	85,771,271
Investments measured at amortised cost	19,290,666	-	-	-	19,290,666
Other financial assets	1,785,932	167,370	626	-	1,953,928
Total assets	**301,399,408**	**23,965,184**	**7,204,396**	**391,470**	**332,960,458**
LIABILITIES					
Deposits and balances from banks	1,255,578	87,360	549	416	1,343,903
Current accounts and deposits from customers	291,249,397	23,384,707	7,480,400	338,513	322,453,017
Other borrowed funds	333,799	-	-	-	333,799
Other financial liabilities	6,145,405	185,939	46,105	9,925	6,387,374
Total liabilities	**298,984,179**	**23,658,006**	**7,527,054**	**348,854**	**330,518,093**
Net position as at 31 December 2019	**2,415,229**	**307,178**	**(322,658)**	**42,616**	**2,442,365**
The effect of derivatives held for risk management**	(918,216)	-	-	-	(918,216)
Net position with the effect of derivatives as at 31 December 2019	**1,497,013**	**307,178**	**(322,658)**	**42,616**	**1,524,149**

** 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 Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2020		**2019**	
	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)	239,522	239,522
20% appreciation of EUR against KZT	3,072	3,072	49,148	49,148
20% appreciation of RUR against KZT	308,507	308,507	(51,625)	(51,625)
20% appreciation of other currencies against KZT	15,900	15,900	6,819	6,819

A strengthening of the KZT against the above currencies at 31 December 2020 and 31 December 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 Bank takes a long or short position in a financial instrument.

(iv) Value at Risk estimates

The Bank 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 Bank 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 Bank 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 Bank at 31 December is as follows:

	2020 KZT'000	**2019 KZT'000**
Foreign exchange risk	128,311	31,066

(c) Credit risk

Credit risk is the probability of losses if a borrower or a counterparty fail to meet their original terms and conditions of an agreement (contract) to satisfy their monetary obligations assumed in the performance of borrowing, leasing, factoring, forfeiting, bank guarantee and other operations. The Bank 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 reports are then independently reviewed by the Risk Management 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 Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. Revaluation procedures are based on analysis of the financial statements of the borrower as at the latest reporting date, or other information provided by the borrower itself or otherwise obtained by the Bank. 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 Bank's Retail Business Department together with the Bank's Risk Management Department.

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 unconsolidated 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	176,253,880
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	9,291,007
Loans to customers	569,120,665	650,903,848
Investments measured at amortised cost	145,102,359	28,813,840
Other financial assets	13,891,916	14,463,035
Total maximum exposure	**1,140,843,493**	**983,507,093**

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

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

As at 31 December 2020 the Bank has one debtor (the NBRK) (31 December 2019: one debtor), where credit risk exposure exceeded 10% maximum credit risk exposure. The gross value of this balance as at 31 December 2020 is KZT 349,805,002 thousand (31 December 2019: KZT 215,631,985 thousand).

Offsetting financial assets and liabilities

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

- are offset in the Bank's unconsolidated 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 unconsolidated 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 Bank 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 Bank 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 Bank will process receivables and payables in a single settlement process or cycle.

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

- derivatives;
- sale and repurchase, and reverse sale and 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				**Related amounts not offset in the unconsolidated statement of financial position**		
Types of financial assets/liabilities	**Gross amounts of recognised financial asset/liability**	**Gross amounts of recognised financial assets/ liabilities offset in the unconsolidated statement of financial position**	**Net amount of financial assets/ liabilities presented in the unconsolidated 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 unconsolidated 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 16) 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 Bank receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Bank, but the counterparty has an obligation to return the securities at the maturity of the contract. The Bank has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. Because the Bank sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the agreement.

(d) Liquidity risk

Liquidity risk is a probability of financial losses if the Bank is unable to meet its financial liabilities when they fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity management regulation is reviewed and approved by the Management Board.

The Bank 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 Bank's management regularly receives information on the liquidity status. The frequency of information provision depends on the state of the Bank'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 Bank's liquidity position in general and in certain areas (currencies, clients, etc.), which also allows the collegiate bodies and structural divisions of the Bank to make a reasonable decision regarding the Bank'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:	371,346,688	156,687,575	113,758,660	225,667,755	129,710,070	997,170,748	953,112,246
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	19,424,878	-	118,720	7,099	-	19,550,697	19,550,697
Derivative financial liabilities*							
- Inflow	(27,372,168)	-	-	-	-	(27,372,168)	(4,504)
- Outflow	27,367,664	-	-	-	-	27,367,664	-
Total liabilities	**392,992,614**	**158,031,111**	**114,996,719**	**234,308,272**	**410,936,666**	**1,311,265,382**	**1,081,555,031**
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 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	1,324,262	-	-	-	57,389	1,381,651	1,381,651
Current accounts and deposits from customers:	195,453,375	78,958,859	117,131,221	250,189,239	212,250,067	853,982,761	795,612,722
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	102,057	190,258	273,969	483,763	2,366,846	3,416,893	3,177,932
Other financial liabilities	15,809,945	3,000	158	2	66	15,813,171	15,813,171
Derivative financial liabilities*							
- Inflow	(7,500,804)	-	-	-	-	(7,500,804)	(1,516)
- Outflow	7,499,288	-	-	-	-	7,499,288	-
Total liabilities	**212,912,609**	**83,906,871**	**131,593,470**	**269,157,809**	**503,866,295**	**1,201,437,054**	**945,036,362**
Credit related commitments	63,811,937	-	-	-	-	63,811,937	63,811,937

* including SPOT transactions.

In accordance with legislation of the Republic of Kazakhstan, legal entities and 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 30,318,978 thousand are categorised to 'demand deposits' and those which mature within less than one month (31 December 2019: KZT 37,272,120 thousand);
- KZT 156,281,675 thousand are categorised to deposits, which mature within one to three months (31 December 2019: KZT 78,905,125 thousand;
- KZT 113,745,012 thousand are categorised to deposits, which mature within three to six months (31 December 2019: KZT 116,836,437 thousand);
- KZT 225,665,313 thousand are categorised to deposits, which mature within six to twelve months (31 December 2019: KZT 250,157,694 thousand);
- KZT 129,587,107 thousand are categorised to deposits, which mature within the period of more than one year (31 December 2019: KZT 210,260,331 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 Bank 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 unconsolidated 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
Financial assets 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	137,644,740	280,179,798	25,360,604	-	34,498,941	569,120,665
Investments measured at amortised cost	8,721,209	50,516,438	33,452,797	52,411,915	-	-	-	145,102,359
Property, plant and equipment and intangible assets	-	-	-	-	-	20,087,416	-	20,087,416
Right-of-use assets	3,091	10,250	261,795	2,168,300	-	-	-	2,443,436
Other assets	16,657,470	219,269	302,256	1,665,977	-	242,587	4,986	19,092,545
Total assets	**424,335,796**	**87,719,067**	**190,872,718**	**411,040,956**	**29,869,345**	**20,330,003**	**34,503,927**	**1,198,671,812**
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:	367,693,304	150,358,864	326,435,302	93,424,713	15,200,063	-	-	953,112,246
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	22,560,654	-	125,819	-	-	-	-	22,686,473
Total liabilities	392,363,285	151,301,835	329,041,545	125,267,002	86,721,644	6,111,707	-	1,090,807,018
Net position	**31,972,511**	**(63,582,768)**	**(138,168,827)**	**285,773,954**	**(56,852,299)**	**14,218,296**	**34,503,927**	**107,864,794**
Accumulated net position	**31,972,511**	**(31,610,257)**	**(169,779,084)**	**115,994,870**	**59,142,571**	**73,360,867**	**107,864,794**	**107,864,794**

The table below shows an analysis, by expected maturities, of the amounts recognised in the unconsolidated 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	212,882,228	-	-	-	-	-	-	212,882,228
Financial assets measured at fair value through other comprehensive income	17,201,623	8,695,051	52,095,134	8,646,625	17,143,050	-	-	103,781,483
Deposits and balances with banks	2,554,172	-	-	-	6,736,835	-	-	9,291,007
Loans to customers	49,609,572	43,939,325	185,654,328	314,315,189	28,024,791	-	29,360,643	650,903,848
Investments measured at amortised cost	260,954	-	9,598,290	14,265,756	4,688,840	-	-	28,813,840
Investments in subsidiaries	-	-	-	-	-	5,116,536	-	5,116,536
Current tax asset	529,027	-	-	-	-	-	-	529,027
Property, plant and equipment and intangible assets	-	-	-	-	-	19,320,958	-	19,320,958
Right-of-use assets	6,148	10,632	92,666	1,534,921	1,340,215	-	-	2,984,582
Other assets	15,190,413	310,884	182,206	1,528,538	58,450	242,320	59,210	17,572,021
Total assets	**298,234,137**	**52,955,892**	**247,622,624**	**340,291,029**	**57,992,181**	**24,679,814**	**29,419,853**	**1,051,195,530**
Non-derivative financial liabilities								
Deposits and balances from banks	1,324,262	-	-	-	57,389	-	-	1,381,651
Current accounts and deposits from customers:	191,914,435	72,665,938	348,667,784	165,613,913	16,750,652	-	-	795,612,722
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	5,752	13,173	101,312	1,601,913	1,455,782	-	-	3,177,932
Deferred tax liabilities	-	-	-	-	-	5,851,126	-	5,851,126
Other liabilities	17,541,148	812,099	93,916	56	10	-	-	18,447,229
Total liabilities	**210,970,592**	**77,920,301**	**373,823,433**	**196,150,149**	**88,807,461**	**5,851,126**	**-**	**953,523,062**
Net position	**87,263,545**	**(24,964,409)**	**(126,200,809)**	**144,140,880**	**(30,815,280)**	**18,828,688**	**29,419,853**	**97,672,468**
Accumulated net position	**87,263,545**	**62,299,136**	**(63,901,673)**	**80,239,207**	**49,423,927**	**68,252,615**	**97,672,468**	**97,672,468**

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 236,191,164 thousand (2019: KZT 128,552,335 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 Bank'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 Bank'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 Bank's operations.

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

The Bank 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.

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

The Bank 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 Bank 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	41,327,455
Guarantees	17,379,675	22,461,287
Letters of credit	405,493	23,195
Total	**78,965,152**	**63,811,937**
Loss allowance	(17)	(65,550)

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

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

As at 31 December 2020 the Bank 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	19	-	65,531	65,550
Transfer to Stage 2	-	45,265	(45,265)	-
Net remeasurement of loss allowance	(63)	(45,265)	(20,266)	(65,594)
New financial assets originated or purchased	60	-	-	60
Foreign exchange and other movements	1	-	-	1
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
Net remeasurement of loss allowance	(19,524)	-	(949,020)	(968,544)
New financial assets originated or purchased	9	-	-	9
Loss allowance for expected credit losses at the end of the year	**19**	**-**	**65,531**	**65,550**

During 2020, the Bank 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 Bank 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 KZT 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 Bank 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 Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and unconsolidated financial position.

(b) Litigation

In the ordinary course of business, the Bank 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.

(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 unconsolidated 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 unconsolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

34 Related party transactions

(a) Control relationships

(b) The Bank'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 Bank's Parent Company. **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 effective interest rate, %**	**2019 KZT'000**	**Average effective interest rate, %**
Unconsolidated 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	15,379,011	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 calculated using 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**		**Subsidiaries of the Bank**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Unconsolidated statement of financial position									
ASSETS									
Loans to customers									
- in KZT	-	-	-	-	14,138,571	6.01	3,656,119	15.04	17,794,690
- in USD	-	-	-	-	-	-	45,955,849	4.61	45,955,849
- in other currencies	-	-	-	-	-	-	-	-	-
Loans to customers (loss allowance for expected credit losses)	-	-	-	-	(7,293,555)	-	(685,300)	-	(7,978,855)
Other assets									
- in KZT	-	-	89,860	-	1,571,202	-	1,806	-	1,662,868

31 December 2020	**Parent Company**		**Other subsidiaries of the Parent Company**		**Subsidiaries of the Bank**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
LIABILITIES									
Current accounts and deposits from customers									
- in KZT	135,284	8.50	2,583,175	10.94	237,852	7.85	17,379,601	4.04	20,335,912
- 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**		**Subsidiaries of the Bank**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Items not recognised in the unconsolidated 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 calculated using the effective interest method	-	-	-	-	446,550	-	1,387,657	-	1,834,207
Other interest income	-	-	-	-	234,658	-	634,549	-	869,207
Interest expense	(74,246)	-	(1,162,004)	-	(14,401)	-	(2,432,426)	-	(3,683,077)
Fee and commission income	874	-	3,337,156	-	646	-	530,064	-	3,868,740
Fee and commission expense	-	-	(2,888)	-	(18)	-	(22,088)	-	(24,994)
Net gain on financial instruments measured at fair value through profit or loss	-	-	-	-	176,214	-	18,089	-	194,303
Net foreign exchange loss	2	-	(160,375)	-	421,334	-	(8,921,878)	-	(8,660,917)
Other operating expenses	-	-	-	-	-	-	-	-	-
Loss on reversal of impairment of debt financial assets	-	-	-	-	(571,426)	-	(2,649,994)	-	(3,221,420)
Impairment losses on investments in subsidiaries	-	-	-	-	(2,715,523)	-	-	-	(2,715,523)
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**		**Subsidiaries of the Bank**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Unconsolidated statement of financial position									
ASSETS									
Cash and cash equivalents									
- in KZT	-	-	-	-	12,945	-	-	-	12,945
- in USD	-	-	-	-	65,643	-	-	-	65,643
- in other currencies	-	-	-	-	281,957	-	-	-	281,957
Loans and advances to banks									
- in USD	-	-	-	-	3,780,414	5.54	-	-	3,780,414
Investments in subsidiaries									
- in KZT	-	-	-	-	5,116,536	-	-	-	5,116,536
Loans to customers									
- in KZT	-	-	-	-	13,272,339	6.00	4,767,754	13.84	18,040,093
- in USD	-	-	-	-	406,981	5.00	49,151,704	4.87	49,558,685
- in other currencies	-	-	-	-	-	-	-	-	-
Loans to customers (loss allowance for expected credit losses)	-	-	-	-	(6,312,613)	-	(1,328,316)	-	(7,640,929)
Other assets									
- in KZT	-	-	253,146	-	1,379,374	-	17,697	-	1,650,217

31 December 2019	**Parent Company**		**Other subsidiaries of the Parent Company**		**Subsidiaries of the Bank**		**Other related parties***		
	KZT’000	**Average contractual interest rate, %**	**KZT’000**	**Average contractual interest rate, %**	**KZT’000**	**Average contractual interest rate, %**	**KZT’000**	**Average contractual interest rate, %**	**Total KZT’000**
LIABILITIES									
Deposits and balances from banks									
- in KZT	-	-	-	-	4,272	-	-	-	4,272
- in USD	-	-	-	-	105	-	-	-	105
- in other currencies	-	-	-	-	498	-	-	-	498
Current accounts and deposits from customers									
- in KZT	116,982	6.99	6,217,328	11.13	187,293	5.09	31,372,286	6.39	37,893,889
- in USD	-	-	2,193,923	1.37	-	-	114,754,926	1.24	116,948,849
- 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	-	-	421,462		-		5,546	-	427,008
- in USD	-	-	-	-	-	-	8,900	-	8,900
Items not recognised in the unconsolidated 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

31 December 2019	**Parent Company**		**Other subsidiaries of the Parent Company**		**Subsidiaries of the Bank**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Profit/(loss)									
Interest income calculated using the effective interest method	-	-	-	-	823,731	-	1,566,154	-	2,389,885
Other interest income	-	-	-	-	140,075	-	813,151	-	953,226
Interest expense	(232,924)	-	(2,156,415)	-	(8,583)	-	(3,625,704)	-	(6,023,626)
Fee and commission income	799	-	1,315,813	-	756	-	588,233	-	1,905,601
Fee and commission expense	-	-	(4,378)	-	(6)	-	-	-	(4,384)
Net (loss)/gain on financial instruments measured at fair value through profit or loss	-	-	-	-	(160,990)	-	61,579	-	(99,411)
Net foreign exchange gain	-	-	123,862	-	(44,837)	-	2,336,068	-	2,415,093
Other operating expenses	-	-	-	-	(380,711)	-	-	-	(380,711)
Impairment losses on debt financial assets	-	-	-	-	(6,849,903)	-	(351,998)	-	(7,201,901)
Impairment losses on investments in subsidiaries	-	-	-	-	(3,504,487)	-	-	-	(3,504,487)
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 56,748,488 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	-	173,942,606	178,550,859	179,091,310
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	-	-	13,891,916	13,891,916	13,891,916
	4,610,311	**94,084,577**	**1,072,247,501**	**1,170,942,389**	**1,153,716,440**
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:	-	-	953,112,246	953,112,246	963,409,861
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	-	-	19,550,697	19,550,697	19,550,697
	-	**-**	**1,078,776,609**	**1,078,776,609**	**1,088,921,871**

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	-	-	212,882,228	212,882,228	212,882,228
Financial assets measured at fair value through other comprehensive income	-	103,781,483	-	103,781,483	103,781,483
Deposits and balances with banks	3,780,414	-	5,510,593	9,291,007	9,291,007
Loans to customers					
Loans to corporate customers	8,079,667	-	180,759,737	188,839,404	188,159,033
Loans to retail customers	-	-	462,064,444	462,064,444	446,819,952
Investments measured at amortised cost					
Government bonds	-	-	23,272,845	23,272,845	24,510,374
Corporate bonds	-	-	5,540,995	5,540,995	5,735,007
Other financial assets	-	-	14,463,035	14,463,035	14,463,035
	11,860,081	**103,781,483**	**904,493,877**	**1,020,135,441**	**1,005,642,119**
Deposits and balances from banks	-	-	1,381,651	1,381,651	1,381,651
Current accounts and deposits from customers:	-	-	795,612,722	795,612,722	812,546,644
Debt securities issued	-	-	32,043,765	32,043,765	31,351,783
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	-	-	15,813,171	15,813,171	15,813,171
	-	**-**	**941,859,946**	**941,859,946**	**957,742,916**

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 Bank 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 Bank 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 Bank 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 Bank measures fair values for financial instruments recorded on the unconsolidated statement of financial position using the following fair value hierarchy that 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
Deposits and balances with banks	-	-	3,780,414	3,780,414
Loans to customers	-	-	8,079,667	8,079,667
	15,797,007	**87,984,476**	**11,860,081**	**115,641,564**

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 Bank uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlying, 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:

	Level 3			
	Deposits and balances with banks	**Deposits and balances with banks**	**Loans to customers**	**Loans to customers**
KZT'000	**2020**	**2019**	**2020**	**2019**
Balance at the beginning of the year	**3,780,414**	**1,152,600**	**8,079,667**	**12,017,505**
Issued	-	2,812,476	-	-
Net gain/(loss) on financial instruments measured at fair value through profit or loss	176,214	(160,990)	18,089	61,579
Interest income accrued	234,658	140,075	634,549	813,151
Foreign exchange and other movements	376,105	(23,707)	682,711	(106,865)
Repayments of claim rights	(4,567,391)	(140,040)	(4,806,763)	(4,705,703)
Balance at the end of the year	**-**	**3,780,414**	**4,608,253**	**8,079,667**

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 Bank 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 Alidjan 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 Alidjan 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.