Eurasian Bank

remote
result

2020

annual report 2020

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Eurasian Bank

BANK HIGHLIGHTS

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JSC EURASIAN BANK IS A SOCIALLY IMPORTANT COMMERCIAL BANK OF KAZAKHSTAN WITH A 26-YEAR HISTORY OF DEVELOPMENT. IT IS IN THE TEN LARGEST BANKS IN THE COUNTRY IN TERMS OF ASSETS, OCCUPIES A LEADING POSITION IN THE RETAIL BANKING MARKET, PROVIDES A WIDE RANGE OF SERVICES TO CORPORATE CLIENTS AND SME.

EURASIAN BANK IN FIGURES

OVER **1,4 mln** CUSTOMERS WITH CURRENT PRODUCTS

NUMBER OF VALID CARDS **1 141 474**

17 branches IN KAZAKHSTAN

8th place IN TERMS OF ASSETS AMONG THE BANKS OF THE REPUBLIC OF KAZAKHSTAN

1st place IN THE NEW CAR LENDING MARKET

4th place IN THE CONSUMER LENDING MARKET *without a mortgage*

4th place IN THE POS-LENDING MARKET

8th place IN TERMS OF INDIVIDUAL DEPOSITS AMONG THE BANKS OF THE REPUBLIC OF KAZAKHSTAN

7th place IN TERMS OF CORPORATE DEPOSITS AMONG THE BANKS OF THE REPUBLIC OF KAZAKHSTAN

OVER **6 000** EMPLOYEES

6,8 bln tenge NET PROFIT* BY 2020 YEAR RESULTS *according to the consolidated financial statements*

COST-TO-INCOME RATIO DECREASED **from 38.7% to 36.8%**

KEY FIGURES FOR 3 YEARS[1]

KEY FINANCIAL FIGURES, *bln tenge* [1]	2018	2019	2020
Total assets	1 108,3	1 057	1 199,7
Loans to customers	638	644,8	562,4
Customer deposits	766,7	799,4	952,9
Equity	92,8	98,8	109,1
Operating income	73	91,6	88,7
Net profit	9,1	4,5	6,8
Tier 1 capital adequacy ratio	9,5%	10,0%	12,1%
Capital adequacy ratio	23,8%	26,2%	30,2%

1 According to the Bank consolidated data

MARKET SHARE [2]	2018	2019	2020
Assets	4,4%	4,0%	3,9%
Loans to customers / net	4,8%	4,8%	3,8%
Corporate deposits	4,2%	4,1%	4,1%
Retail deposits	4,5%	4,6%	4,2%

2 Data of the National Bank of the Republic of Kazakhstan

MAJOR EVENTS 2020

JANUARY

Eurasian Bank and Kazakhstan Deposit Insurance Fund concluded an additional agreement to extend the period of payment of guarantee compensation to the Bank of Astana customers until 27 July 2020.

FEBRUARY

- On 3 February 2020, the Agency of the Republic of Kazakhstan for Regulation and Development of Financial market issued to Eurasian Bank a license to conduct banking and other operations and activities on the securities market. The new license dated 3 February 2020 has the number 1.2.68/242/40.
- Eurasian Bank switched to a new electronic queue system. This allows the manager when calling a customer from the queue to immediately understand what service the customer is using and what other Eurasian Bank services can be useful to him/her.
- On 28 February 2020, the results of the asset quality review (AQR), which was conducted by the National Bank of the Republic of Kazakhstan with the participation of independent international consultants and auditors, were announced. The AQR results fully comply with the forecasts and expectations of the Eurasian Bank shareholders and management.

MARCH

The Bank offered the possibility of obtaining a deferral to its clients during the COVID-19 pandemic, joining the initiative of the Agency for Regulation and Development of Financial Market of the Republic of Kazakhstan to cancel fines and penalties, as well as to provide a deferral to individual and corporate borrowers whose economic situation worsened due to the introduction of the emergency state in Kazakhstan.

APRIL

- Eurasian Financial Company, the Bank's sole shareholder, contributed 4, 000, 002, 436.40 tenge to the Bank's capital, fulfilling its obligations under the Program for Financial Sustainability Enhancement and Risk Reduction of the Banking Sector of the Republic of Kazakhstan. The Bank was capitalized by acquisition of 612, 314 ordinary declared shares of the Bank by the shareholder under the right of pre-emptive purchase.
- Moody's Investors Service (Moody's) international credit rating agency maintained the Eurasian Bank's rating at B2 and the baseline credit assessment at b3, outlook for the Bank's long-term operations in tenge and foreign currency was lowered to negative following the deterioration of the overall outlooks for the banking sector and economy of Kazakhstan.

MAY

Eurasian Bank together with WOOPPAY fin-tech company for the first time in Kazakhstan launched instant replenishment of Korti Milli cards issued in Tajikistan, which simplifies and reduce cost of money transfers.

JULY

- Eurasian Financial Company, the Bank's sole shareholder, decided to allocate the Bank's net profit for 2019 in the amount of 2, 747, 231, 000 tenge to the retained net profit of previous years in order to replenish the Bank's capital stock.
- In the midst of the pandemic and quarantine restrictions on the customer's movement, the Bank established the service for receiving state social benefits, accepting applications for loan deferral, opening accounts for IEs remotely and free of charge.
- Eurasian Bank and Kazakhstan Deposit Insurance Fund concluded an additional agreement to extend the period of payment of guarantee compensation to the Bank of Astana customers until 28 January 2021.

AUGUST

Eurasian Bank supported hospitals during the pandemic, a member of the Board of Directors Shukhrat Ibragimov purchased a batch of 100 oxygen concentrators for clinics in 16 regions of Kazakhstan. The Bank organized the supply of several thousand disposable masks for concentrators, anti-plague suits, protective masks and glasses, shoe covers, gloves, as well as pulse oximeters.

SEPTEMBER

- Eurasian Bank was selected as an agent – bank and assumed obligations from Kazakhstan Deposit Insurance Fund JSC (KDIF) to pay a guarantee compensation on deposits, current and card accounts of individuals and individual entrepreneurs, placed in Tengri Bank, which was deprived of its license on 18 September 2020.
- By the decision of the Eurasian Bank Board of Directors, Lyazzat Adylovna Satiyeva was elected as a new member of the Management Board, Deputy Chairperson of the Bank Management Board, who supervises the activities of the Corporate Block and SME.

OCTOBER

- Eurasian Bank was recognized as the best in Kazakhstan in 2020 in trade financing by the results of the World's Best Trade Finance Providers 2020 regular rating of the Global Finance international financial publication.
- The Bank connected the Samsung Pay contactless payment service to Visa cards for its customers.
- The Bank introduced a new convenient service for replenishing current accounts and deposits, as well as repaying loans using CyberPlat, one of the largest electronic payment systems in Russian and the CIS countries.

NOVEMBER

Eurasian Bank implemented Advanta, one of the best Russian project management systems as part of its strategy on development digital technologies, internal process efficiency enhancement and customer service quality improvement.

DECEMBER

On 29 December, Eurasian Bank closed a deal on the sale of 100% of the shares of a subsidiary bank (Eurasian Bank JSC) in the Russian Federation, the buyer is Sovcombank PJSC.

VISION

BECOME ONE OF THE LEADERS AMONG THE COUNTRY'S TECHNOLOGICAL RETAIL PRIVATE BANKS

MISSION

DEVELOP A SUCCESSFUL AND EFFICIENT BUSINESS BY OFFERING CUSTOMERS MODERN DIGITAL BANKING SOLUTIONS AND PRODUCTS THAT ARE UNDERSTANDABLE AND ACCESSIBLE TO EVERYONE

VALUES

- **FOCUS ON THE CUSTOMER**
- **PARTNERSHIPS**
- **STRIVING FOR ADVANCED TECHNOLOGIES AND INNOVATIONS**
- **CONTINUOUS DEVELOPMENT**

FINANCIAL SOLUTIONS OF THE BANK

Eurasian Bank offers a full range of services and products to individuals, SME and CB. For private customers, lending solutions are provided (auto loans, unsecured, salary, consumer, etc.), deposits, payment cards, money transfers, sale and purchase of refined gold bars and coins made of precious and non-precious metals, remote service via Smartbank, and other services.

Deposits, servicing (bank account opening and maintenance, collection services, trade acquiring), bank and express guarantees, remote service (Client's Bank), loans, trade finance, custodial activities, and others are offered to legal entities.

The Bank is a member of the state financing programs of the Damu EDF: Damu Regions, Damu-Ondiris, Yenbek, Economy of Simple Things, and the Business Roadmap 2025 state program, which provides support for SMEs by subsidizing interest rates on loans and guaranteeing bank loans.

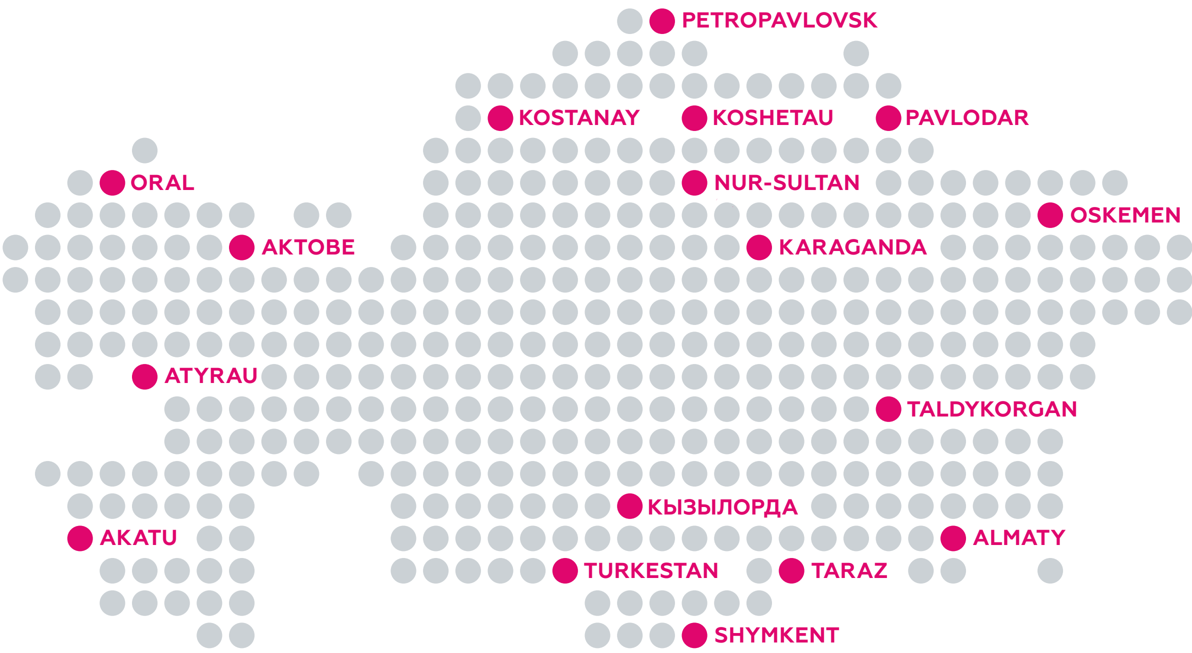
In addition to service in outlets, the Bank offers online service.

RATINGS *Moody's / 30.04.2020*

- **B2** long-term deposits in national and foreign currencies. Outlook – negative
- **B1** long-term counterparty risk rating
- **B3** baseline credit assessment

Eurasian Bank

GEOGSRAPHY OF ACTIVITY



17	BRANCHES
112	SETTLEMENT AND CASH OFFICES FOR SERVICING INDIVIDUALS AND LEGAL ENTITIES
1,758	POS-TERMINALS
144	POS IN CAR DEALERSHIPS
463	BANK ATMS
500	PAYMENT TERMINALS

BANK HISTORY

1994

Eurasian Bank is founded as a joint-stock company.

1996

- State license to carry out broker – dealer activity in the securities market obtained.
- Bank becomes a member of the Kazakhstan Stock Exchange.

1997

The Bank became a participant of Society for Worldwide Interbank Financial Society for World-wide Interbank Financial Telecommunications (SWIFT).

1998

Custodian license obtained.

1999

The Bank joined the Association of Financiers of Kazakhstan.

2000

- The Bank became a participant of individual deposit mandatory collective insurance system.
- The Bank was accepted as a participant of VISA International payment system.

2003

Moody's assigned first credit ratings to the Bank.

2004

- The Bank became a member of Kazakhstan Mortgage Loan Insurance Fund.
- The Bank raised the first syndicated loan $15.5 million.

2006

- The Bank became a member of The First Credit Bureau.
- Standard & Poor's assigned credit ratings to the Bank.

2007

The first bond program of 30 billion tenge and the first bond issue of 10 billion tenge were registered within the first bond program of the Bank.

2010

Completion of the transaction for acquisition of 99.99% shares of Bank Troyka Dialog Bank (Moscow) that was later renamed Eurasian Bank.

2012

- Consumer loan repayment terminals launched.
- Private Banking personal customer service opened.

2013

MasterCard and Maestro, MasterCard PayPass cards issue and service license obtained.

2014

Universal mobile banking app, available on iOS (iPhone and iPad), Android and Windows Phone is launched.

2015

- Eurasian Bank OJSC (Russia) renamed to Eurasian Bank PJSC.
- Eurasian Bank started preferential auto loans issuance.
- Kazakhstanis made one million payments and transfers via Eurasian Bank Internet banking.
- Eurasian Bank became the owner of 100% of the shares of Bank Pozitiv Kazakhstan JSC.

2016

- The Bank obtained NBRK permission to acquire Bank Pozitiv Kazakhstan. After the merger, the Bank continued its operations under the Eurasian Bank brand.
- The Bank equity increased by 15 billion tenge. As a result, the authorized capital of the Bank increased by 42%, and the regulatory capital exceeded 100 billion tenge.

2017

- The Bank started selling refined gold bars to the public as part of the NBRK program.
- The Bank issued subordinated bonds for 150 billion tenge and became the first participant in the Kazakhstan Banking Sector Financial Sustainability Enhancement Program.

2018

- The Bank obtained the third tranche of 1.875 billion tenge from the Development Bank of Kazakhstan under the domestic auto industry support program.
- Together with MasterCard, the Bank launched smartphone payment s for iPhone (Apple Pay) and Android owners.
- The Bank started accepting citizens' applications under the 7-20-25: New Opportunities to Purchase Housing for Each Family housing program.

2019

- Kazakhstan Deposit Insurance Fund selected Eurasian Bank as an agent for payment of compensation for deposits, current and card accounts of individuals and individual entrepreneurs placed in the liquidated Bank of Astana.
- The Bank took part in the National Bank of the Republic of Kazakhstan project called Suńqar. The Bank implemented transfers using the Suńqar system in the Smartbank mobile app.
- The Bank joined The Economy of Simple Things state program for subsidizing loans to domestic entrepreneurs.

- The Bank launched instant transfers by card number in the Smartbank mobile app for Android and iOS users.
- Eurasian Financial Company, the Bank shareholder sent the 2018 year profit in the amount of 11, 074, 479, 000 tenge to the Bank capital.
- Moody's Investors Service assigned to the Bank B2 rating on long-term deposits in national and foreign currencies. The credit rating agency also assigned the independent credit rating at b3, the long–term counterparty risk rating at B1, short-term deposit rating and counterparty risk rating at Not Prime. The outlook – stable.
- For the first time in Kazakhstan, the Bank started using artificial intelligence in customer interaction. At the first stage, the Bank launched robots in Soft Collection to call borrowers whose loans are overdue.

EVENTS AFTER THE REPORTING PERIOD

JANUARY

Kazakhstan Deposit Guarantee Fund and Eurasian Bank extended the deadline for paying compensation to the Bank of Astana depositors until 29 July 2021.

FEBRUARY

- In February, one of the Eurasian Bank beneficial owners, Alidzhan Ibragimov, died. In accordance with the legislation of the Republic of Kazakhstan, the term for accepting an inheritance is six months from the date of opening the inheritance.
- Eurasian Bank together with Nume Group launched an online service for removing collateral from cars for the first time in Kazakhstan. Eurasian Bank, as one of the car lending leaders in Kazakhstan, appreciated the high demand for this service and developed a solution within the framework of a new strategy for digital services development.
- Eurasian Bank was selected as an agent bank for payment of guaranteed compensation to the AsiaCredit Bank depositors.

MARCH

- In March 2021, Shukhrat Ibragimov, a member of the Bank Board of Directors, one of Alidzhan Ibragimov's sons, was elected to the Board of Managers of the ERG Group of Companies and became a representative of the interests of Alidzhan Ibragimov's family in all the Group's assets in Kazakhstan.
- Eurasian Bank together with the largest automaker in Kazakhstan – SaryarkaAvtoProm LLP launched the assembly of KIA models at the plant in Kostanay. Thus, the Bank, as a leader in the retail car lending market, also began to support the production of cars. Within the framework of a three-year credit line in the amount of 30 bln tenge, opened in 2020, the Bank finances SaryarkaAvtoProm LLP for purchase of Chevrolet and KIA models car kits.

Eurasian Bank

STRATEGY REPORT

2

LETTER FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS

Alexander MASHKEVITCH

Head of the Board of Directors of the Bank

DEAR SHAREHOLDERS, CUSTOMERS, PARTNERS!

We would like to share with you the results of the Eurasian Bank's activities following the results of the first coronavirus year.

2020 was difficult for many countries, companies and people. Several challenges at once – the pandemic, lockdowns and the decline in oil prices led to the fact that the economy of Kazakhstan showed negative growth rates for the first time in many years. The decline in the country's GDP last year was 2.6% in annual terms.

In response to serious challenges, the Kazakhstani authorities took large-scale measures to support the country's economy, population and business. According to estimates, the total package of anti-crisis measures, including state budget expenditures and other extra-budgetary funds, amounted to about 9% of GDP. This significantly mitigated the negative impact on the economy, so even despite the huge test, international credit rating agencies have maintained Kazakhstan's credit ratings with a stable outlook.

The banking market withstood the corona crisis blow. The stability of the sector was supported, among other things, by anti-crisis measures of the National Bank and the Agency for Regulation and Development of the Financial Sector. In 2020, the assets of the banking sector, despite the departure of one player, increased by 16.4% and exceeded 31.2 trillion tenge, the loan portfolio increased by 7.1% to 15.8 trillion tenge. The market recovery announced in 2017 continued, which brings positive results.

We believe that we are entering the second coronavirus year with strong results, a new ambitious strategy, an up-to-date business model, a professional team and the shareholders' support

The banks' Asset Quality Review (AQR) conducted on the eve of the pandemic with the participation of international institutions and audit companies revealed the strengths and weaknesses of the market, which turned out to be much more prepared for the new stress. Eurasian Bank, among 14 financial institutions, successfully passed the AQR, and the results confirmed our forecasts and expectations.

Eurasian Bank coped with the difficulties of last year and showed growth in a number of indicators. Thus, in 2020, the Bank assets increased by 13.5% – up to 1.2 trillion tenge. The volume of accounts and deposits in the Bank reached 952.9 billion tenge, increasing by 19.2% in 2020, which corresponds to the global trend of savings growth, but also confirms the high degree of customer confidence in the Bank.

At the same time, the Bank was again selected by Kazakhstan Deposit Insurance Fund as an agent for payments to Tengri Bank and Bank of Astana depositors, which also confirms the high degree of trust on the part of regulatory authorities.

We are pleased with the work done by the Management Board to reduce the level of non-performing loans and create reserves. Last year, the Bank formed 23.1 billion tenge of regulatory reserves, which is higher than the objectives of the financial sustainability enhancement program.

The Bank maintained its leading positions in many segments, both in retail and in the corporate sector, successfully coping with the challenges of the time. The Bank occupies the 4th place in the consumer lending market (without a mortgage). We have retained the first place in the new car lending market, including by offering new programs for customers and the 4th place in the POS-lending market.

The Bank completely fulfilled all its obligations to support the population and small businesses within the framework of the President's instructions. Eurasian Bank promptly deferred payments to its customers, in total, more than 186 thousand delays were granted. These measures made it possible to prevent the total growth of non-performing loans and the deterioration of our customer credit histories.

At the same time, the Bank also provided assistance in the fight against coronavirus, supporting regional hospitals with consumables: several thousand disposable masks, anti-plague suits, protective masks and glasses, shoe covers, gloves for doctors, as well as pulse oximeters. Our Bank continued the tradition of abandoning the practice of New Year's gifts to partners in favor of the Charity instead of Souvenirs campaign. On the eve of 2021, Eurasian Bank sent several million tenge to support the MASP Craft House (International Association of Social Projects), where children and young people with neurological and mental disorders work. Together, the Bank and its employees provided assistance to orphanages, donation centers, medical institutions and individual citizens.

2020 was a year of changes for our Bank. In December 2020, a new Development Strategy for 2021-2024 was approved. The key factor of the Bank's digital transformation and further growth will be the development of a universal banking model with a focus on retail customers and providing the best digital products for them, as well as the organic development of analog business segments.

We believe that we are entering the second coronavirus year with strong results, a new ambitious strategy, an up-to-date business model, a professional team and the shareholders' support. The ongoing vaccination of the population against coronavirus inspires optimism that the country's economy will return to the pre-pandemic level faster than expected.

On behalf of the Board of Directors, I would like to thank the Management Board and the staff for their well-coordinated and effective work in difficult conditions and wish them successful fulfillment of their tasks and achievement of all goals during this period.

LETTER FROM THE CHIEF EXECUTIVE OFFICER

Valentin MOROZOV

Chief Executive Officer

DEAR SHAREHOLDERS, CUSTOMERS, PARTNERS!

At the time of the publication of this annual report, vaccination against coronavirus is in full swing in the country. This gives hope for an improvement in the state of the economy and the restoration of the usual way of life. However, it is worth recognizing that many of our habits changed dramatically. The pandemic and concern for the safety of human health gave impetus to the mass digitalization of financial services and services. We can no longer imagine our life without home delivery of products, goods and services, online shopping, mobile money transfers and even payment of tips by cashless method.

We have considered this in our new strategy adopted by shareholders at the end of 2020. The plan is designed for 4 years and consists in modernizing the Bank by building a convenient technological service that meets the modern needs of Kazakhstanis. At the same time, we do not set a goal to become a totally digital bank. The most important thing for us is that our customers receive the digital and offline services they need and where they prefer.

As part of the strategy, we separated the digital block of our business into a separate structure, since the management models, corporate culture, and decision-making logic in a traditional and digital bank are different. We have also separated these two business areas in order to give them more autonomy for development.

Already on the eve of 2021, we launched new technological products and services – unsecured online lending, a digital card, remote card issuance and biometrics. As a result, the number of authorized Smartbank users increased by 123%.

As part of the strategy, we separated the digital block of our business into a separate structure, since the management models, corporate culture, and decision-making logic in a traditional and digital bank are different. We have also separated these two business areas in order to give them more autonomy for development

As for the financial results of the work in 2020, they exceeded our conservative forecasts. Despite the corona crisis, the Bank significantly increased its profit from 4.5 billion tenge in 2019 to 6.8 billion tenge in 2020. We managed to sell our subsidiary Moscow bank quite profitably, despite the discount. If it were not for this, our profit for the last year would have been 2.1 billion tenge more. Operational efficiency did not decrease during the macro-shocks, but even increased. Activity on card and currency exchange transactions has increased.

Due to the pandemic and restrictions on business, the Bank's loan portfolio decreased, as well as in the entire banking sector. Despite this, we have not only not lost our customer base, but even increased it to 4 million people. The Bank became the operator of the Kazakhstan Deposit Insurance Fund for payments to depositors of the liquidated Tengri Bank. Most of the customers remained to be served in Eurasian Bank, which we regard as a vote of confidence. Most of the customers remained to be served in Eurasian Bank, which we regard as a vote of confidence.

I would like to express my gratitude to customers, partners, the regulator, competitors and employees for effective cooperation and interaction during the pandemic. The work that we have all done together allows us to say that even in a period of global turmoil, the Bank is successfully developing and fulfilling all its obligations, both to customers and to the state. We intend to keep this bar further!

RESPONSIBLE BANKING

The coronavirus pandemic was a test for the banking sector not only for strength, but also for the ability to quickly solve problems that arose due to a new challenge.

How did Eurasian Bank pass the "test" for the corona crisis and what solutions did it offer to help those affected by the pandemic?

EURASIAN BANK LAUNCHED REMOTE ORDERING AND DELIVERY OF CARDS AT AN ACCELERATED PACE

On the eve of the introduction of quarantine and the start of social benefits payments, Eurasian Bank prepared for the introduction of online ordering and delivery of cards. Thanks to a large-scale change from the technological side, customers only had to fill in three fields: full name, IIN and phone number. The Bank employees processed the remaining part. This decision made it possible to speed up the process of issuing cards, since during the state emergency and quarantine, the Bank received up to 2,200 online applications for opening cards every day. In total, in 2020, the Bank issued about 290 thousand cards.

SOCIAL BENEFITS

At the time of the emergency and quarantine in Kazakhstan, the payment of 42,500 tenge and 21,250 tenge was announced. Eurasian Bank, as a socially important financial institution, took an active part in this work. To speed up the process of calculating benefits from the State Social Insurance Fund announced during the emergency, the Bank has implemented a process for crediting the amounts of social payments without checking the payment code and the customers' full name. The verification at crediting funds was performed by the account number and the customer's IIN, in connection with which the refunds of social payments to the Government for Citizens NJSC decreased, when the customer specified the incorrect full name and the payment code of the State Social Insurance Fund.

As a result, in 2020, the Bank made 78,531 payments of 42,500 tenge, 11,660 payments of 21,250 tenge from the State Social Insurance Fund and 671 payments of 50,000 tenge from the Birgemiz Fund on current accounts of individuals (including individual entrepreneurs) intended for crediting social payments.

DELAY

During the lockdowns, many Kazakhstanis found themselves without job and earnings. The Bank was one of the first financial institutions to respond to the initiative of the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market to cancel fines and penalties, as well as to provide a deferral to borrowers during the emergency state in Kazakhstan.

Since the outlets began to close, it was necessary to quickly develop and implement an online application form for granting a deferral. The form was developed on the Bank website, for the convenience of customers, applications were accepted around the clock.

Only in the first week of the emergency state introduction, the Bank outlets received more than 3,500 appeals. The record number of applications fell on 2 April, when 14,597 applications were submitted.

In total, 188,643 Eurasian Bank borrowers received a credit deferral in 2020.

SME SUPPORT

To help SME customers, the Bank signed a trilateral agreement with the Kazakhstan Sustainability Fund JSC and the Agency for Regulation and Development of Financial Market. This agreement provided for the Bank's participation in the program of preferential lending to SMEs. The participants of the program were SME companies whose financial condition worsened during the emergency state and within two months after its cancellation. Loan funds were provided to customers at 8% per annum for working capital financing.

Additionally, the Bank launched the "Business Account Online campaign for customers. As part of the campaign, free opening of a current account for legal entities and individual entrepreneurs and connection to the Client's Bank RBS system were provided. The Bank manager came for the documents on his/her own. All the measures, despite the emergency state in force at that time, allowed the Bank to attract 795 new customers of the SME segment. 1, 193 customers connected to the Client's Bank RBS and evaluated the advantages of online operations.

OPERATIONS IN THE REGIONS

In order to prevent the spread of coronavirus in all branches and outlets, Eurasian Bank fulfilled all sanitary and epidemiological requirements: a mask regime, ensuring social distancing of employees and customers, drawing mandatory markings in front of outlets, controlling the number of visitors, the availability of antiseptic drugs, information brochures. Disinfection of premises, ATMs and IPT was performed several times a day.

REMOTE WORK AND EMPLOYEE SECURITY

During the quarantine restrictions, about 70% of the Bank employees worked remotely. Since the beginning of the process of mass transition of the Bank team to remote work, the IT security service provided 300 – 400 remote accesses per day. As a result, more than 2,500 Bank employees were able to work safely from home.

To minimize risks, the Bank provided an opportunity for each employee to install a corporate antivirus, and implemented additional monitoring of suspicious activity from devices connected to the VPN.

To date, the Bank is considering the possibility of transferring part of its staff to a hybrid work regime, since the experience gained has confirmed that an impressive part of the Bank employees work effectively in remote connection conditions.

BANK DEVELOPMENT STRATEGY TILL 2024

In December 2020, the Bank's Board of Directors approved the Eurasian Bank Development Strategy for 2021-2024. As part of the strategy, the key factor of digital transformation and further growth will be the development of a universal banking model with a focus on retail customers and providing the best digital products for them, as well as the organic development of analog business segments.

THE MAIN PRIORITIES OF THE NEW STRATEGY ARE:

- Providing the best digital experience for retail customers, providing them with unique and personalized products, and maximizing value offers.
- Creating the most suitable products for corporate customers that will solve the tasks facing their business; maintaining personal service and expanding their presence in remote channels.
- Improving the efficiency of the business processes of the entire Bank in order to increase staff satisfaction and enhance the customer experience.

RESULTS OF THE STRATEGY IMPLEMENTATION IN 2020

During the years of the Development Strategy 2018 – 2022 implementation, the Bank successfully implemented a number of strategic initiatives and projects for dynamic business development. Maintaining the status of a stable and reliable bank for its customers, in 2020 the Bank continued to develop its retail business, implement the best practices of risk management and dealing with non-performing debt, as well as ahead of schedule to fulfill the covenants of the National Bank of the Republic of Kazakhstan Financial Sustainability Enhancement Program.

It is impossible not to note the impact of the COVID-19 pandemic, which, on the one hand, affected the growth rates of lending and profitability indicators of the country's banks, on the other, was a significant incentive for further development of financial institutions, accelerating the transformation and digitalization of banking services and products under new realities and trends.

RETAIL BUSINESS DIRECTION

In 2020, the Bank maintained strong market positions in car loans (48% of the new car lending market), POS-lending (13% of the market) and consumer lending (8% of the market).

In the difficult conditions of limited activity, by the 2020 year end, the Bank managed to achieve key business targets, transfer the main banking services online in the shortest possible time, increase the customer base and improve customer service, increase the efficiency of collecting non-performing loans and reduce the non-performing loan portfolio, increase the volume of funding at the expense of customer funds, and launch new strategic products and additional services.

In 2020, there was an increase in NPS for the main products of retail business: deposits (75%, +7 p. p. from the beginning of the year), POS lending (68%, +4 p.p. from the beginning of the year) and cash lending (64%, 4 p. p. from the beginning of the year). According to the results of customer surveys/feedback, there is an increase in positive feedback regarding the convenience of the process and the speed of opening a deposit, transparency and clarity of loan products fees, as well as high quality of service, consulting services and customer support.

CORPORATE BUSINESS AND SME

The Bank continued the focused development of corporate lending, attracting the most reliable borrowers to cooperation, as well as increasing the volume of lending to SMEs and developing a transactional business model. The Bank's corporate business demonstrated a high level of preparedness for all manifestations of the pandemic. From the point of view of the asset structure quality, it should be noted that more than 90% of the standard loan portfolio is outside the direct risk zone of the emergency regime. At the same time, the impact of the risk of possible large withdrawals due to the pandemic was reduced due to improving diversification through an increase in the SME share in the structure of corporate customer deposits.

Formation of regulatory reserves is performed ahead of schedule: in 2020, 23.1 billion tenge of regulatory reserves were created (exceeding the target under the National Bank of the Republic of Kazakhstan Program by 5%).

The Bank's operating profit amounted to 56 billion tenge.

ROE: the Bank's return on equity indicator at 2020 year end amounted to 6.53%.

Cost-to-Income ratio (CIR): at 2020 year end amounted to 36.8%.

The NPL level by 2020 year end amounted to 9.6%. The Bank managed to reduce the number of non-performing loans.

PLANS FOR 2021

IN 2021, EURASIAN BANK INTENDS TO FOLLOW THE DEVELOPMENT STRATEGY, BASED ON THIS, IT SETS THE FOLLOWING GOALS:

DIGITAL TRANSFORMATION

In 2020, the Bank focused on radical digitalization of its business, and this work will continue in 2021. The main focus of this large-scale work will be on customer experience enhancement through the analysis of current and identification of new customer needs, personalization of banking services. As a result, the Bank plans to launch new technological services, and the improvement of the Smartbank mobile app will also continue. Automation will also affect the Bank's internal processes. This will strengthen Eurasian Bank's position as a digital player in the market, and customers will have access to the most advanced services that will ultimately bring commercial benefits to the Bank.

PROVIDING A BETTER DIGITAL EXPERIENCE FOR CUSTOMERS

This task will be a key one in 2021. First, the Bank will focus on customer knowledge enhancement, namely, on automating analysis and understanding of customer profiles and their needs. This will allow making relevant offers for each customer in order to heighten business performance. The Bank started developing a new automated loyalty model for customers, which will be based on understanding their interests, as well as improving customer data quality.

In 2021, attention will be paid to customer experience enhancement – Customer Journey Mapping and Usability Experience, since a convenient and seamless digital customer experience is the basis of customer loyalty. To do this, as before, the NPS (net promoter score) measurement will be applied for key products and the main stages of the customer life cycle, in this regard, the NPS program will be developed both for the retail block and for corporate business.

STRENGTHENING THE RETAIL DIRECTION

The retail business remains a key focus of the Bank strategy. In 2021, Eurasian Bank will continue to develop this direction and existing products within the segment. The Bank plans to maintain its leading positions in the segments in which it is traditionally strong, namely in auto and POS lending. It is planned to launch production of KIA models together with SaryarkaAvtoProm LLP. In addition, Eurasian Bank, as one of the leaders of auto loans in Kazakhstan, will develop online services that allow customers to withdraw collateral from cars.

The new solutions that the Bank intends to implement in 2021 will increase the customer base, the profitability of the retail business, as well as reduce the cost of attracting customers.

WORK IN THE CORPORATE SECTOR

Cooperation with SME and corporate customers is also an important task of the Bank for 2021. Eurasian Bank will continue its balanced growth in those sectors of the economy in which it is well versed and sees prospects for their development.

In addition, the Bank regularly implements a number of digital initiatives for corporate customers, which strengthen the remote channel for legal entities, as well as provide them with new products and services. This will allow corporate business and SME customers to receive their services faster and better, including through remote channels.

IMPROVING THE LOAN PORTFOLIO QUALITY

In 2021, the Bank will continue to work with non-performing debts to improve the quality of the Bank assets with the help of modern recovery technologies and a flexible approach to work with domestic and foreign investors at selling the Bank collateral and balance sheet property. This work will significantly increase the healthy market loan portfolio and compensate for the losses on interest income of the non-performing loan portfolio.

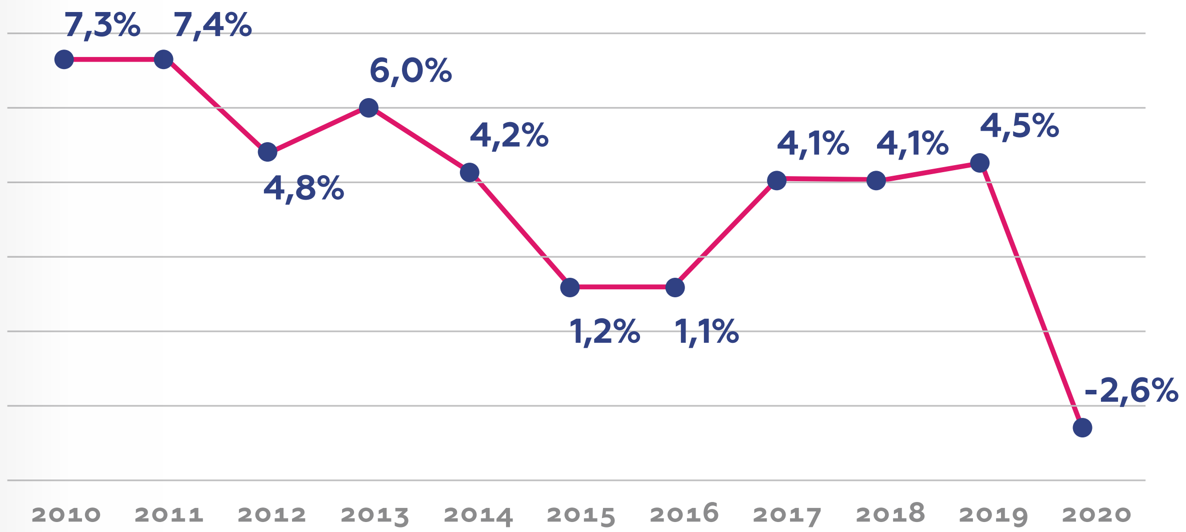
EXPENDITURE CONTROL

The Bank exercises control over administrative and economic expenses and personnel expenses, which corresponds to the approved strategy. It is important to understand that the customer, his/her needs and expectations are at the forefront of the Bank's strategic development. This means that the entire Bank will work for the customer and support the customer block. At the same time, all the Bank's activities, individual projects, directions, points of sale, customers, customer managers will be evaluated according to financial models according to the criterion of return on equity (ROE).

ECONOMY AT A GLANCE

In 2020, the economy of Kazakhstan for the first time in many years demonstrated negative GDP growth rates due to the large-scale shock caused by the COVID-19 pandemic and the introduction of quarantine measures throughout the country, as well as a sharp drop in oil prices and a deterioration in the external environment. The GDP volume according to operational data amounted to 70.1 trillion tenge at current prices. The economy shrank by -2.6% in annual terms.

REAL GDP GROWTH, %



The total package of anti-crisis measures, including state budget expenditures and other extra-budgetary funds, amounted to approximately 9% of GDP: large-scale measures to support the economy largely contributed to mitigating the negative consequences for the country.

The economic driver in 2020 was the growth of the real sector (+2%), while the service sector showed a decrease in indicators (-5.6%). It should be noted that in the 4th quarter of 2020, most sectors of the economy showed signs of recovery in activity and further growth. The largest growth was observed in the construction sector (+11.2%), telecommunications (+8.2%) and agriculture (+5.6%). The largest drop was recorded in the transport sector (-17.2%), which is affected by a deep decline in passenger transportation (-65%), and trade (-7.3%), due to a significant reduction in consumer demand.

In 2020, the leading growth was observed in the manufacturing industry, the growth rate of which reached 3.9%. At the same time, the mining industry declined by 3.7% due to a reduction in oil production under the OPEC+ agreement. As a result, the overall decline in industrial volumes was 0.7%.

In the GDP structure, the production of goods amounted to 38.5%, the production of services -55.7%. The main share in GDP production continues to be occupied by industry – 27.1%, wholesale and retail trade; repair of cars and motorcycles – 16.5%.

In 2020, in terms of investments in fixed assets, significant growth was observed in non-resource sectors, such as healthcare, where the volume of investments more than doubled, telecommunications (+35.5%), real estate transactions (32.8%). However, due to the strong dependence on the mining industry, which accounts for 33.6% of all investments in fixed assets and the decline in which reached 26.4%, the total investment volume decreased by 3.4%.

CURRENT ACCOUNT POSITIONS

By 2020 year end, according to the National Bank of the Republic of Kazakhstan, the current account deficit of the balance of payments of Kazakhstan decreased from 7.2 billion US dollars in 2019 to 5.9 billion US dollars. In relation to GDP, the current account deficit in 2020 decreased to 3.41% compared to 3.97% in 2019.

The main reason for the deficit was a significant reduction in the trade account surplus (-41% to 10.7 billion US dollars), which in turn was formed due to a decrease in imports by 9.7% to 36.2 billion US dollars and a more significant reduction in exports by 19.4% to 46.9 billion US dollars. At the same time, the reduction of the primary income account deficit (-31.7% to US $ 15.5 billion) and the services account deficit (-15.4% to US $ 3.1 billion), as well as the growth of the secondary income balance surplus (+97.2% to US $ 2.1 million) prevented a deeper expansion of the current account deficit in 2020.

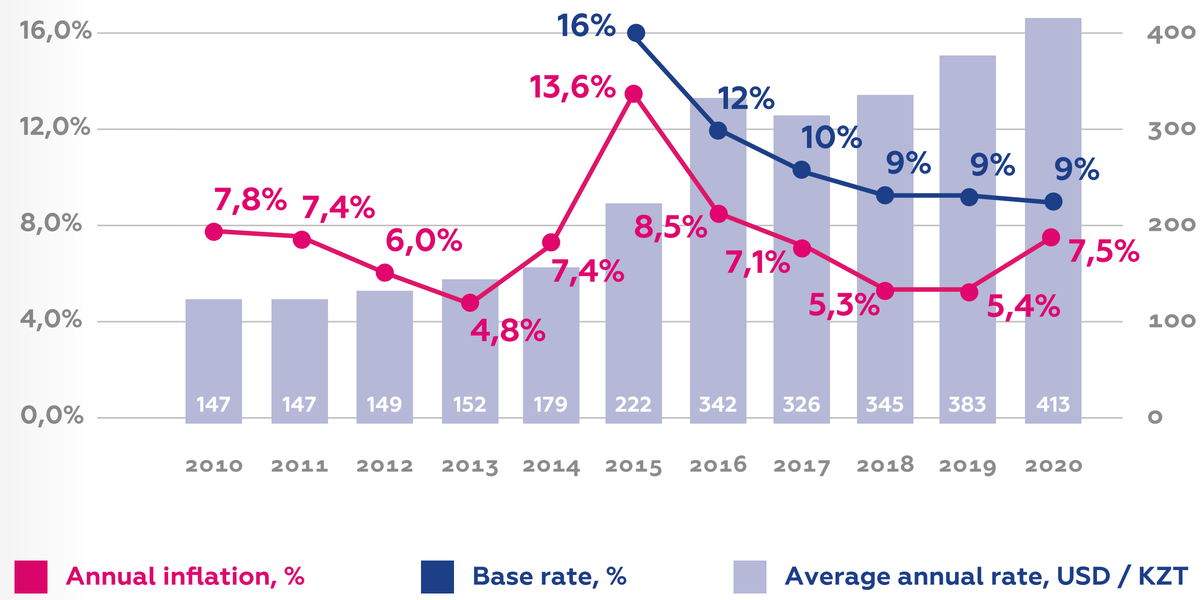
According to the National Bank of the Republic of Kazakhstan, the financial account in 2020 saw a capital inflow of US $ 14.5 billion, due to the expansion of capital inflows from the direct investment account of US $ 6.2 billion (+13.8%) and the inflow of portfolio investments of US $ 7.5 billion.

BASE RATE, INFLATION, NATIONAL CURRENCY EXCHANGE RATE

In March 2020, against the background of negative events, the National Bank of the Republic of Kazakhstan decided to raise the base rate to 12% in order to stabilize inflation expectations and limit the spread of the impact of an external shock on the financial market. However, in the future, in order to ensure financial stability and adapt the economy to the new conditions of the external and internal environment, a number of decisions were made to reduce the level of the base rate. In December 2020, the regulator kept the base rate at 9% per annum with a narrowing of the interest rate corridor to + / – 1.0 percentage points. This decision is due to the fundamental instability in the oil market, high and weakly anchored inflation expectations, while there is still uncertainty associated with the epidemiological situation in the country and the world, as well as with the timing of mass vaccination.

Annual inflation at 2020 year end was formed in accordance with the expectations of the National Bank of the Republic of Kazakhstan and reached 7.5%. It should be noted that the acceleration of inflation in 2020 (from 5.4% at the beginning of the year to 7.5% at the end of the year) was noted in all components: during the year, prices for food products increased by 11.3%, non-food products – by 5.5%, paid services – by 4.2% (the most noticeable acceleration compared to 2019). The greatest contribution to the acceleration of price growth was made by services – about 60%, food products accounted for more than a third of the price increase.

In 2020, the national currency weakened against the background of the crisis caused by the pandemic, which led to the exit of investors from risky assets. The average annual exchange rate of tenge against the US dollar decreased from 383 tenge in 2019 to 413 tenge in 2020 (depreciation by 8%). At the end of the year, there was a slight strengthening of the exchange rate at around 421 tenge per US dollar, mainly due to the increase in oil prices and the inflow of foreign capital to the state securities.



RATINGS AND POSITION OF INTERNATIONAL ORGANIZATIONS

RATINGS

The Fitch Ratings international credit rating agency confirmed the long-term credit rating of Kazakhstan at BBB, the outlook is stable, which reflects the high level of stability of the country's economy. Fitch also confirmed the short-term rating in foreign and national currency at F2, the country ceiling – at BBB+. According to the agency, despite the uncertainty caused by the volatility of oil prices and the COVID-19 pandemic, Kazakhstan maintains a low level of public debt and a significant amount of fiscal reserves required to support the economy and mitigate external shocks.

The Standard & Poor's Global Ratings credit rating agency confirmed the sovereign rating of the economy of Kazakhstan at BBB – /A-3, the outlook is stable, despite the existing uncertainty of the economic situation in the world and the region. As noted by S&P Global Ratings, the factors of the stability of credit ratings were the measures of the Government of the Republic of Kazakhstan to contain and regulate the negative consequences of the pandemic on the economy, as well as a high level of stability and predictability of state institutions due to the continuity of power.

THE POSITION OF INTERNATIONAL ORGANIZATIONS

Experts of the World Bank (WB) call 2020 the most difficult year for the economy of Kazakhstan over the past two decades. The spread of the pandemic stopped global activity in the 2nd quarter of 2020 and led to a collapse in global demand and prices for oil – the main export commodity of Kazakhstan. The pandemic also significantly reduced domestic economic activity: according to the World Bank experts, in 2020 the economy shrinks by 2.5%, and the inflation rate is 6.2%. In 2021, the economy is expected to grow slightly, which will increase in 2022, but at the same time, significant downside risks will remain.

The International Monetary Fund (IMF) also notes that in 2020, the economy of Kazakhstan suffered from the COVID-19 pandemic and a price shock in the oil market. According to the IMF experts, in 2020, economic activity in the country decreases by 2.7% in general, and next year growth will return to positive values, although significant risks remain regarding the development of the pandemic, instability in oil prices and trade tensions with the participation of major trading partners. The IMF expects that inflation in Kazakhstan in 2020 is 7.5% and will decrease to 5.9% in 2021.

According to the Asian Development Bank (ADB), Kazakhstan's GDP decreases by 3.2% in 2020. Experts note that, despite the moderate growth in industry and agriculture, the service sector was seriously affected due to strict measures to contain COVID-19, which led to a deep recession in the 1st half of 2020. Since the currency depreciation leads to an increase in prices, despite the economic downturn, inflation in 2020, according to the ADB, is 7.4%. In 2021, according to the forecast, the economy will grow by 2.8%, the inflation rate will decrease to 6.2%.

THE BANKING SECTOR [1]

In 2020, the assets of the banking sector increased by 16.4% and amounted to 44.7% of GDP. For comparison, the share of bank assets in GDP in 2019 was 39.6%. The banking sector of the country met the crisis caused by the pandemic, sufficiently prepared, which was confirmed by the results of the procedure for reviewing the quality of banks assets – AQR. The dynamics of 2020 compared to 2019 were characterized by restrained lending growth rates, as well as an unprecedented growth in the deposit base of STBs over the past 3 years. Thus, a significant part of the customer funding of banks was placed on correspondent accounts with the National Bank of the Republic of Kazakhstan and in the securities portfolio.

1 Based on official data published on the website of the National Bank of the Republic of Kazakhstan

As of 1 January 2021, the banking sector of Kazakhstan is represented by 26 second-tier banks, of which 15 are banks with foreign participation, including 12 subsidiary banks, one bank with 100% state participation. In 2020, one bank left the sector: at the end of the year, Tengri Bank JSC was deprived of its license for conducting banking and other operations. In December 2020, the regulator granted consent to the implementation of the transaction on the accession of ATF Bank JSC to the Jýsan Group, and Freedom Finance JSC obtained permission to acquire Kassa Nova Bank JSC (a subsidiary of ForteBank JSC).

STBs assets as of 1 January 2021 amounted to 31.2 trillion tenge, an increase of 16.4% in 2020, which is a record figure for the last 5 years. As of 1 January 2021, Eurasian Bank ranked 8th in terms of assets, which is one position higher by the beginning of 2020. The Bank assets increased by 14.5% in the 12 months of 2020, which corresponds to the 13th place in the system.

In the structure of assets of the banking sector, the largest share – 47.6% of total assets – fell on the loan portfolio in the amount of 15.8 trillion tenge, which increased by 7.1% since the beginning of the year. It is worth noting that 14 of the 26 banks demonstrated portfolio growth. According to the results of 2020, Eurasian Bank occupied the 8th position in terms of the loan portfolio with a market share of 4%. The Bank loans decreased by 14% since the beginning of the year and amounted to 607.2 billion tenge.

The level of provisions in the banking system as of 1 January 2021 amounted to 11.6% of the loan portfolio, having decreased by 1.8 percentage points since the beginning of the year. At the same time, the level of coverage of non-performing loans of 90+ with the amount of provisions increased by 6 p.p. and amounted to 170.0%. According to the level of reservation of the loan portfolio, Eurasian Bank ranked 6th (18.8% of the loan portfolio).

As of 1 January 2021, the liabilities of the country's second-tier banks amounted to 27.2 trillion tenge, an increase of 17.5% since the beginning of the year. In total liabilities, the largest share (79.2%) fell on individual deposits, which increased by 19.9% in 2020 and amounted to 21.6 trillion tenge. Corporate deposits in 2020 increased by 22.5% to 10.6 trillion tenge; the share of corporate deposits in foreign currency amounted to 41.7% (-1.3 percentage points from the beginning of the year). Individual deposits for the year increased by 17.5% to 10.9 trillion tenge; the share of individual deposits in foreign currency amounted to 38.6% (-3.1 p. p. since the beginning of the year). According to the 2020 year results, Eurasian Bank ranked 7th in the country's banking sector in terms of corporate deposits and 12th in terms of their dynamics (25.2% since the beginning of the year). The share of corporate deposits in the Bank liabilities increased from 36.6% to 39.7% in the 12 months of 2020. Individual deposits in Eurasian Bank increased by 8.2% since the beginning of 2020 and amounted to 459.3 billion tenge (8th place in the sector in terms of indicator and 17th place in terms of dynamics). The share of retail deposits in the Bank liabilities decreased from 44.1% to 41.4% in the 12 months of 2020.

The net profit of the banking sector for 2020 amounted to 726.1 billion tenge, having decreased by 8.2% compared to the level of 2019. Low lending growth rates in 2020 had a restraining effect on the dynamics of banks' profitability indicators. Banks remain vulnerable to the volatility of retail segment revenues as the main source of profit. According to the 2020 year results, the net profit of Eurasian Bank amounted to 4 billion tenge (16th place in the banking sector).

PROSPECTS OF ECONOMY DEVELOPMENT [2]

ACCORDING TO THE MNE OF THE REPUBLIC OF KAZAKHSTAN, THE ECONOMY OF KAZAKHSTAN IN THE MEDIUM-TERM HORIZON UNTIL 2025 EXPECTS THREE DEVELOPMENT SCENARIOS:

The baseline scenario assumes a gradual increase in the growth rate of the world economy in 2021-2025 while maintaining its stability.

Under this scenario, it is assumed that in 2021-2025, the oil price will be at 35 US dollars per barrel, and the average annual economic growth will be 4%. Due to the expansion of domestic demand, a stable inflationary background and an increase in consumer activity of the population, the average growth rate of production of goods will be 4.8%, and production of services – 3.5%. The implementation of measures to stimulate the reduction of consumer prices in the domestic market and the inflation-targeting regime will allow maintaining the inflation rate within the target corridor in the medium term.

The stabilization of the situation on the stock exchange markets and the demand for food products will have a favorable impact on the export supplies of domestic products. In 2021, exports of goods will amount to 41.4 billion US dollars with an increase to 51.5 billion US dollars in 2025, while imports will amount to 36.3 billion US dollars with an increase to 37.8 billion US dollars in 2025.

Stable parameters of economic growth will have an impact on the progressive increase in income. In 2021, revenues are expected to amount to 6,925. 7 billion tenge with an increase to 9,217. 1 billion tenge in 2023.

The optimistic scenario implies the progressive development of the world economy in 2021 – 2025. In this scenario, the oil price is set at the level of 45 US dollars per barrel for 2021 – 2025. The average annual GDP growth will be 4.5%. Due to favorable external and internal conditions, progressive growth is expected in all segments of the economy: the production of goods and services at an average level of 5.1% and 4.2%, respectively. The progressive growth of the economy and the expansion of providing the population's needs with domestic products will contribute to maintaining the inflation rate within the target corridor.

Maintaining positive conditions on the exchange – traded goods market and rising prices for food products will contribute to the dynamic development of industries and the growth of production activity in the country, which will have a positive effect on the expansion of Kazakhstan exports. Under the optimistic scenario, the volume of exports of goods will increase from 52.9 billion US dollars in 2021 to 65.9 billion US dollars in 2025. At the same time, imports are expected to reach 40.7 billion US dollars in 2021, with an increase to 42.3 billion US dollars in 2025.

2 According to the Forecast of Socio-Economic Development of the Republic of Kazakhstan for 2021-2025 (approved by the Government of the Republic of Kazakhstan on 25 August 2020)

The increased growth of output in the sectors of the economy will contribute to an increase in the revenues of the Republican budget. In 2021, revenues are expected to amount to KZT 7,304. 1 billion, with an increase to KZT 9,753. 9 billion in 2023.

The pessimistic scenario is characterized by the onset of adverse events in the economy caused by a slowdown in the growth of the world economy, an aggravation of the geopolitical situation, an escalation of the trade and sanctions confrontation, as well as a critical decline in world prices for energy resources and other export goods of Kazakhstan. The stimulating effect of internal fiscal policy measures may be limited, due to the high burden on the state budget, as well as reduced access to cheap financing. In addition, this scenario assumes a protracted process of leveling the negative consequences of the coronavirus pandemic for the world economy, including the restoration of supply chains, the revival of business activity, the return of consumer demand to the pre-quarantine level.

Assuming the oil price level of US $ 25 per barrel for the period from 2021 to 2025, the average annual economic growth will be 3%. The deterioration of external conditions and the decline in business activity will restrain growth in the system – forming sectors of the economy. The average growth rate of production of goods and services will not exceed 3.3% and 2.8%, respectively. The growth in the volume of imported consumer goods, as well as the strengthening of inflation expectations of the population, may put pressure on the inflation rate in the country.

The fall in global demand and the decline in prices on commodity markets will have a negative impact on Kazakhstan exports. Exports of goods will amount to 29.5 billion US dollars in 2021, with an increase to 36.7 billion US dollars in 2025. At the same time, imports are expected to be 27.4 billion US dollars in 2021, with an increase to 28.7 billion US dollars in 2025.

The slowdown in the development of economic processes will restrain the growth of income from tax revenues. In 2021, revenues are expected to amount to KZT 6,306. 7 billion, with an increase to KZT 8,347. 8 billion in 2023.

Eurasian Bank

CORPORATE GOVERNANCE

3

Eurasian Bank

CORPORATE GOVERNANCE SYSTEM

The Eurasian Bank corporate governance system is a system of relations between shareholders, the Board of Directors, the Management Board and other involved parties.

The Bank corporate governance is based on respect for the rights and legitimate interests of the Bank shareholders, improving the business reputation of the financial institution itself and is aimed at achieving the efficiency of its activities, including ensuring the growth of the Bank assets, creating jobs, and maintaining the Bank financial stability and profitability.

The Eurasian Bank corporate governance standards are based on the requirements of the law of the Republic of Kazakhstan "On Joint – Stock Companies" and are determined by banking regulations. The Bank monitors international achievements in corporate governance and regularly implements international best practices in corporate governance where applicable.

In order to comply with corporate governance principles, the Bank developed and implemented such internal regulations as The Regulations on the Board of Directors, The Regulations on the Management Board, The Personnel Policy, The Rules of Regulation of Conflict of Interests in the Bank, The Regulations on the Corporate Governance Service, which are designed to preserve the corporate governance basic principles and system.

OBSERVANCE OF THE CORPORATE GOVERNANCE CODE

The corporate governance code is designed to ensure a high level of business ethics in relations between the Bank shareholder/s, its bodies and officials, as well as in relations between the Bank (its bodies, officials and employees) with third parties and in order to protect the shareholder interests.

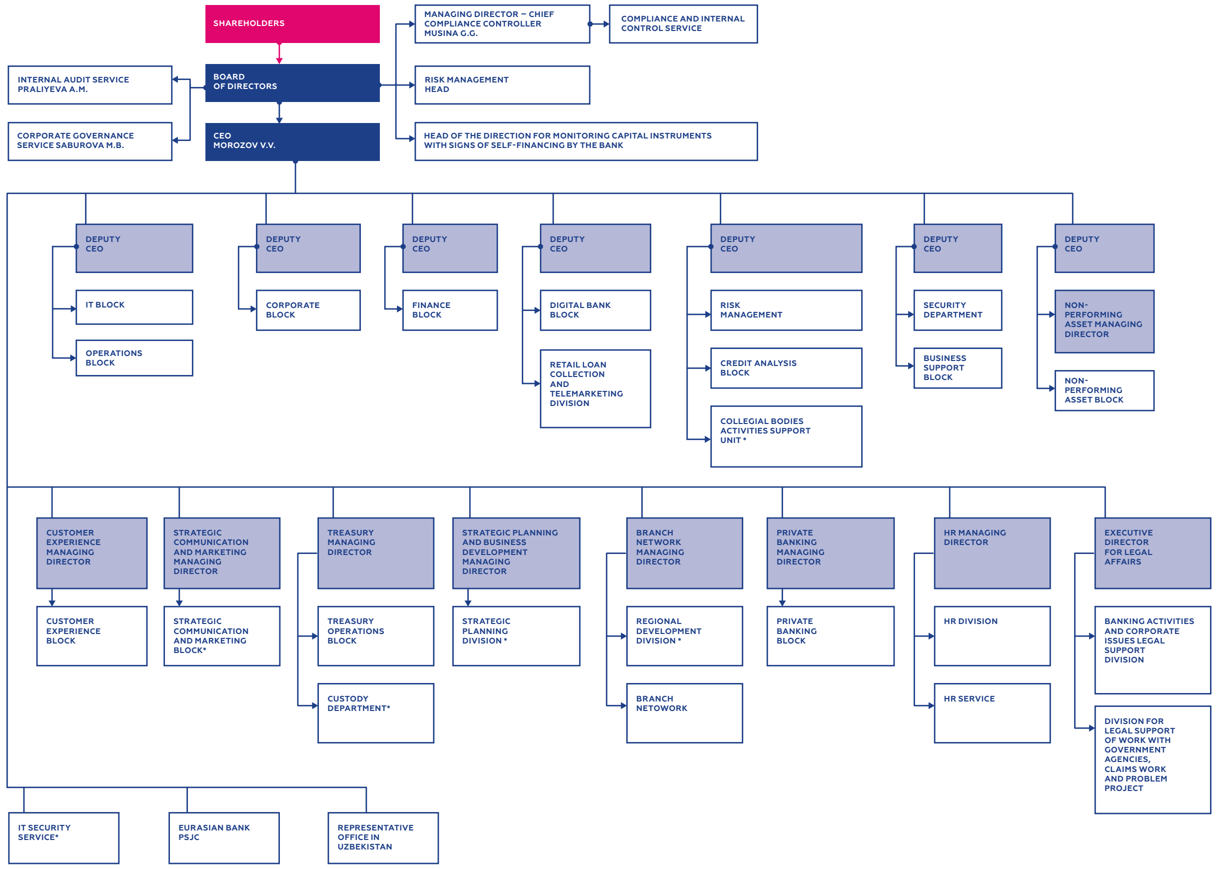
The Code was approved in a new version in June 2020 by Eurasian Financial Company JSC, the sole shareholder, which establishes the principles applied in the Bank management process, including relations between the Bank shareholder, the Bank Board of Directors, the Bank Management Board, senior employees and auditors, as well as relations between the Bank authorized collegial bodies, and other Bank officials, its structural subdivisions and employees.

THE CODE SETS OUT THE CORPORATE GOVERNANCE PRINCIPLES:

- the principle of protecting the rights and interests of the shareholder (-s);
- the principle of the efficient Bank management by the Board of Directors and the Management Board;
- the principles of transparency and objectivity of disclosure of information on the Bank activities;
- the legality and ethics principles;
- the efficient dividend policy principles;
- the efficient personnel policy principles;
- the corporate conflict regulation policy;
- the principle of compliance with the scale and nature of the Bank's activity, its structure, risk profile, business model.

The Board of Directors and the Management Board of the Bank confirm that the activities of the financial institution are conducted in accordance with the corporate governance principles, regulations and procedures outlined in the Corporate Governance Code. The Bank also intends to develop and improve corporate governance practices based on the best practices of the world level.

ORGANIZATIONAL STRUCTURE



CORPORATE GOVERNANCE OVERVIEW

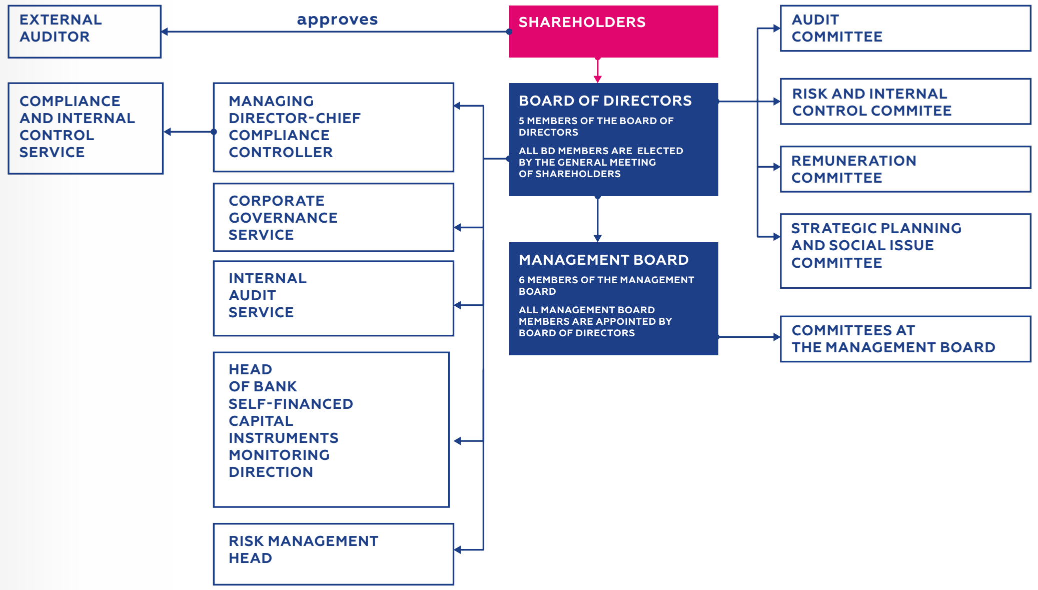
THE BANK BODIES ARE:

- superior body – the General Meeting of Shareholders;
- management body – the Board of Directors;
- executive body – the Management Board.

The Board of Directors has four committees that provide supervision, management, and decision-making in certain areas: The Strategic Planning and Social Issue Committee, The Audit Committee, The Risk and Internal Control Committee, and The Remuneration Committee.

To implement best corporate governance practices, the Board of Directors is assisted by external auditors, the Managing Director – Chief Compliance Controller, The Compliance and Internal Control Service, The Internal Audit Service, and The Corporate Governance Service, which is responsible for corporate governance issues, as well as the Head of the direction for monitoring capital instruments with signs of self-financing by the Bank.

The Management Board established Committees and working groups that review major issues in each area of activity separately.



INFORMATION ABOUT SHAREHOLDERS

The Eurasian Bank JSC sole shareholder is the Eurasian Financial Company JSC with 100% participation. The ultimate beneficiaries in equal shares as of 31 December 2020 are Mashkevitch A., Ibragimov A. and Shodiev P.

As of 31 December 2020, the quantity of authorized ordinary shares of the Bank amounted to 2 096 038 900 (in 2020 – 2, 034, 807, 500 items) and 3, 000, 000 non-redeemable cumulative preferred shares (in 2019 – 3, 000, 000 preferred shares).

In 2020 year, 612,314 ordinary shares were issued and paid at 6,532.60 per share (no shares were issued in 2019).

The issued and outstanding share capital consisted of the following fully paid-up ordinary shares as of 31 December 2020 and as of 31 December 2019:

SHARES	2020 QUANTITY OF SHARES	2019 QUANTITY OF SHARES
Issued at 955.98 tenge	8 368 300	8 368 300
Issued at 1,523.90 tenge	2 631 500	2 631 500
Issued at 1,092.00 tenge	2 930 452	2 930 452
Issued at 6,532.60 tenge	7 030 137	6 417 823
Total shares issued and outstanding	**20 960 389**	**20 348 075**

BOARD OF DIRECTORS

The Board of Directors provides general management of the Bank activities and is accountable to the general meeting of shareholders.

The Board of Directors performs overall management the Bank activities except for the issues referred by the Kazakhstan legislation and/or the Bank Charter to the exclusive competence of the general meeting of shareholders. The Board of Directors performs supervisory functions and determines the Bank priorities and development strategies. The Board of Directors is also responsible for making decisions on convening the annual and extraordinary general meetings of shareholders, on concluding major transactions and transactions with the Bank interest in it, excepting major transactions that are decided upon by the general meeting of shareholders of the Bank. The Board of Directors determines the quantitative structure and the term of office of the Board, election of its head and members, and early termination of their powers and other matters stipulated by the Kazakhstan legislation and/or the Bank Charter, not within the exclusive competence of the general meeting of shareholders.

To review the most important issues and make recommendations to the Board of Directors, the Bank has established four committees that are responsible for various aspects of banking activities and management organization. Issue consideration may fall within the competence of one or more committees of the Board of Directors, excepting the internal audit issues considered by a separate Committee of the Board of Directors.

The Chairperson of the Bank's Board of Directors organizes the work of the Bank's Board of Directors in accordance with the current legislation of the Republic of Kazakhstan, conducts its meetings, and performs other functions defined by the Bank's Charter and the regulations on the Board of Directors. All members of the Board of Directors perform their functions in accordance with the current legislation of the Republic of Kazakhstan, the Bank's Charter, The Regulations on the Board of Directors and The Regulations on Committees under the Board of Directors of the Bank. In accordance with the current Kazakhstan legislation, the Bank provides for periodic (at least once a year) assessment of the activities of the Board of Directors and its members.

ACTIVITIES OF THE BOARD OF DIRECTORS IN 2020

In 2019, 94 meetings of the Board of Directors were held, during which decisions were approved on related party transactions, as well as issues related to events affecting the interests of the Bank securities holders and investors. Among the issues that were considered and approved by the Board of Directors in 2019 were:

- approval of the Eurasian Bank Development Strategy for 2021-2024;
- approval of the Eurasian Bank Digital Transformation (Strategy) for 2020-2024;
- approval of the transaction for the sale to Sovcombank PJSC of ordinary shares of Eurasian Bank SB PJSC, Moscow (Russian Federation) owned by Eurasian Bank JSC;
- increase in the number of declared ordinary shares in the amount of 612, 314 items;
- holding the General Meeting of holders of the 3rd and 4th bond issues within the 3rd bond program of Eurasian Bank;
- increase in the authorized capital of the Eurasian Project 2 LLP subsidiary company.

THE COMPOSITION OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2020:

- **Alexander Mashkevitch,** *Chairperson of the Board of Directors;*
- **Shukhrat Alidzhanovich Ibragimov,** *Member of the Board of Directors;*
- **Inessa Cher-Khvanovna Kim,** *Member of the Board of Directors, Independent Director;*
- **Zhanbota Temirgaliyevich Bekenov,** *Member of the Board of Directors, Independent Director;*
- **Vitaliy Nikolayevich Repey,** *Member of the Board of Directors, Independent Director.*

TOTAL: 5 MEMBERS OF THE BOARD OF DIRECTORS

SHORT BIOS OF THE MEMBERS OF THE BOARD OF DIRECTORS

Alexander Mashkevitch

Chairperson of the Board of Directors

The ultimate beneficiary of Eurasian Bank JSC, owning 33.33% of the total number of outstanding shares of Eurasian Financial Company JSC.

Year of birth: 1954

EDUCATION:

1976 – Kyrgyz State University named after the 50th anniversary of the USSR (Bishkek). He defended his PhD thesis on the topic of theory and history of pedagogy and psychology;

1981– recognized as the youngest candidate of science in his specialty in the Soviet Union;

1981-1986– Associate Professor, Dean of the Kyrgyz Pedagogical Institute.

WORK EXPERIENCE:

2013 – current – Chairperson of the Board of Managers (Directors) of Eurasian Resources Group S.a.r.l.;

2010 – current – Chairperson of the Board of Directors of Eurasian Production Company;

2009 – current – Member of the Board of Directors of Eurasian Industrial Company;

2008 – current – Chairperson of the Board of Directors of Eurasian Financial Company;

2002 – current – President of the Eurasian Industrial Association, Chairperson of the Board of Directors of the Eurasian Natural Resources Corporation Limited company (ENRC ltd);

1998 – current – Chairperson of the Board of Directors of Eurasian Bank.

ADDITIONAL INFORMATION:

2016 – Member of Foreign Investors Board at the President of the Republic of Kazakhstan;

2001 – awarded with the Qurmet Order;

2011 – awarded with the 3rd degree Barys Order.

Membership in the Bank Committees: not a member to any Committee.

Shukhrat Alidzhanovich Ibragimov

Member of the Board of Directors

Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates

Year of birth: 1986

EDUCATIONE:

2004 – British School in Brussels;

2007 – EBS (The United Kingdom, London);

2007 – Beijing Language and Culture University (China, Beijing).

WORK EXPERIENCE:

2015 – current – Member of the Board of Directors of the Alliance Altyn Mining Company (Kyrgyzstan), Business Development Director of Eurasian Resources Group S.a.r.l. (Luxembourg);

2017 – current – Member of the Board of Directors of Eurasian Bank;

2019 – current – Member of the Board of Directors of Eurasian Financial Company, Member of the Board of Directors of Eurasia Insurance Company, Chairperson of Asian World Film Festival (USA);

2021 – current – Member of the Board of Managers (Directors) of Eurasian Resources Group S.a.r.l., Member of the Audit Committee, the Remuneration Committee and the Sustainable Development, Mergers and Acquisitions at the Board of Managers (Directors) of Eurasian Resources Group S.a.r.l., Vice President of YABIAD Foreign Investors and Businessmen Association.

Membership in the Bank Committees: the Audit Committee, the Remuneration Committee and Risk and Internal Control Committee.

Inessa Cher-Khvanovna Kim

Member of the Board of Directors, Independent Director

Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates

Year of birth: 1966

EDUCATION:

1988 – Kazakh Polytechnic Institute named after V. I. Lenin (Automated Management Systems)

1997 – Market Institute at the Kazakh State Management Academy (Finances and Credit).

WORK EXPERIENCE:

2017 – current – Member of the Board of Directors, Independent Director of Eurasian Bank

Membership in the Bank Committees: Chairperson of the Remuneration Committee and the Risks and Internal Control Committee.

Zhanbota Temirgaliyevich Bekenov

Member of the Board of Directors, Independent Director

Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates

Year of birth: 1957

EDUCATION:

1985 – Alma-Ata National Economy Institute (Finances and Credit);

2001 – London Business School, Accelerated Development Program for Managers.

WORK EXPERIENCE:

1994 – 2015 – Manager, General Director and Partner of PricewaterhouseCoopers LLP;

2016 – 2018 – Co-Managing Partner of Grant Thornton LLP;

2018 – current – Member of the Board of Directors, Independent Director of Eurasian Bank;

2020 – current – Member of the Board of Directors, Independent Director of KEGOK.

Membership in the Bank Committees: Chairperson of the Audit Committee and the Strategic Planning and Social Issues Committee, Member of the Risks and Internal Control Committee.

Vitaliy Nikolayevich Repey

Member of the Board of Directors, Independent Director

Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates

Year of birth: 1976

EDUCATION:

1998 – National University of Kyiv-Mohyla Academy (Bachelor's degree);

2000 – National University of Kyiv-Mohyla Academy (Master's degree).

WORK EXPERIENCE:

2000 – 2003 – Auditor at Arthur Andersen, Ernst & Young international auditing companies;

2003 – 2006 – Corporate Finance Director at Brinkford CJSC;

2007 – 2019 – Economics Director of Investigations, Investments and Development LLP;

2019 – current – Member of the Board of Directors, Independent Director of Eurasian Bank;

2020 – current – Head of Representative Office of TRENETU BV Limited Liability Private Company.

Membership in the Bank Committees: Member of the Risk and Internal Control Committee.

THE COMPOSITION OF THE BOARD OF DIRECTORS AFTER THE REPORTING DATE REMAINS UNCHANGED.

DIRECTORS' EXPERTISE

EXPERTISE	NUMBER OF DIRECTORS
BANKS AND FINANCES	5
OIL AND GAS AND MINING INDUSTRIES	2
OTHER ECONOMY INDUSTRIES	5
STRATEGIC VISION	5
CORPORATE GOVERNANCE	5
HR MANAGEMENT	5
AUDIT	2
ACCOUNTING	3

PROCEDURE FOR NOMINATION AND SELECTION OF CANDIDATES TO THE BOARD OF DIRECTORS

At nomination and selection of candidates for members of the Board of Directors, Committees at the Board of Directors, the Bank strictly follows the requirements of the legislation of the Republic of Kazakhstan and normative legal acts of the regulator, such as the Law "On banks and banking activity in the Republic of Kazakhstan", The Rules of issuance of consent to appointment (election) of senior employees of financial institutions, bank holdings, insurance holdings, the Insurance Payment Guarantee Fund JSC, including criteria of impeccable business reputation, and a list of documents required for obtaining consent.

The main requirements for candidates: the candidate's impeccable business reputation, high professionalism and required work experience in the financial market, no conflict of interests at carrying out professional activities in a financial organization.

All the candidates before their appointment undergo a thorough preliminary study and analysis by the relevant responsible structural divisions of the Bank for compliance with the necessary requirements of the legislation of the Republic of Kazakhstan and internal regulatory documents.

In accordance with the requirements of the legislation of Kazakhstan, the sole shareholder of the Bank Eurasian Financial Company JSC determines the quantitative composition, period of powers of the Board of Directors, elects its members and prematurely terminates their powers, determines the amount and terms of payment of remuneration and costs compensation for performance of their duties.

THE BANK'S BOARD OF DIRECTORS AND QUALIFICATION REQUIREMENTS FOR ITS MEMBERS COMPLY WITH THE FOLLOWING REQUIREMENTS:

- The composition of the Board of Directors and its powers are sufficient for exercising efficient control;
- The Board of Directors consists of persons with the required qualifications, impeccable business reputation, and experience, which together are sufficient for the overall Bank management, according to the selected business model, operations scale, transaction type and complexity;
- Members of the Board of Directors are focused on interaction, collaboration and critical
- Discussion in the decision-making process;
- Members of the Board of Directors perform their duties and make decisions in good faith, and minimize conflicts of interest;

PREVENTING CONFLICTS OF INTEREST IN THE BANK ACTIVITIES

The Bank established and successfully operates a system for managing conflicts of interest in the Bank activities. The Bank compliance subdivision developed and implemented the Rules for regulating conflicts of interest in the Bank activities. This Bank internal regulatory document, approved by the relevant decision of the Bank Board of Directors, allows for preventive identification, assessment and exclusion of causes and conditions that may further lead to a situation of conflict of interests in the activities of all the Bank employees without exception, including the Bank managers at all levels, subdivisions and authorized collegial bodies of the Bank (hereinafter referred to as the ACB).

The Bank Board of Directors, Committees at the Bank Board of Directors, the Bank Management Board and other ACB of the Bank, internal controllers of the Bank subdivisions perform continuous monitoring of factors that may lead to a conflict of interests in the future. Making operational decisions in the Bank on the identified potential factors does not allow them to be transformed into realized cases of conflict of interests in the future.

Conflict of interest prevention activities are based on the internal regulatory documents such as the Charter, the Code of Ethics and Business Conduct, the Corporate Governance Code, and the Rules for regulating conflicts of interest.

The high level of corporate culture of the Bank employees, which is based on the conscious intolerance of each employee to any possible manifestation of a conflict of interests, allows us to effectively minimize such risks in all areas of the Bank activities.

THE MAIN PRINCIPLES FOR MANAGING CONFLICTS OF INTEREST IN THE BOARD OF DIRECTORS ACTIVITIES, AND IN THE MANAGEMENT OF ACBS, ARE THE FOLLOWING:

- **legality** – members of the Board of Directors, employees of ACBs perform their activities in strict compliance with the Kazakhstan legislation, internal normative documents of the Bank;
- **professionalism** – members of the Board of Directors, employees of ACBs perform their activities on a professional basis, highly qualified specialists have access to this work;
- **independence** – members of the Board of Directors, employees of ACBs in the process of performing their professional activities do not admit bias, dependence on third parties, that may harm the Bank legal rights and interests;
- **conscientiousness** – members of the Board of Directors, employees of ACBs act with the prudence and car that is required of them, considering the Bank activity and business practices specifics, and approach implementation of their functions with due responsibility. Senior managers and Bank employees treat each other and the customers responsibly and fairly;
- **confidentiality** – members of the Board of Directors, ACBs employees do not disclose information at their disposal, related to banking, commercial secrecy, insider information, personal data, that became known to them by virtue of their official duties, except for cases, stipulated by the Kazakhstan legislation;
- **honesty** – members of the Board of Directors, employees of authorized collegial bodies should be open and honest in professional and business relations. The employee's desire to avoid conflict of interests in the course of performing their official duties is one of the corporate principles for the Bank employees, enshrined by the Code of Ethics and Business Conduct;
- **objectivity** – members of the Board of Directors, employees of authorized collegial bodies should not allow bias, conflict of interests, pressure by employees on other employees to change their professional or business judgement/opinion;
- **clear distribution** of functions, responsibilities and powers of risk management among all the structural subdivisions and Bank employees, and their responsibility taking into account minimization of conflict of interests.

The compliance subdivision, carrying out the overall coordination of the management of conflicts of interest in the Bank, constantly improves this process, and maintains up-to-date methods and mechanisms that allow, when applied, to exclude the occurrence of a possible conflict of interest in the Bank activities at the initial stage of the appearance of conditions for its occurrence.

INFORMING THE BOARD OF DIRECTORS

Within the framework of efficient corporate governance and interaction of the executive body, a system has been introduced to inform the Board of Directors about violations of the requirements of the Republic of Kazakhstan legislation and the Bank internal regulatory documents in the course of banking activities, which is carried out by second-line defense subdivisions, whose functions include control procedures – such as the Compliance and Internal Control Service, the Risk Management Block, the Legal Service, the HR Service, the Security Department, Information Security Department and ensures the continuity of the Bank activities. An independent assessment of the Bank activities in terms of timely identification and reporting of risks and violations to the authorized bodies of the Bank is carried out by the Internal Audit Service (IAS).

THE MAIN GOALS WHEN INFORMING THE BOARD OF DIRECTORS ABOUT CRITICAL ISSUES (PROBLEMS) AND RISKS:

- timeliness;
- the system, based on the established periodicity and continuity;
- objectivity, reliability and relevance;
- materiality, the implementation of which may lead to Bank financial stability deterioration.

COMMITTEES AT THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS HAS FOUR COMMITTEES THAT PROVIDE SUPERVISION, MANAGEMENT, AND DECISION-MAKING IN CERTAIN AREAS:

- Strategic Planning and Social Issues Committee.
- Audit Committee.
- Risk and Internal Control Committee.
- Remuneration Committee.

Each Committee carries out its activities within the framework of a document defining its powers, competence, as well as the principles of work, internal procedure for submitting reports to the Board of Directors, tasks facing the Committee members and term limits for members of the Board of Directors in the Committee. The Board of Directors provides for periodic rotation of members (with the exception of experts) of the Committees in order to avoid concentration of powers and promote new views.

The Board of Directors' Committees consist of members of the Board of Directors and experts who have the required professional knowledge to work on a particular Committee. Independent Directors head the Board of Directors' Committees.

AUDIT COMMITEE

Members: Bekenov Zh. T. (chair), Ibragimov Sh. A.

Competence: the main purpose of the Committee is to assist the Bank Board of Directors in carrying out its duties to improve the efficiency of the internal audit subdivision and interact with the external auditor on the quality of information provided about the Bank activities. The main tasks of the Committee are to ensure the completeness and reliability of the Bank financial statements provided to the Board of Directors, to supervise the activities of the IAS, to coordinate the process of the annual mandatory external audit of financial statements.

In 2020, 38 issues were considered.

RISK AND INTERNAL CONTROL COMMITTEE

Members: Kim I. Ch.-Kh. (chair), Bekenov Zh. T., Repey V. N., Ibragimov Sh. A.

Competence: the main purpose of the Committee is to assist in the implementation by the Bank Board of Directors of its responsibilities for building an efficient risk management and internal control system. The main tasks of the committee:

1. development of risk management policies, procedures in the field of capital and liquidity management within the risk appetite level established by the Board of Directors and control of their implementation;

2. assessment of risks inherent in the Bank activities, and maintenance of the Bank risk profile relevance;

3. exercising control over:

   - compliance with the risk appetite levels by the Management Board;

   - the system functioning: internal control, market risk management, liquidity risk management, business continuity management, information technology risk management, information security risk management, compliance risk management, credit risk management, operational risk management, and other significant risks for the Bank (legal, strategic, reputational risks);

4. ensuring that there is a process for regularly monitoring the operational risk level;

5. ensuring availability of internal models and information systems for the Bank risk management, in order to ensure complete, reliable and timely financial, regulatory and management information;

6. assessment and control of ability to promptly raise funds from each funding source in order to assess efficiency of ensuring liquidity in the future.

In 2020, 90 issues were considered.

REMUNERATION COMMITTEE

Members: Kim I. Ch.-Kh. (chair), Ibragimov Sh. A., Gazyamova S. S.

Competence: the main objectives of the Committee are to assist the Board of Directors in carrying out activities to minimize conflicts of interest, form the Bank's organizational structure, and ensure efficient management of remuneration of the Bank employees and remuneration of members of the Bank's Management Board and employees accountable to the Board of Directors (with the exception of employees and the Internal Audit Service head).

THE MAIN TASKS OF THE COMMITTEE ARE TO ENSURE THE DEVELOPMENT OF:

- the Bank organizational structure draft, taking into account minimization of conflicts of interest;

- procedures for managing conflicts of interest and mechanisms for its implementation;

- policies on remuneration, accrual of monetary remuneration, as well as other types of material incentives for the Bank executives in accordance with the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated 24 February 2012 No. 74 "On establishing Requirements for the internal policy on remuneration, accrual of monetary remuneration, as well as other types of material incentives for bank executives".

In 2020, 19 issues were considered.

STRATEGIC PLANNING AND SOCIAL ISSUE COMMITTEE

Members: Bekenov Zh. T. (Chair), Morozov V. V., Druzhinina N. M.

Competence: KoThe Strategic Planning and Social Affairs Committee develops, analyzes and monitors the implementation of the Bank's strategy, and ensures that the Bank's strategic plans comply with current market and economic conditions, risk levels, financial strength, and legal and regulatory requirements. The Committee also ensures the implementation of the budget and monitors its implementation. In addition, the Committee is responsible for creating an efficient social policy of the Bank and assessment of the Bank policies and other INDs of the Bank for their compliance with the strategy, the current market and economic situation, the Bank risk profile, including the approved risk appetite strategy, and legislative requirements.

In 2020, 21 issues were considered.

THE MANAGEMENT BOARD

THE BANK MANAGEMENT BOARD IS A COLLEGIAL EXECUTIVE MANAGEMENT BODY HEADED BY THE CHAIRPERSON, WHO PROVIDES GENERAL MANAGEMENT OF THE BANK CURRENT ACTIVITIES.

The Management Board is a collegial executive body of the Bank exercising management of current activities of the Bank except for the issues referred by the legislation of Kazakhstan and this Charter to the competence of other bodies and officials of the Bank. The Board is responsible for operational control over the activities of the Bank, including transactions on behalf of the Bank in the order established by the legislation of Kazakhstan and the Charter of the Bank, ensures observance of the legislation of the Republic of Kazakhstan by employees of the Bank, considers and approves documents for the purpose of organizing the activities of the Bank and issues decisions (resolutions) and instructions binding on all Bank employees, and also performs other functions not within the competence of other bodies of the Bank, in accordance with the legislation of Kazakhstan, the Bank Charter and internal documents of the Bank.

ACTIVITY OF THE MANAGEMENT BOARD IN 2020

In 2020, 186 meetings of the Management Board were held, including 56 in-person and 130 in absentia meetings, during which 1, 117 issues were considered. Among them are issues related to the Bank operating activities, changes in the loan and deposit products terms, optimization of the Bank services and products terms, in particular, current account opening was optimized, the Business Auto SME product terms were modernized, the Removing cars from encumbrance project and the Bank Brand Book were approved. Within the framework of the meetings, terms were approved for granting individual customers a deferral of payments for up to three months with simultaneous loan extension for up to 6 months, based on the Decree of the President of the Republic of Kazakhstan No. 285 dated 15 March 2020 "On the introduction of a state of emergency in the Republic of Kazakhstan".

IN 2020, THE FOLLOWING CHANGES TOOK PLACE IN THE BANK MANAGEMENT BOARD:

- *On 19 May 2020, Deputy Chairperson of the Management Board Oleg Pechenkin resigned from the Management Board.*
- *On 19 May 2020, Aleksandr Naumov was elected to the Management Board as Deputy Chairperson of the Management Board.*
- *On 1 July 2020, Deputy Chairperson of the Management Board Dina Katekova resigned from the Management Board.*
- *On 15 October 2020, Deputy Chairperson of the Management Board Shukhrat Sadyrov resigned from the Management Board.*
- *On 7 September 2020, Lyazzat Satiyeva was elected to the Management Board as Deputy Chairperson of the Management Board.*

MEMBERS OF THE MANAGEMENT BOARD AS OF 31 DECEMBER 2020:

- **Valentin Morozov,** *Chairperson of the Management Board*
- **Ivan Belokhvostikov,** *Deputy Chairperson of the Management Board – Member of the Management Board*
- **Nataliya Druzhinina,** *Deputy Chairperson of the Management Board – Member of the Management Board*
- **Sabyrzhan Bekbosunov,** *Deputy Chairperson of the Management Board – Member of the Management Board*
- **Aleksandr Naumov,** *Deputy Chairperson of the Management Board – Member of the Management Board*
- **Lyazzat Satiyeva,** *Deputy Chairperson of the Management Board – Member of the Management Board*

TOTAL: 6 members of the Management Board

The members of the Management Board do not have a participation share in the capital of Eurasian Bank, subsidiaries and dependent companies.

SHORT BIOS OF THE MEMBERS OF THE MANAGEMENT BOARD

Valentin Morozov

Chairperson of the Management Board

Year of birth: 1973

EDUCATION:

- *New York University (Finance and Marketing)*
- *Stanford University, London Business School, University of Colorado, Center for Creative Leadership*
- *Moscow State University*

SHORT BIO:

Valentin Morozov is a professional banker with long experience. Before joining Eurasian Bank Valentin Morozov held management positions in Russian banks, Basic Element Group of Companies, and worked as a consultant for McKinsey & Company and Arthur Andersen.

Prior to joining Eurasian Bank, from January 2017 to February 2018, he worked at VTB + VTB24 as an adviser to the Senior Vice President and Head of the Department – Senior Vice President of the Department of Business Process Organization and Change Methodology. Created the Competence Center for Process Optimization and Digitalization and managed the Bank process optimization.

From May 2008 to January 2017, he worked for the Joint-Stock Commercial Savings Bank of the Russian Federation and Sberbank of Russia. At Sberbank, as Vice President, he was responsible for continuous improvement of the Bank processes, development of innovations and customer experience. Managed the project office, internal communications, motivation and performance management system, etc. He also worked at Tinkoff Bank from June 2007 to April 2008.

Year of introduction to the Management Board: 2019

Ivan Belokhvostikov

Deputy Chairperson of the Management Board

Year of birth: 1978

EDUCATION:

- *Kuban State Technological University (higher engineering and technical education)*
- *Candidate of technical sciences, MBA in management*

SHORT BIO:

Ivan Belokhvostikov is supervising the retail business block.

For more than 15 years, he worked in retail and corporate business in major international and Russian banking groups, including Société Générale, BNP Paribas, Rosselkhozbank, Probusinessbank and MTS Bank. He has experience in removing divisions from losses, controlling budget execution, ensuring revenue growth and guarantee portfolio, introducing new channels of attraction – partner and telemarketing, managing retail and small business sales in the Bank branch network (more than 100 offices). He was engaged in customer service modification, NPS implementation, change of approaches to claim work.

Year of introduction to the Management Board: 2018

Natalya Druzhinina

Deputy Chairperson of the Management Board

Year of birth: 1972

EDUCATION:

- *Kazakh National University named after Al-Farabi (Biology)*
- *Market Institute at the Kazakh State Management Academy (Finance and Credit)*

SHORT BIO:

Natalya Druzhinina supervises the financial block at Eurasian Bank.

Ms. Druzhinina came to the banking sphere in 1995 to the position of an inspector for record keeping of the National Bank of the Republic of Kazakhstan. From 2004 to 2007, Natalya Druzhinina worked at the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations, where she was responsible for formation of the KPI and employees' incentives system and participated in development of the system for assessing profitability of subsidiaries. From 2007 to February 2018, Natalya Druzhinina worked at Sberbank SB JSC as Deputy Director of Budgeting and Planning Department, Deputy Director of Planning and Economic Department, Deputy Director of Finance Department, Director of Finance Department, where she took part in the development of business planning, economic motivation, management analysis, tariff policy, assessment of profitability of services, customers and products, in asset and liability management, as well as in expenditure management of the Bank.

Year of introduction to the Management Board: 2018

Sabyrzhan Bekbosunov

Deputy Chairperson of the Management Board

Year of birth: 1954

EDUCATION:

- *Kazakh State University named after S. Kirov (Legal sciences)*

SHORT BIO:

At Eurasian Bank, Sabyrzhan Bekbosunov supervises the security service. He has 38 years of experience in law enforcement. From 2003 to 2006, he served as Vice Minister of Justice of the Republic of Kazakhstan.

Mr. Bekbosunov is a State Counselor of Justice of the third class, a recipient of the awards – Order of Respect and Order of Glory of the second grade and the medals: Astana, For Distinguished Labor, 10 Years of Independence of Kazakhstan, 10 Years of the Constitution of the Republic of Kazakhstan, 10 years of Astana.

Year of introduction to the Management Board: 2018

Aleksandr Naumov

Deputy Chairperson of the Management Board

Year of birth: 1979

EDUCATION:

- *Central Asian University (Finance and Credit, economist)*
- *Higher School of Economics National Research University (Effective Management Program)*
- *Sberbank PJSC Corporate University (Sberbank 500 Program (Modules 1-5))*

SHORT BIO:

Aleksandr Naumov has 16-year experience in the banking sector; he has been engaged in retail business, IT, infrastructure projects, development of online services and marketing.

Prior to joining Eurasian Bank, Alexander Naumov worked in Sberbank Kazakhstan SB (former Texakabank), and Deputy Chairman of the Management Board of BPS-Sberbank OJSC.

Personal achievements include successful implementation of major IT projects (implementation of predictive online analytics tools, implementation of biometric customer identification services), development and launch of the unified modern platform for online banking services, and The Most Innovative Bank of Belarus Award.

Year of introduction to the Management Board: 2020

Lyazzat Satiyeva

Deputy Chairperson of the Management Board

Year of birth: 1978

EDUCATION:

- *Pavlodar State University (Finance and Credit)*
- *International Academy of Business (Management))*

SHORT BIO:

Lyazzat Satiyeva oversees the Corporate and SME Block activities in Eurasian Bank.

She has many years of experience in the banking sector. Prior to joining Eurasian Bank, she held the position of Managing Director at ForteBank. Previously, for 10 years, she successfully managed SME financing at Kazkommertsbank. As Deputy Chairperson of BTA Bank, she participated in the BTA Bank and Kazkommertsbank integration project.

She was awarded the 20 Years of Tenge government medal and the Honored Financier public order.

THE MANAGEMENT BOARD AFTER THE REPORTING DATE REMAIN UNCHANGED

INFORMATION ABOUT REMUNERATION

Remuneration of members of the Board of Directors is determined and approved by the General Meeting of Shareholders. Remuneration of members of the Management Board is set by the Board of Directors based on recommendations of the Remuneration Committee. The amount of remuneration for employees of services accountable to the Board of Directors is determined by the Board of Directors. It is the responsibility of the Chairman of the Management Board to determine the amount of remuneration for all other employees.

By the 2020-year results, the amount* of remuneration paid to members of the Board of Directors amounted to 324.6 million tenge, and to members of the Management Board – 722.3 million tenge.

** excluding social tax, social and medical contributions.*

SUBSIDIARIES AND AFFILIATES

AS OF 31 DECEMBER 2020, THE BANK OWNS SHARES IN THE TWO COMPANIES:

EURASIAN PROJECT 1 LIMITED LIABILITY COMPANY

Participation share: 100%

Types of activities: acquisition of doubtful and hopeless rights of claim of the parent Bank, acquisition of movable and immovable property and (or) ownership of objects under construction from the parent Bank, management of acquired assets, including leasing, financial leasing and sales.

Legal and actual addresses: The Republic of Kazakhstan, Almaty, Medeu District, Tulebayev Street, 38/61.

The first head: Mukushev Timur Tyulyubayevich (Director).

Investments in 2020: No investments were made in the authorized capital.

EURASIAN PROJECT 2 LIMITED LIABILITY COMPANY

Participation share: 100%

Types of activities: acquisition of doubtful and hopeless rights of claim of the parent Bank, acquisition of movable and immovable property and (or) ownership of objects under construction from the parent Bank, management of acquired assets, including leasing, financial leasing and sales.

Legal and actual addresses: The Republic of Kazakhstan, Almaty, Medeu District, Tulebayev Street, 38/61.

The first head: Furtsev Ivan Anatoliyevich (Director).

Investments in 2020: Investment of the sole shareholder into the equity amounted to 13, 000, 000 tenge.

INTERNAL CONTROL AND AUDIT

TO CONDUCT A COMPREHENSIVE INDEPENDENT ASSESSMENT OF THE EFFICIENCY OF INTERNAL CONTROL, CORPORATE GOVERNANCE AND RISK MANAGEMENT SYSTEMS, THE BANK HAS ESTABLISHED THE INTERNAL AUDIT SERVICE.

The main activity of the Internal Audit Service (IAS) is to provide the Board of Directors with independent and objective guarantees and advice aimed at improving the Bank's risk management, internal control and corporate governance systems.

THE IAS:

- a structural subdivision of the Bank that is directly subordinate to and accountable to the Board of Directors;
- acts as a part of the ongoing monitoring of the Bank internal control system;
- uses a risk-based approach at development of audit plans and programs.

IN ITS ACTIVITIES, THE IAS ADHERES TO:

- Institute of Internal Auditors (The Institute of Internal Auditors Inc.);
- The Code of Ethics;
- The legislation of Kazakhstan, normative legal acts of the NBRK;
- The Charter of the Bank, decisions of collegial bodies of the Bank, the Bank's INDs;
- the Regulations on the IAS.

COMPLIANCE CONTROL

The Bank has the Compliance and Internal Control Service, which exercises control over compliance of the Bank activity to requirements of the legislation of Kazakhstan, regulatory legal acts of the authorized body, the INDs of the Bank, governing the provision of Bank services and operations in the financial market, and foreign laws affecting the activities of the Bank.

In order to manage compliance risk, in accordance with the requirements of the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated 12 November 2019 No. 188 "On approval of the Rules for the Formation of Risk Management and Internal Control System for Second-Tier Banks" (hereinafter referred to as the Rules No. 188) and the Work Plan of the Compliance and Internal Control Service approved by the Board of Directors of the Bank, the necessary actions are being taken to reduce the level of compliance risk in the Bank activities, taking into account the best international practices of compliance risk management.

In 2020, the Compliance and Internal Control Service of the Bank took one of the leading positions in the AFM MF RK rating among 19 second-tier banks of the Republic of Kazakhstan in terms of the efficiency and effectiveness of the process of financial monitoring of the Bank customers' transactions organized in the Bank.

Also, due to the adoption of preventive control measures by the Compliance and Internal Control Service, timely compliance examinations of the Bank high-risk processes and timely preventive measures implemented in the Bank in 2020, it was possible to achieve a significant reduction in the number of fines imposed on the Bank by authorized bodies from 9 in 2019 to 6 in 2020 and the total number of supervisory response measures applied to the Bank by the regulator from 23 in 2019 to 12 in 2020.

The Compliance and Internal Control Service organized an effective process of identifying and excluding facts of conflict of interests in the activities of the Bank subdivisions and employees in the Bank activities. For these purposes, the Bank applies the developed Code of Ethics and Business Conduct, as well as the Rules for Regulating Conflicts of Interest. The Compliance and Internal Control Service maintains a list of insiders and related persons of the Bank, the Register of the Bank related persons, and maintains these registers up-to-date, which made it possible in 2020 to exclude any cases of violation of the requirements of the legislation of the Republic of Kazakhstan by the Bank when the Bank entered into transactions with related persons, as well as in terms of insider information.

The Compliance and Internal Control Service organizes systematic trainings and seminars among the Bank employees, including remote ones, on compliance risk management.

Every year, the Bank conducts training and testing on compliance and internal control, as well as quarterly – on ALM/CFT. In 2020, more than 19 training events were held on compliance issues, including on anti-money laundering and combatting the financing of terrorism.

In the activities of the Compliance and Internal Control Service, systematic checks are performed to identify potential and realized compliance risks in the Bank activities for various types of business processes, followed by the development of recommendations for minimizing and/or eliminating the Bank risks.

The Compliance and Internal Control Service is directly involved in the development and implementation of new banking products/services/procedures in the Bank activities.

In order to combat anti-money laundering and the financing of terrorism, the Compliance and Internal Control Service implemented a number of improvements in the Bank payment modules for their integration with the compliance control system, including checking customer transactions within the requirements of combatting anti-money laundering and the financing of terrorism, as well as the Bank risk-based approach in real time (online) and post-control (offline), automation of control of operations in the AML Financial Monitoring System software and automation of reporting in the Bank accounting systems.

The Bank has a hotline for accepting customer appeals and complaints about violations of the requirements of the legislation of the Republic of Kazakhstan, internal procedures of the Bank when providing banking services. The Bank customers have the opportunity to submit a complaint in several ways: by phone specified on the website, through the Bank Call Center, in writing through the Bank outlet, by submitting a complaint directly to the Bank Chief Compliance Controller whose contacts are posted on the Bank website. All complaints and appeals are recorded in the Complaints Monitoring System and are put under control by the compliance subdivision.

The compliance subdivision is a direct participant in the process of consideration on the merits of all complaints and appeals received by the Bank from the Bank customers.

INFORMATION ABOUT DIVIDENDS

THE BANK ADHERES TO THE PRINCIPLE OF EFFICIENT DIVIDEND POLICY.

Payment of dividends in Eurasian Bank is built on reliable information about the conditions for accrual and payment of dividends based on the real situation of the Bank business. The Bank adheres to the transparency of the mechanism for determining the dividend amount and the procedure for its payment.

The Bank is guided by the Bank Charter at dividend payment. The Bank Charter determines the Bank's general objectives on protection of the legitimate interests of the shareholder (shareholders), ensure the growth of the Bank capitalization, and the general conditions of the dividend policy.

By the decision of the sole shareholder, no dividends were declared or paid on the Bank own shares during 2018, 2019 and 2020.

	2017	2018	2019	2020
Balance value of an ordinary share	4, 417.9 tenge	4, 302.96 tenge	4, 489.63 tenge	4, 815.42 tenge
Consolidated balance value of an ordinary share	4, 450.06 tenge	4, 221.03 tenge	4, 221.03 tenge	4, 871.89 tenge

INFORMATION POLICY AND RELATIONSHIP WITH RELATED PARTIES

RELATIONSHIP WITH SHAREHOLDERS

The system of interaction with shareholders and investors in the Bank is designed to maintain information transparency of the Bank activities.

As part of its information policy, the Bank adheres to the principles of transparency, regularity, consistency, efficiency, accessibility and accountability, and takes into account the rights and interests of shareholders and other related parties. The Bank ensures efficient participation of shareholders in making key decisions in its activities within the framework of corporate governance and provides shareholders with reliable information about the results of its financial and economic condition.

Information about the Bank activities is provided to the Bank shareholders by posting it on the Bank corporate Internet resource.

RELATIONSHIP WITH ARDFR AND KASE

The Bank makes every effort to maintain full mutual understanding with the regulator – the Agency for Regulation and Development of Financial Market.

The Bank has an open approach to discussing issues and always participates in industry-wide working groups and forums organized by the Agency for Regulation and Development of Financial Market, in order to ensure that the regulatory environment in Kazakhstan continually improves and that the aims of the regulator can be realized in an effective and practical manner. The regulator performs periodic thematic and comprehensive reviews of banks to ensure that they are in compliance with all applicable regulations and laws. The Bank works closely with the regulator to ensure that its recommendations are implemented as quickly and as effectively as possible.

The Bank on a periodic basis, approved by the legislative acts of the Republic of Kazakhstan, provides the reporting forms established by the regulator.

In addition, as the Bank's bonds are listed on the KASE, it is also subject to certain reporting and information disclosure requirements by KASE (www.kase.kz).

RELATIONSHIP WITH THE POPULATION, COMMERCIAL COMPANIES AND MASS MEDIA

The Bank regularly and promptly publishes information related to its activities on its website https://eubank.kz where the Bank's customers and partners can read about the changes in the Bank activities, services, products, financial indicators, ratings and other information.

For requests and complaints, the Bank has a customer support subdivision, which is designed to help resolve issues of interested parties. Requests and complaints are sent to the Bank through various channels: corporate website, contact center, social networks, e-mail or postal address.

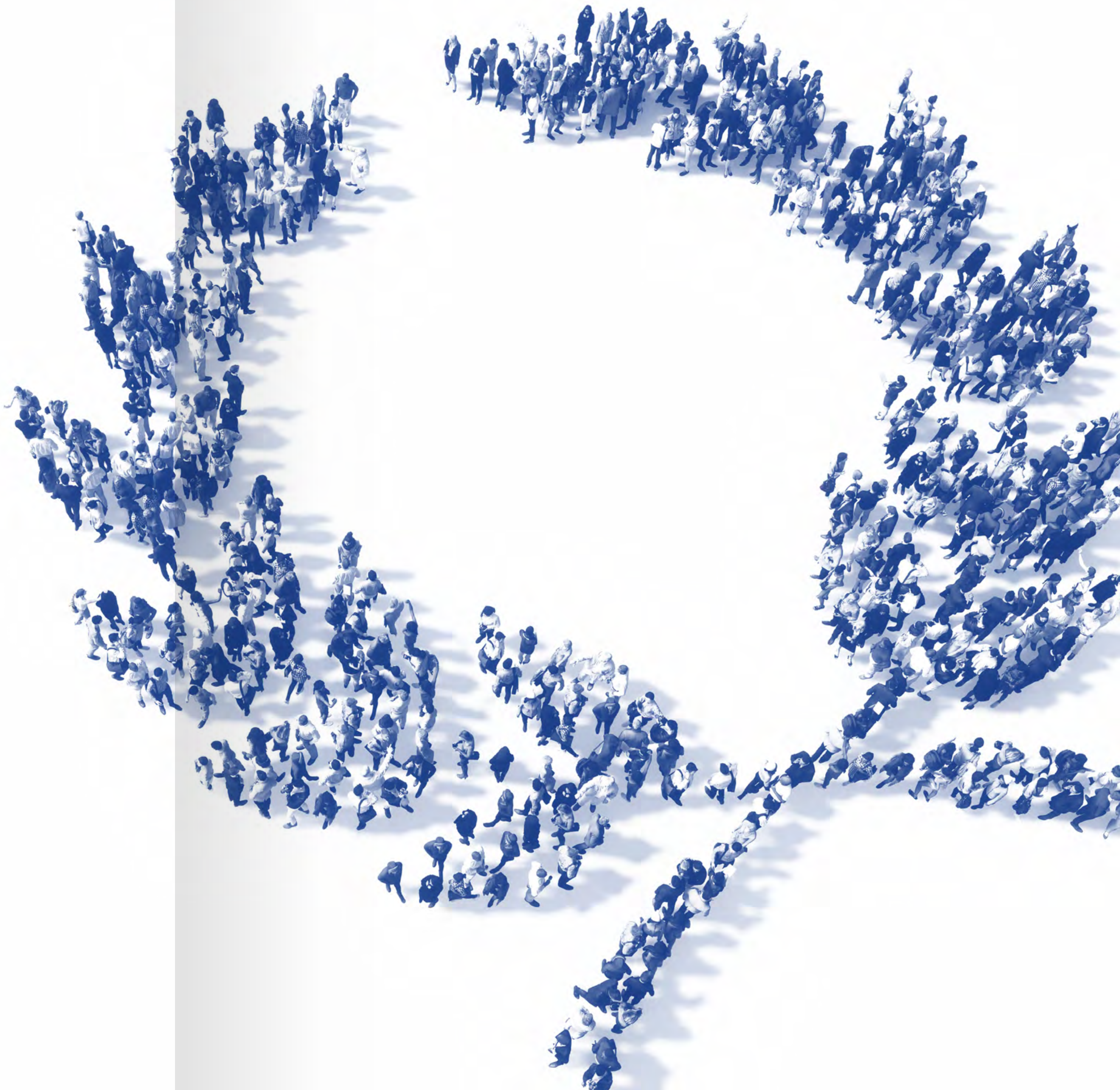
All requests and complaints from customers are registered in the request monitoring system, then they are sent to the performer (the subdivision responsible for the customer's issue), and then the request is investigated. Its goal is to solve problems in a timely manner. After verification, a response is sent to the customer (if a written request – a written response, if a verbal request – a response is provided by email, and if there is no mail – by phone).

The response is provided to customers within 15 calendar days and in cases where additional information is required from other entities, officials, or on-site verification, the review period is extended, which is reported to the customer.

In the processing of complaints, the Bank is governed by the Law of RK "On the order of considering requests from physical and legal persons" and the Resolution of the Management Board of the NB RK dated 28 July 2017 No. 136 "On approval of the Rules of provision of banking services and consideration by banks, organizations conducting separate types of banking operations, customer cases arising in the provision of banking services" and the internal normative documents of the Bank, including the Rules on General terms of transactions".

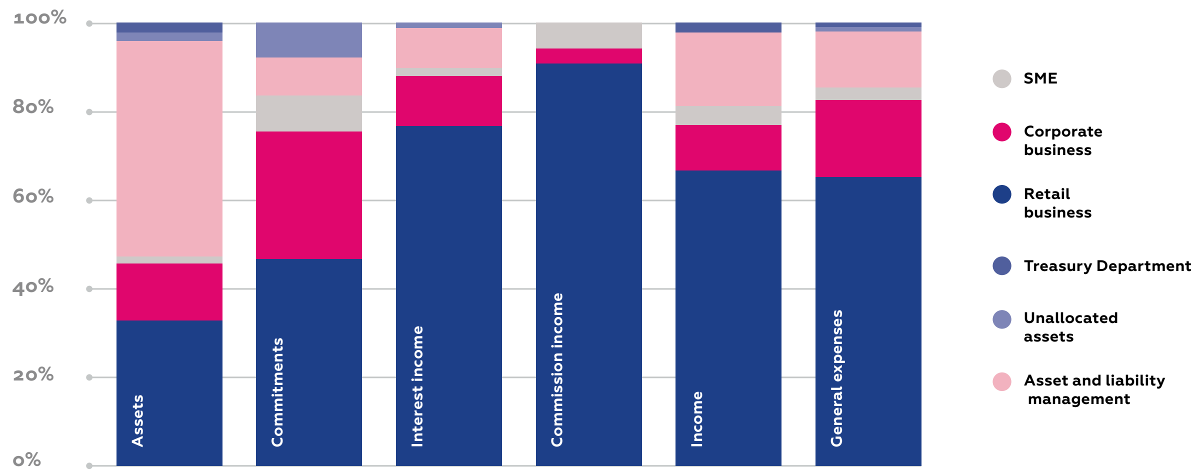
REVIEW OF RESULTS

4



BUSINESS SEGMENTS

The group analyzes performance across five different segments. Four segments are client facing business lines: Corporate, SME, Retail, and Treasury, with each segment having lending and deposit taking activity, and/or other income sources such as fees and commissions. The remaining segment is a support function: asset and liability management.



Due to the introduction of quarantine restrictions and a decrease in economic activity in Kazakhstan in 2020, the retail business showed a decrease in the Bank balance sheet. By the end of 2020, this segment accounts for 32.3% (43.7% a year earlier) of assets and 42.2% (45% in 2019) of liabilities.

In 2020, the retail business generated 75.7% (in 2019 – 73.1%) of interest income and 87.1% (in 2019 – 90.4%) of commission income. Interest income of this segment increased by 2.7% to 99.3 billion tenge, commission income decreased by 32.8% to 22.2 billion tenge.

The segment revenue in 2020 decreased by 3.8% – to 159.4 billion tenge. In the total revenue indicator, the retail business occupies 63.7% (a year earlier – 62.8%).

In the structure of expenses of all segments, retail banking services account for 62.6%, a year earlier this figure was 56.8%.

The retail direction is the main driver of the financial result, which amounted to 5.2 billion tenge at the end of 2020. However, this indicator decreased by 73.2% compared to 2019.

The ratio of financial result to revenue for this segment in 2020 was 3.3%, in 2019 this indicator was at the level of 11.8%.

Corporate business accounts for 14.1% of assets and 32.2% of liabilities. A year earlier, these figures were 17.1% and 28.7%, respectively.

In 2020, the share of the corporate segment in revenue decreased slightly and amounted to 14% (in 2019, this figure was 14.8%).

In the structure of interest income, this segment accounts for 11.5%, commission income – 4.3%. Interest income decreased by 13.3% – to 15.1 billion tenge, commission by 25.4% – to 1.1 billion tenge.

Expenses for this segment decreased by 16.8% – to 50.6 billion tenge. In the structure of expenses, this segment accounts for 20.6%.

In 2020, the net financial result of the segment was at a negative level, the loss amounted to 15.6 billion tenge, in 2019 the loss was 21.8 billion tenge. The excess of expenses over income in corporate business is explained by the excess of the portfolio of liabilities over assets.

SMEs occupy a small share in assets (1.2%), in liabilities – 9.9%. In 2019, these figures were 1.6% and 12.2%, respectively. The share of SMEs in revenue is 5.5%. At the end of 2020, the segment profit amounted to 3.7 billion tenge, which is 96.8% more than in 2019.

The financial result demonstrated by the Treasury in 2020 turned out to be positive, and the profit amounted to 2.7 billion tenge, in 2019, the profit was 1.6 billion tenge. The main activity of the Treasury is trading on the foreign exchange market on behalf of the Bank and its clients. The Treasury is also involved in hedging transactions and trading in fixed income securities.

The asset and liability management segment showed a profit of 10.4 billion tenge in 2020, a year earlier the profit was at the level of 8.9 billion tenge. Asset and liability management includes maintaining a portfolio of liquid assets (cash, nostro accounts with the NBRK and other banks, interbank financing (for up to 1 month), investments in liquid assets and managing the bonds issue.

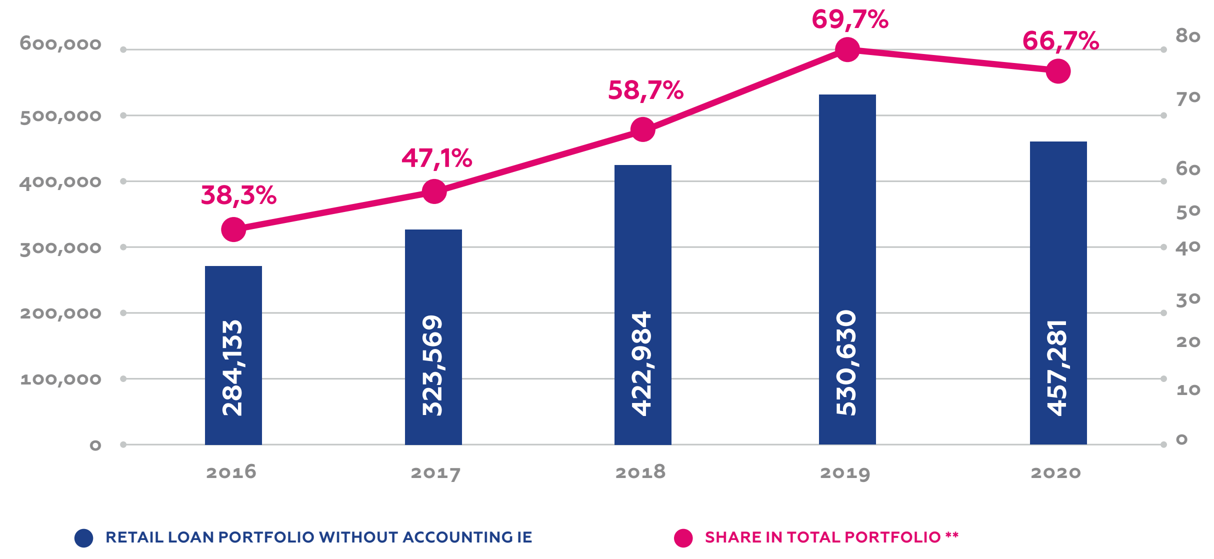
RETAIL BUSINESS

In 2020, the retail business share excluding individual entrepreneur loans in the Bank loan portfolio decreased to 66.7% due to the restriction of activities during lockdowns in Kazakhstan.

The total portfolio of retail loans (including loans to sole proprietors) at the end of 2020 amounted to 460.6 billion tenge, having decreased by 13.9% compared to 2019.

Excluding loans issued for individual business activities, the loan portfolio amounted to 457.3 billion tenge, having decreased to 13.8% compared to 2019.

RETAIL* LOAN PORTOFLIO FOR 5 YEARS



** Excluding loans for individual business activity*

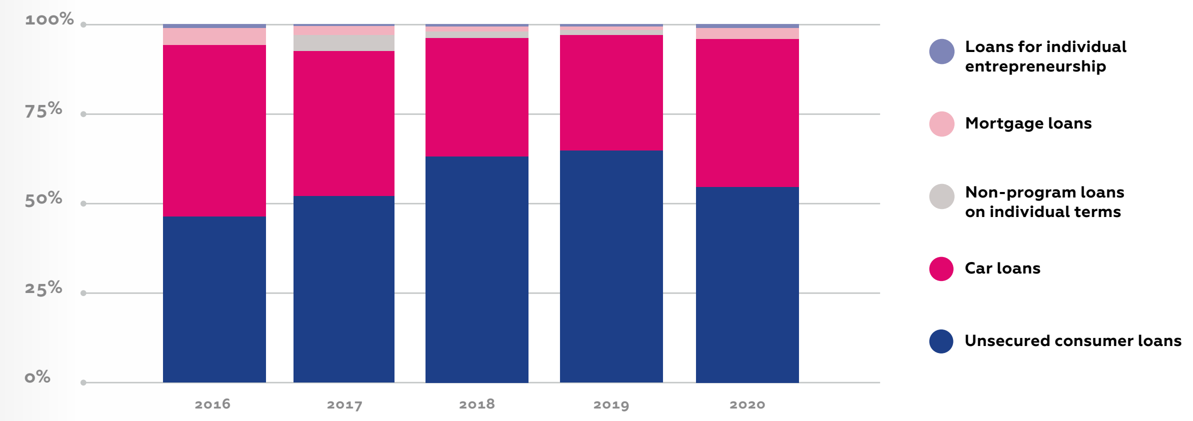
*** The total portfolio includes loans to customers measured at amortized cost before provision for expected credit losses*

BY THE RESULTS OF 2020:

- the Bank took the 4th place in the consumer lending market (without mortgage).
- the Bank's share in the Kazakhstan consumer lending market was 12.5%;
- the Bank has maintained its leadership in the car loan market, taking the 1st place in this segment.

Unsecured consumer loans and car loans occupy the largest share (94.8%) in the structure of loans issued to retail customers.

STRUCTURE OF LOANS, ISSUED TO RETAIL CUSTOMERS



By the 2020-year results, unsecured consumer loans occupy the largest share of 58.4% in the Bank retail portfolio; in 2019, this figure was 63%. Due to the pandemic-related reduction in household incomes, unsecured consumer loans decreased by 20.1% in 2020 – to 269.1 billion tenge.

- In non-network partners for 2020– by 64%.
- The number of network partners amounted to 726 with sales of 39.9 bln. tenge; the number of non-network partners– 9, 681 with sales of 19.2 bln. tenge.
- The yield on network consumer lending increased by 1.3% and amounted to 4.8%, on non-network consumer lending decreased by 0.2% and amounted to 20.3%.

At the same time, unsecured loans are the most risky for the Bank and require a significant amount of provisions for impairment. Therefore, while increasing the share of retail lending, the Bank continues to pay great attention to the tasks of improving the efficiency of the business model and risk control.

The second largest direction in the Bank retail business is car loans. The volume of the auto loan portfolio decreased by 3.5% – to 167.6 billion tenge. In 2020, the loan portfolio for the Business Auto product amounted to 2.5 billion tenge.

IN 2020, CAR LOANS IN THE BANK SHOWED THE FOLLOWING RESULTS:

- The new car market. The volume of sales of new cars on credit for 2020 in the Bank decreased by 22%, as a result the Bank share in this market was 48%. The profitability in new car loans was 4.8%.
- Used cars. The volume of sales of used cars on credit decreased by 64%. Nevertheless, the Bank share in this market increased by 6.7 p.p. and amounted to 19%. The growth is related to launch of flexible loan terms, and financing of used cars through the Bank's dealer partners. The profitability of this direction was 20.3%

IN 2020, LARGE-SCALE WORK WAS PERFORMED TO DEVELOP THE GROUP'S RETAIL BLOCK:

DIGITAL-DIRECTION. Having made the retail business digital transformation the basis of its strategic development, the Group intends to increase the share of its digital presence in the market, continuing to launch new technological products and services that meet the customer needs. In this regard, large-scale work in this direction was performed in 2020.

Thus, a new Smartbank mobile app was actively developed, as a result of which new services and options were implemented:

- Online lending;
- Digital card;
- Registration using biometrics;
- New user-friendly interface.

As a result, thanks to the work done and the digitalization growth, the number of remote card transactions (transfers, purchases) increased in 2020. Thus, the average card receipt increased by 10% compared to 2019, the number of transactions increased by 16%, and the total amount of purchases and transfers increased by 27% compared to 2019.

The number of authorized Smartbank users increased by 123% to 758,939 people.

AUTO LOANS: in addition to the current programs, three loan programs were developed and implemented:

- A 12-month installment program based on products with the 2nd rate with key partners was launched.
- The loan term, maximum cost and service life for used cars was increased.
- Conditions for individual Chinese car brands were improved, in particular, the initial payment was reduced to 10%, and the maximum car cost was increased from 9 million to 12.5 million tenge.

CARD BUSINESS: В In 2020, the Bank issued about 290 thousand new cards, as a result, the portfolio of payment cards at the end of the year amounted to 1,140 million units. Despite the quarantine measures, the demand for the Bank debit cards was high. This is due to the simplified process of ordering a Bank card with courier delivery to your home, beneficial conditions for cards and the availability of a loyalty program.

The total amount of debit card balances increased by 4.6 billion tenge in 2020.

In 2020, the Bank issued and delivered more than 23 thousand cards to customers who got into a difficult financial situation during the pandemic, in order to receive state support payments in the amount of 42,500 tenge.

Also in the range of payment cards there is a PayDA installment card, which allows you to buy goods on an installment plan in stores that are both part of the partner network and non-partners, as well as on the Internet and abroad. At the same time, during a difficult period for the country, in 2020, the Bank assisted in providing deferred card payments for more than 15 thousand customers who lost their sources of income during the quarantine period.

In addition, the Bank optimized the costs of card products, thanks to which the savings amounted to more than 800 million tenge for the year. The cost savings on using the ATM network of other banks in 2020 amounted to 35%.

During the revision of the tariffs of the current line, additional non-interest income amounted to 1.88 billion tenge.

Eurasian Bank continued to work on expanding the fleet of terminals for customers. Thus, the fleet of information and payment terminals was expanded at the expense of the Kassa24 partner network, which includes more than 15,000 devices, with free replenishment of cards, deposits, repayment of loans for customers, and the cost of expenses for the Bank was reduced from 1% to 0.75%. The Bank also began to provide customers with paid replenishment of cards and repayment of loans at 1% through a fleet of QIWI information and payment terminals and CyberPlat (more than 40,000 devices).

CASH-LENDING. For the development of this product, the following projects were implemented in 2020:

- A promotion on loans for payroll card holders, which allowed to fulfill the plan for the volume of payroll loans (PRL) by 125%.
- Cooperation with external partners gave an additional sales volume of 1.5 bln. tenge.
- Launch of SMS-services for customers in order to increase commission income (a total of 530 million tenge of income, of which 133 million tenge is accounted for cash lending).

POS-LENDING. This segment also suffered from quarantine restrictions, but by the 2020 year end it began to recover. In 2020, the Bank introduced new tariffs for up to 36 months for the Grace installment product for network partners, which gave a higher level of approval in relation to other tariffs.

OTHER LOANS: ПThe portfolio of **mortgage loans** in 2020 decreased by 5.9% and reached 11.6 billion tenge. The Bank offers mortgage loans under the 7-20-25 and Baspana Hit state programs.

After an increase by 1.9% in 2019 in the volume of loans for **individual entrepreneurial activity**, in 2020 their volume against the background of the suspension of the activities of many companies, including individual entrepreneurs, decreased by 22.8% – to 3.3 billion tenge.

SOCIAL BENEFITS. In 2020, during the state of emergency, the Bank made 78,531 payments of 42,500 tenge, 11,660 payments of 21,250 tenge from the State Social Insurance Fund and 671 payments of 50,000 tenge from the Birgemiz Fund on current accounts of individuals (including individual entrepreneurs) intended for crediting social payments.

The digital ecosystem construction, availability of extensive network of sales offices and channels, the conscientious borrowers' base, and significant market positions and prospects for their increase make the retail direction quite attractive in the framework of the Bank further development.

CORPORATE BUSINESS

By 2020-year results, the Bank corporate customer base amounted to 17.2 thousand legal entities.

Throughout 2020, the Bank pursued a conservative policy in terms of lending to the corporate segment, which corresponds to the stated goals of the Bank Strategy in terms of a smooth decline in the share of corporate business against the background of an increase in the share of the retail segment.

In 2020, the loan portfolio for corporate customers (including SMEs) decreased by 0.9% and amounted to 224.8 billion tenge. Excluding SME loans, the corporate loan portfolio increased by 1.3% to 211.5 billion tenge.

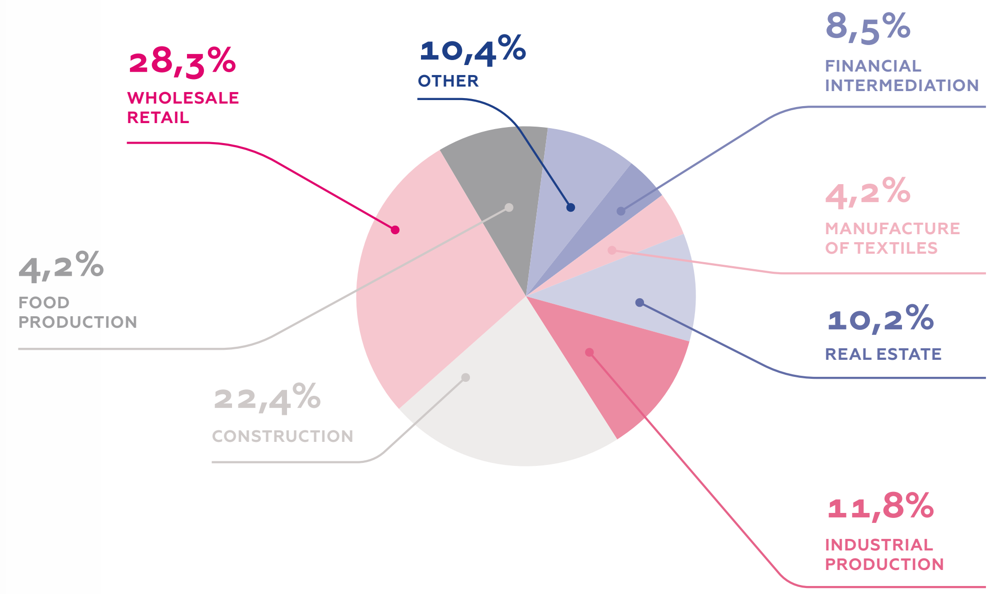
Retail and wholesale trade remains the largest sector in the corporate loan portfolio, which by the 2020 year end occupies 28.3% of the portfolio of corporate loans accounted for at amortized cost. Due to a 21% decrease in the volume of lending to this segment, the share decreased from 35.5% to 28.3%.

The volume of construction lending increased by 7% to 50.4 billion tenge, so the share of this industry increased from 20.8% in 2019 to 22.4% in 2020. Financing of industrial production increased by 7.4% – to 26.5 billion tenge, as a result, the share of this sector increased from 10.9% to 11.8%. The volume of lending to the financial intermediation sector increased by 45.3% and amounted to 19.1 billion tenge. The financing of food production also increased by 19% – up to 9.4 billion tenge.

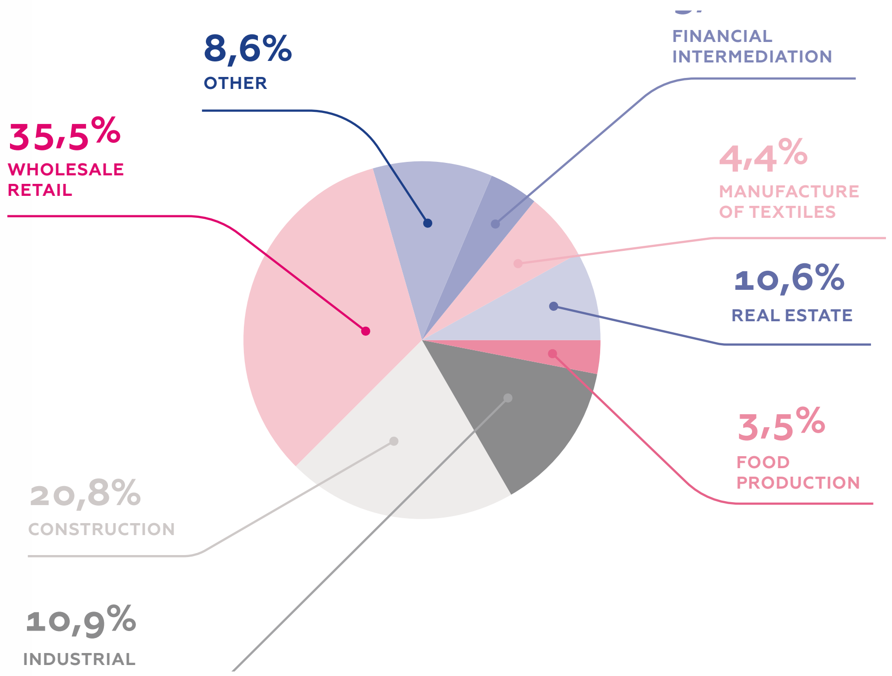
The decline was demonstrated by such industries as real estate (-4.5% by 2019), textile production (-4.6% by 2019), agriculture (-33% by 2019).

In general, the Bank does not aim to compete based on funding costs, focusing on competition in terms of customer service quality and responsiveness. Understanding the customer needs and being able to evaluate and make decisions quickly is often more important than low interest rates when making decisions slowly.

LOANS, ISSUED BY ECONOMIC SECTOR, 2020



LOANS, ISSUED BY ECONOMIC SECTOR, 2019



SME

By the 2020 year results, the SME loan portfolio amounted to 13.3 billion tenge, which is 26.8% less than in 2019. The share of SME loans in the corporate portfolio decreased in 2020 and amounted to 5.9% (in 2019 – 8%). In this area, the Bank adheres to a conservative risk-oriented loan policy aimed at working with SME borrowers within the framework of lending programs through the DAMU state fund, which corresponds to the approved Bank Development Strategy.

At the end of 2020, the revenue of SMEs decreased by 7.5% and amounted to 13.8 billion tenge, the financial result of the segment showed a profit of 3.7 billion tenge.

MAIN RESULTS AND ACTIVITIES IN 2020 IN THE SME SEGMENT:

For many years, Eurasian Bank remained one of the main operators of state programs. In 2020, within the state programs there were implemented:

- Damu-Regions III – 3.684 bln. tenge
- State Program for Productive Employment and Mass Entrepreneurship – 364.8 bln. tenge
- Damu-Ondiris – 6 bln. tenge.

In 2020, two loans were issued to one corporate customer in the amount of 699 million tenge at the expense of the Development Bank of Kazakhstan, 241 borrowers were financed at the expense of DAMU JSC for a total amount of 10.1 billion tenge, by KFS JSC – two borrowers for a total amount of almost 2.2 billion tenge.

In 2020, Eurasian Bank signed an agreement on portfolio subsidies and guarantees as part of the first direction of the Business Roadmap – 2025 state business support program, which increases the availability of loans for small and micro businesses. The interest rate under the program is the amount of the base rate of the National Bank of the Republic of Kazakhstan plus 8.5%. The final rate for the borrower is 6%, including subsidies. At the same time, the guarantee of the DAMU fund constitutes 85% of the loan amount.

For the availability of commercial transport for entrepreneurs, the Business Auto SME loan product was included in the first direction of the Business Roadmap – 2025 business entities support state program – portfolio subsidy/guarantee of DAMU EDF JSC. At the same time, the maximum loan amount was increased to 30 million tenge.

The Bank actively participates in the export trade finance programs of KazakhExport Export Insurance Company JSC: in 2020, a project from the light industry (food production) was financed in the amount of 2 billion tenge under collateral, including an insurance policy of KazakhExport EIC JSC in the amount of 1 billion tenge.

In parallel, new loan products with simplified financial analysis were approved and launched in order to increase the attractiveness and availability of lending for SME.

The Bank has also become an active participant in helping borrowers working in the industries most affected by the pandemic.

Eurasian Bank became a participant of the program of preferential lending to business entities, which started in March 2020. Within the framework of the program, a limit of 45 billion tenge was opened to the Bank for lending to entrepreneurs at 8% per annum at the expense of state funding at 5% per annum.

THE INTRODUCTION OF A STATE OF EMERGENCY AND QUARANTINE IN 2020 HAD A SIGNIFICANT IMPACT ON THE SME SEGMENT, WHICH WAS MANIFESTED IN:

- the risk of NPL arising on existing loans, mass debt restructuring;
- decrease in non-interest income (activity ceased in certain industries or the volume of revenue did not reach the previous indicators).

AGAINST THIS BACKGROUND, THE BANK SHOWED A HIGH LEVEL OF PREPAREDNESS:

- the quality of the asset structure – more than 90% of the standard loan portfolio is outside the direct risk zone of the emergency regime. Risk areas ~ 1% of the standard loan portfolio of corporate customers (CB+SME);
- prompt response and maintenance of the loan portfolio quality – within a few days, the procedure for simplified consideration of restructuring issues was worked out, ~30% of the standard SME loan portfolio was restructured;
- the impact on customer funds was minimized – in 2019, diversification was improved by increasing the SME share in the structure of corporate customer deposits.

In order to popularize non-cash payments among entrepreneurs, the Bank is expanding the number of mobile terminals. As of 31.12.2020, the number of active mobile POS-terminals was 2,132 devices. The total amount of transactions conducted using such terminals in 2020 amounted to 1,369.54 million tenge, which is 30% more than in 2019.

The SME business segment balances the risks in other areas of activity, provides an opportunity to create a platform for future relationships with corporate customers, and contributes to the development of the retail business segment. The SME segment is the most difficult segment to manage in Kazakhstan, as entrepreneurship has a weaker degree of development compared to large corporations, a higher risk of losses and limited profitability.

Eurasian Bank

FINANCIAL STATEMENT HIGHLIGHTS

5

BALANCE SHEET OVERVIEW

The Group's **net profit** in 2020 increased by 51.1% and amounted to KZT 6.8 billion. The main sources of income, in addition to lending, are income received from conversion operations and the card business. Measures to optimize the Bank administrative and economic expenses in the context of the pandemic also had an impact. In particular, there was a decrease in personnel costs by 7.1% to 19.8 billion tenge and other general and administrative expenses by 9.1% to 12.8 billion tenge. In 2020, losses from the impairment of debt financial assets decreased by 7% to 46.9 billion tenge.

At the same time, excluding the loss received from the sale of the Russian subsidiary bank in the amount of 2.1 billion tenge, the Group's profit doubled in 2020, which allowed it to allocate resources for the forced early closure of obligations under the state recovery program.

KEY INDICATORS OF THE PROFIT AND LOSS STATEMENT, MLN TENGE *	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Interest income calculated using the effective interest method	120 842	123 462	114 994	-2,1%	7,4%
Other interest income	642	829	626	-22,6%	32,4%
Interest expense	**-60 512**	**-63 704**	**-64 867**	**-5,0%**	**-1,8%**
Net interest income	**60 972**	**60 587**	**50 753**	**0,6%**	**19,4%**
Net commission income	**18 861**	**29 868**	**24 716**	**-36,9%**	**20,8%**
Operations income	88 650	91 611	72 980	-3,2%	25,5%
Losses from debt financial asset impairment	-46 879	-50 402	-29 741	-7,0%	69,5%
Yield / (Losses) from impairment with respect to loan commitments and financial guarantee agreements	271	743	-997	-63,5%	-174,5%
Loss from disposal of a subsidiary	-2 131	-	-	-	-
Personnel expense	**-19 816**	**-21 327**	**-19 150**	**-7,1%**	**11,4%**
Other general and administrative expense	-12 830	-14 119	-13 258	-9,1%	6,5%
Yield prior to taxation	**7 265**	**6 480**	**9 834**	**12,1%**	**-34,1%**
Расход по подоходному налогу	**-477**	**-1 988**	**-692**	**-76,0%**	**187,3%**
Income tax expense	**6 788**	**4 492**	**9 141**	**51,1%**	**-50,9%**

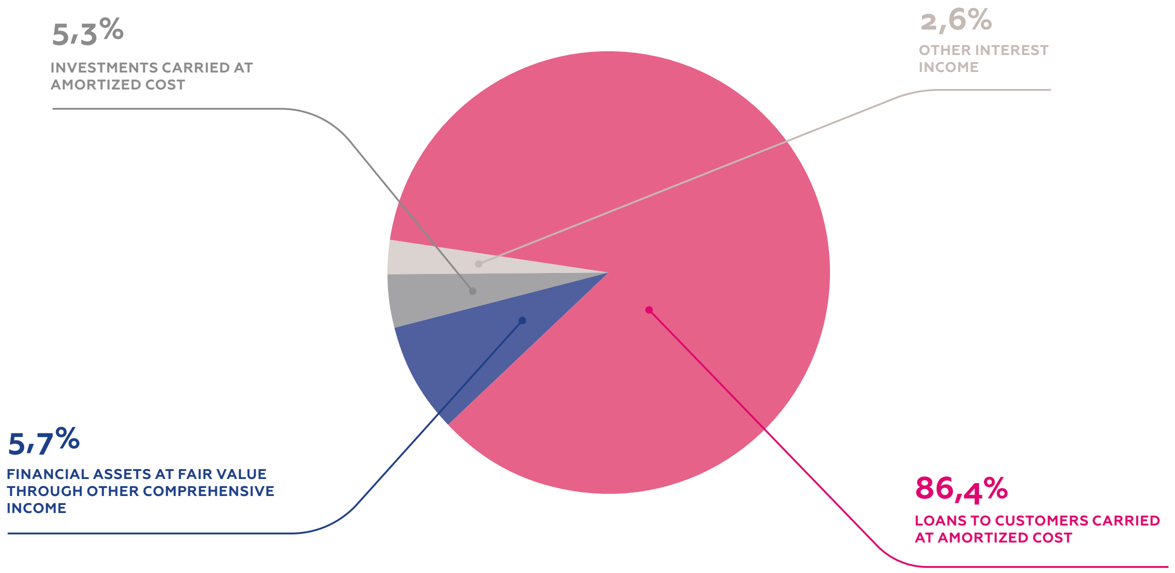
** In this chart and further, minor discrepancies between the total and the sum of the terms are explained by rounding up the data.*

Despite the decline in economic activity because of the state of emergency imposed in Kazakhstan due to the coronavirus pandemic, the Group's net interest income in 2020 increased by 0.6% and amounted to about 61 billion tenge. For comparison, in 2019, net interest income amounted to 60.6 billion tenge.

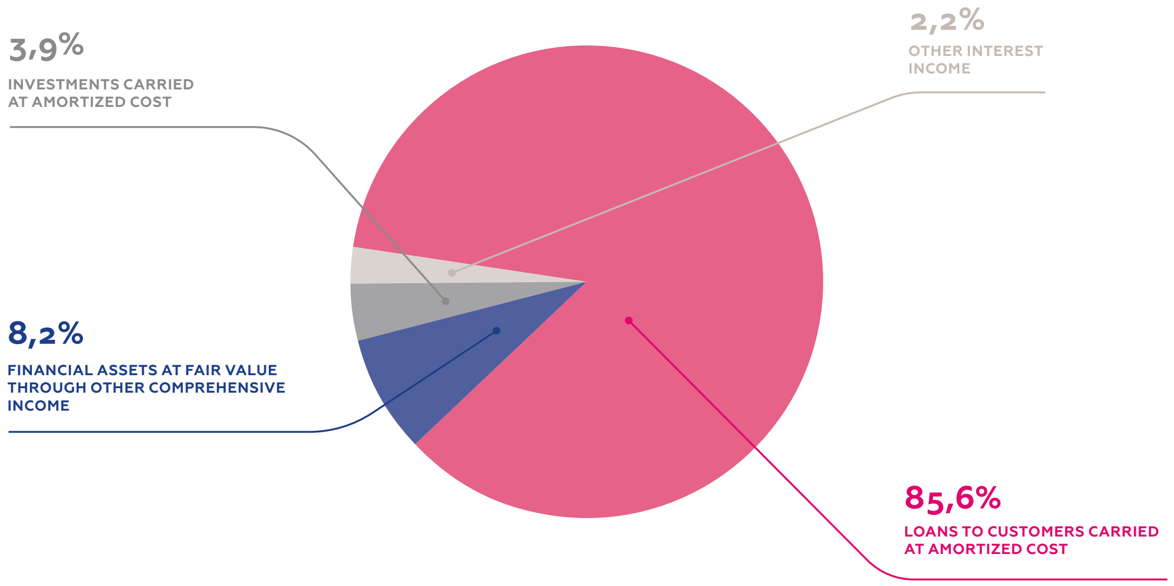
In the structure of interest income, 86.4% is accounted for loans issued to customers, accounted for at amortized cost. Income from financial assets carried at fair value decreased by 32.4% and amounted to KZT 6.9 billion. At the same time, interest income from investments accounted for at amortized cost increased by 31.8% to 6.4 billion tenge.

INTEREST INCOME, MLN TENGE	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Loans at amortized cost	104 931	106 405	97 411	-1,4%	9,2%
Financial asset at fair value through other comprehensive income	6 925	10 237	7 131	-32,4%	43,6%
Investments at amortized cost	6 408	4 863	9 248	31,8%	-47,4%
Accounts receivable under reverse repo transactions	1 413	1 085	-	30,2%	-
Cash and their equivalents	894	829	612	7,8%	35,5%
Accounts and deposits at banks	16	43	593	-62,8%	-92,7%
Other financial assets	256	-	-	-	-
Interest income calculated using the effective interest method	**120 842**	**123 462**	**114 994**	**-2,1%**	**7,4%**
Other interest income	642	829	626	-22,6%	32,4%
Interest Income	**121 484**	**124 291**	**115 620**	**-2,3%**	**7,5%**

STRUCTURE OF INTEREST INCOME, 2020



STRUCTURE OF INTEREST INCOME, 2019



In 2020 the Group's **interest expense** decreased by 5%. All expenditure items showed a decrease.

FINANCIAL STATEMENT HIGHLIGHTS

The main share of interest expenses falls on current accounts and deposits of customers, their share is 76.5%. This item of expenditure decreased by 0.2% in 2020 – to 46.3 billion tenge. The key item of interest expenses is the servicing of debt securities (including subordinated debt) – collectively, their share is 20.6% of total interest expenses. In 2020, expenses on subordinated debt securities decreased by 3.5% to 10.4 billion tenge, on debt securities issued-by 43% to 2.1 billion tenge.

INTEREST EXPENSE, MLN TENGE	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Customer current accounts and deposits	-46 263	-46 367	-44 363	-0,2%	4,5%
Subordinated debt securities issued	-10 375	-10 754	-10 517	-3,5%	2,3%
Debt securities issued	-2 115	-3 710	-2 833	-43,0%	31,0%
Other attracted funds	-869	-1 296	-1 473	-32,9%	-12,0%
Accounts payable under repo transactions	-567	-1 206	-5 679	-53,0%	-78,8%
Rental obligations	-318	-370	-	-14,1%	-
Bank deposits and accounts	-6	-	-4	-	-
Interest expense	**-60 512**	**-63 704**	**-64 867**	**-5,0%**	**-1,8%**
Net interest income	**60 972**	**60 587**	**50 753**	**0,6%**	**19,4%**

In 2020, there was a decrease in expenses for **the formation of reserves for impairment**, which decreased by 7% – to 46.9 billion tenge. In 2019, the expenses on the Bank reserves amounted to 50.4 billion tenge.

IMPAIRMENT LOSS, MLN TENGE	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Loans to customers	45 429	48 479	31 473	-6,3%	54,0%
Other assets	1 487	1 860	-1 767	-20,1%	-205,3%
Cash and their equivalents	-41	54	0	-175,9%	-
Financial assets at amortized cost through other comprehensive income	3	5	37	-40,0%	-86,5%
Investment at amortized cost	1	4	-1	-75,0%	-500,0%
Bank deposits and accounts	0	1	0	-	-
Total	**46 879**	**50 402**	**29 741**	**-7,0%**	**69,5%**

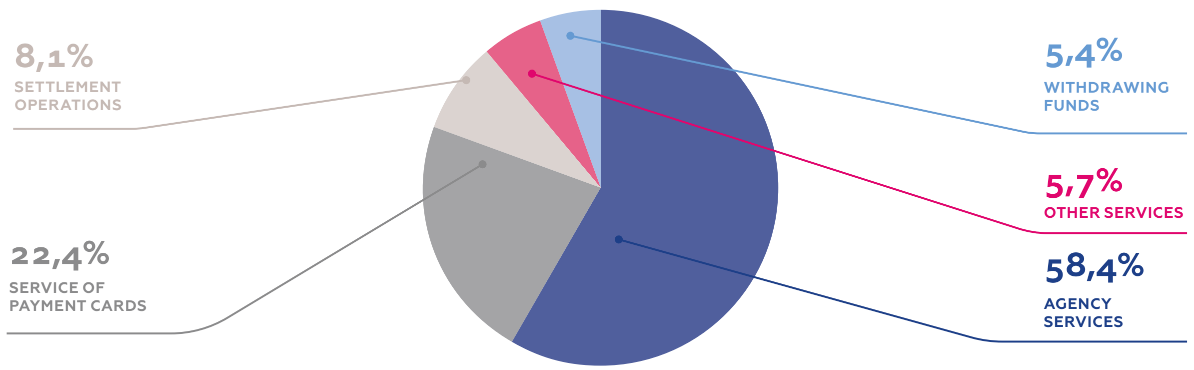
Eurasian Bank

In 2020, the Group's **net commission income** decreased by 36.9% and amounted to 18.9 billion tenge. In 2019, this figure was 29.9 billion tenge.

Commission income in 2020 decreased by 30% and amounted to 25.3 billion tenge. A year earlier, this figure was 36.1 billion tenge. The largest decrease was demonstrated by agent services, commission income from which fell by 43.8% to 14.8 billion tenge. In this regard, the share of agent services in the commission income portfolio decreased from 72.7% in 2019 to 58.4% in 2020. This is primarily due to quarantine restrictions introduced in 2020 in the Kazakhstan regions and, as a result, a decrease in economic activity. For the same reason, in 2020, commission income from settlement transactions decreased by 5.1% to 2 billion tenge. In part, this decline was offset by an increase in commission income from servicing payment cards, which increased by 19.9% to 5.7 billion tenge (against 4.7 billion tenge in 2019). As a result, this area of activity took a share of 22.4% in the commission income structure, an increase of 9.3 percentage points compared to 2019. At the same time, income from cash withdrawals in 2020 increased by 7.9% and amounted to 1.4 billion tenge.

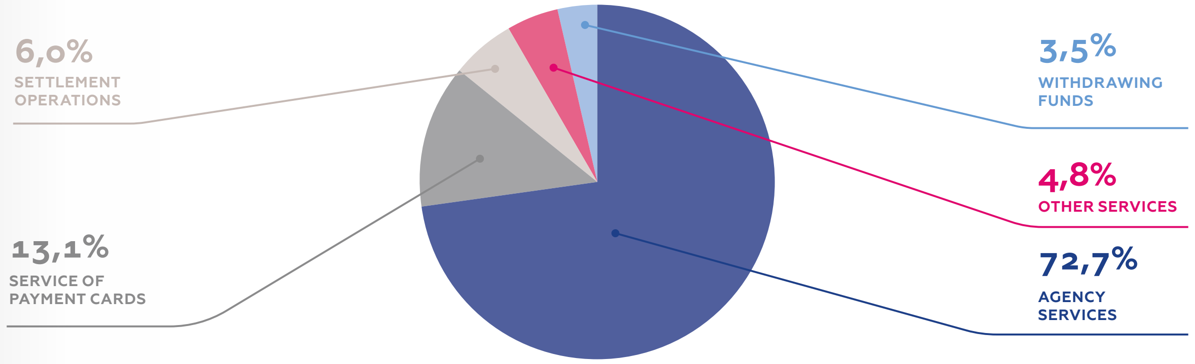
COMMISSION INCOME, MLN TENGE	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Agent services	14 776	26 274	21 131	-43,8%	24,3%
Payment card servicing	5 670	4 730	2 994	19,9%	58,0%
Settlement transactions	2 041	2 151	1 735	-5,1%	24,0%
Cash withdrawal	1 358	1 258	1 214	7,9%	3,6%
Guarantees and letters-of-credit issuance	793	1 067	900	-25,7%	18,6%
Custodian services	38	48	53	-20,8%	-9,4%
Collection services	28	33	52	-15,2%	-36,5%
Other	592	585	282	1,2%	107,4%
Total	**25 297**	**36 145**	**28 361**	**-30,0%**	**27,4%**

STRUCTURE OF COMMISSION INCOME, 2020



FINANCIAL STATEMENT HIGHLIGHTS

STRUCTURE OF COMMISSION INCOME, 2019



In 2020, compared to 2019, **personnel expenses** decreased by 7.1% – to 19.8 billion tenge.

Other general and administrative expenses in 2020 decreased by 9.1% and amounted to 12.8 billion tenge. Most of the expenditure items showed a decrease. Thus, depreciation and amortization expenses decreased by 7.9% to 2.9 billion tenge, communications and information services decreased by 4.8% to 2.5 billion tenge. However, there was an increase in depreciation of assets in the form of right of use by 4.1% to 1.6 billion tenge.

OPERATING EXPENSE, MLN TENGE	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Payroll, bonuses and relevant taxes	18 985	20 410	18 315	-7,0%	11,4%
Other personnel expense	831	917	835	-9,4%	9,8%
Personnel expense	**19 816**	**21 327**	**19 150**	**-7,1%**	**11,4%**
Other general and administrative expense					
Depreciation and amortization	2 943	3 194	3 528	-7,9%	-9,5%
Communication and information services	2 543	2 670	2 418	-4,8%	10,4%
Asset depreciation as a right of use	1 648	1 583	-	4,1%	-
Taxes except income tax	1 089	1 138	1 001	-4,3%	13,7%
Security	826	805	779	2,6%	3,3%
Repair and maintenance	711	686	676	3,6%	1,5%
Professional services	447	782	215	-42,8%	263,7%
Advertisement and marketing	354	751	730	-52,9%	2,9%
Other	2 269	2 510	3 911	-9,6%	-35,8%
Total	**12 830**	**14 119**	**13 258**	**-9,1%**	**6,5%**

BALANCE SHEET OVERVIEW

In 2020, the Group's **assets** increased by 13.5% to 1.2 trillion tenge. The growth was due to an increase in cash and cash equivalents by 35.5% to KZT 305.9 billion and investments performed at amortized cost by 403.1% to KZT 145.1 billion.

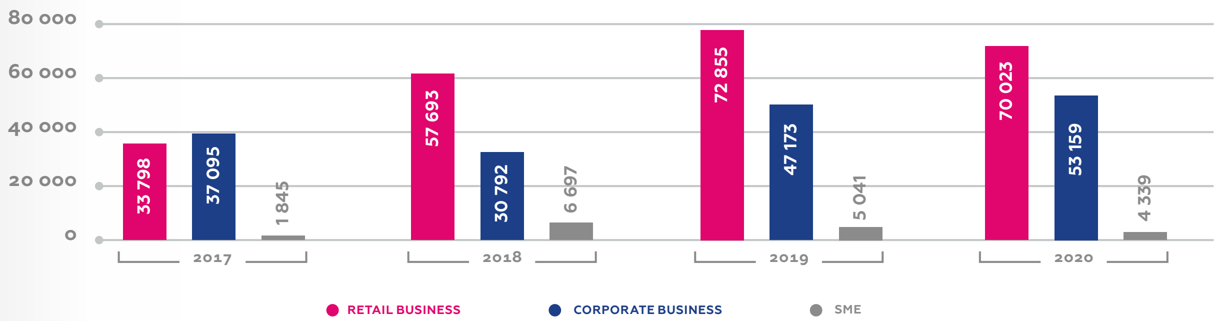
The loan portfolio on a net basis makes up 46.9% of the balance sheet. This indicator in 2020 decreased by 12.8% and amounted to 562.4 billion tenge. At the same time, loans on a gross basis, that is, issued to customers before deducting the provision for expected credit losses, decreased by 10% – to 685.3 billion tenge. The decrease in lending is caused by strict quarantine restrictions due to COVID-19 and the decline in economic activity.

BALANCE STRUCTURE, BLN TENGE	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Assets	**1199,7**	**1057**	**1108,3**	**13,5%**	**-4,6%**
Loans to customers	562,4	644,8	638	-12,8%	1,1%
Cash and their equivalents	305,9	225,8	138,5	35,5%	63,0%
Other assets	331,4	186,4	331,8	77,8%	-43,8%
Liabilities	**1090,6**	**958,2**	**1 015,5**	**13,8%**	**-5,6%**
Current accounts and deposits	952,9	799,4	766,7	19,2%	4,3%
Subordinated debt securities issued	66,6	63,4	70,7	5,0%	-10,3%
Other liabilities	71,1	95,4	178,1	-25,5%	-46,4%
Equity	**109,1**	**98,8**	**92,8**	**10,4%**	**6,5%**

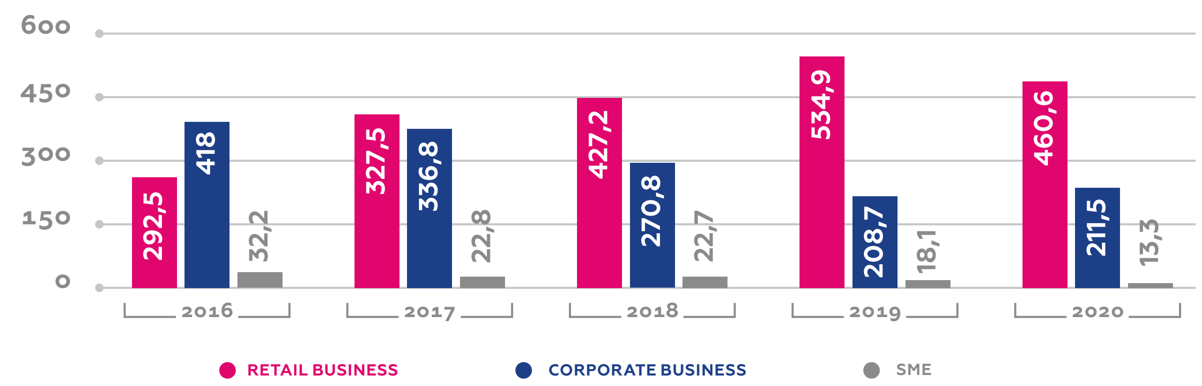
Provisions for expected credit losses on loans issued in 2020 increased by 2% and amounted to 127.5 billion tenge. During 2020, the Group wrote off loans for 45,2 billion tenge, which resulted in a decrease in the estimated provision for losses on loans assigned to stage 3 and POCI-assets, in the same amount (in 2019: 18 billion tenge).

LOANS, MLN TENGE	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Loans to customers assessed at amortized cost, prior to deduction of provisions for expected credit losses	**685 346**	**761 767**	**720 608**	**-10,0%**	**5,7%**
Provisions for expected credit losses	-127 521	-125 069	-95 182	2,0%	31,4%
Total loans to customers assessed at amortized cost, less provisions for expected credit losses	**557 825**	**636 698**	**625 426**	**-12,4%**	**1,8%**
LOANS TO CUSTOMERS ASSESSED AT FAIR VALUE VIA PROFIT OR LOSS					
Loans to major ventures	4 608	8 080	12 018	-43,0%	-32,8%
Mortgage loans	-	10	566	-	-98,2%
Total loans to customers	**562 433**	**644 788**	**638 010**	**-12,8%**	**1,1%**

IMPAIRMENT PROVISIONS BY SEGMENT, MLN TENGE



BANK TOTAL LOAN PORTFOLIO DYNAMICS BY SEGMENT OVER THE PAST 5 YEARS, BLN TENGE*



* 2018-2020 – loans, issued to customers, assessed at amortized value

In the loan portfolio structure, loans at amortized cost before reserve deduction, retail business accounts for 67.2% by the end of 2020.

In 2020, loans to individuals, including loans to individual entrepreneurs and loans under the Business Auto program, decreased by 13.9% – to 460.6 billion tenge. In 2019, the growth of the retail portfolio was 25.2%, and the volume was 534.9 billion tenge.

Unsecured consumer loans and auto loans together account for 94.8% of the retail portfolio in the structure of loans issued to retail customers. Therefore, the Bank continued to pay attention to the tasks of improving the efficiency of the business model and risk control. The key direction is **unsecured consumer loans**, their share as of 31 December 2020 was 58.4%, having decreased by 4.6 percentage points compared to 2019. In 2020, the volume of these loans decreased by 20.1% – to 269.1 billion tenge.

Auto loans account for 36.4% of the retail loan portfolio; in 2019, this figure was 32.5%. In 2020, the volume of auto loans issued decreased by 3.5% – to 167.6 billion tenge. The decrease was due to quarantine restrictions and temporary unavailability of lending through a network of partners.

In 2020, the volume of mortgage loans showed a decrease of 5.9% – to 11.6 billion tenge. In 2019, mortgage loans amounted to 12.4 billion tenge.

The volume of loans to individual entrepreneurs decreased by 22.8% to 3.3 billion tenge.

FINANCIAL STATEMENT HIGHLIGHTS

LOANS TO RETAIL CUSTOMERS, ASSESSED AT AMORTIZED VALUE, MLN TENGE	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Unsecured consumer loans	269 123	336 964	262 670	-20,1%	28,3%
Auto loans	167 638	173 751	134 063	-3,5%	29,6%
Mortgage loans	11 637	12 371	11 986	-5,9%	3,2%
Non-program loans on individual terms	6 381	7 545	14 265	-15,4%	-47,1%
Loans for individual business activities	3 311	4 289	4 208	-22,8%	1,9%
Loans Business Auto program	2 502	-	-	-	-
Total loans issued to retail customers	**460 593**	**534 919**	**427 192**	**-13,9%**	**25,2%**

By the 2020-year results, the corporate segment, including SME loans, accounted for 32.8% of the total loan portfolio on a gross basis, a year earlier this figure was 29.8%. Compared to 2019, the volume of loans to corporate customers decreased by 0.9% – to 224.8 billion tenge. This was due to the SME loan portfolio decrease by 26.8% to 13.3 billion tenge. The volume of loans to major enterprises showed an increase of 1.3% to 211.5 billion tenge.

LOANS TO CORPORATE CUSTOMERS, ASSESSED AT AMORTIZED VALUE, MLN TENGE	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Loans to major ventures	211 498	208 745	270 755	1,3%	-22,9%
Loans to small and medium ventures	13 254	18 103	22 661	-26,8%	-20,1%
Total loans to corporate customers	**224 753**	**226 848**	**293 416**	**-0,9%**	**-22,7%**

Liabilities of the Group in 2020 increased by 13.8% to 1.1 billion tenge.

Current accounts and deposits of customers account for 87.4% of the Bank liabilities. The **volume of accounts and deposits** in 2020 reached 952.9 billion tenge, an increase of 19.2%, which confirms the high customer confidence in the Bank. The individuals and businesses significantly reduced their expenses during the pandemic, preferring to keep cash reserves in bank accounts and deposits.

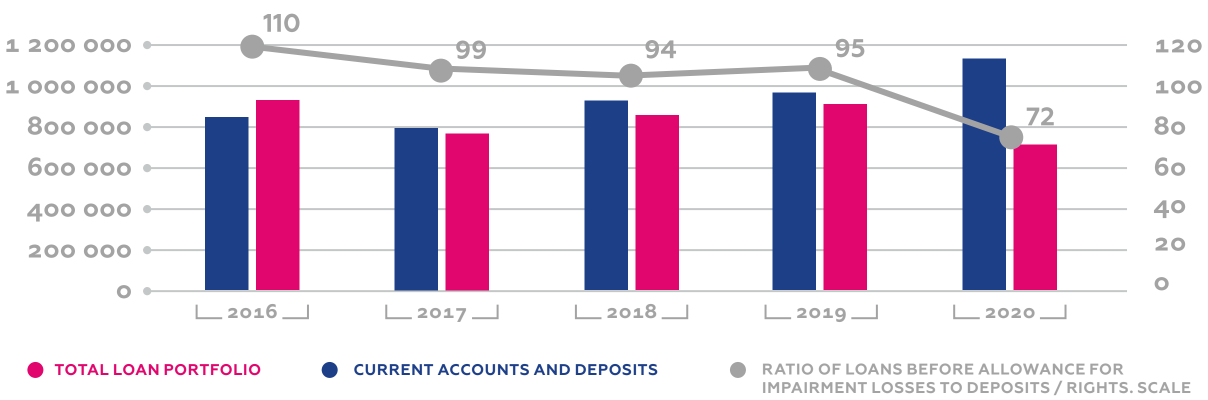
The main part of the deposit portfolio consists of term deposits – 64.2%, the remaining 35.8% – current accounts and demand deposits. The latter became the main source of the deposit portfolio growth in 2020, increasing by 112.2% over the year – to 341.5 billion tenge. The growth was due to an increase in current accounts and demand deposits of corporate customers by 162% – up to 260.4 billion tenge. Current accounts and demand deposits of retail customers increased by 31.7% to 81.1 billion tenge.

Term deposits of retail customers increased by 3.7% to 390.3 billion tenge, and term deposits of corporate customers showed a decrease of 15.6% to 221 billion tenge.

In 2020, the deposit portfolio structure changed, resulting in corporate customers accounting for 50.5%, and retail customers accounting for 49.5%. This is due to the outstripping growth of current accounts and demand deposits of corporate customers. A year earlier, retail customers accounted for 54.8% of the portfolio, corporate customers – 45.2%.

CUSTOMER CURRENT ACCOUNTS AND DEPOSITS, MLN TENGE	2020	2019	2018	2020 / 2019 CHANGE	2019 / 2018 CHANGE
Current accounts and demand deposits					
Retail customers	81 140	61 595	41 906	31,7%	47,0%
Corporate customers	260 378	99 372	61 776	162,0%	60,9%
Term deposits					
Retail customers	390 323	376 371	369 088	3,7%	2,0%
Corporate customers	221 033	262 039	293 897	-15,6%	-10,8%
Total	**952 874**	**799 377**	**766 667**	**19,2%**	**4,3%**

TOTAL LOANS BEFORE DEDUCTION OF IMPAIRMENT PROVISIONS TO DEPOSITS



FINANCIAL STATEMENT HIGHLIGHTS

The Bank equity capital in 2020 amounted to 109.1 billion tenge, an increase of 10.3% due to the contributions of the Bank shareholders and the refusal to pay dividends for 2019.

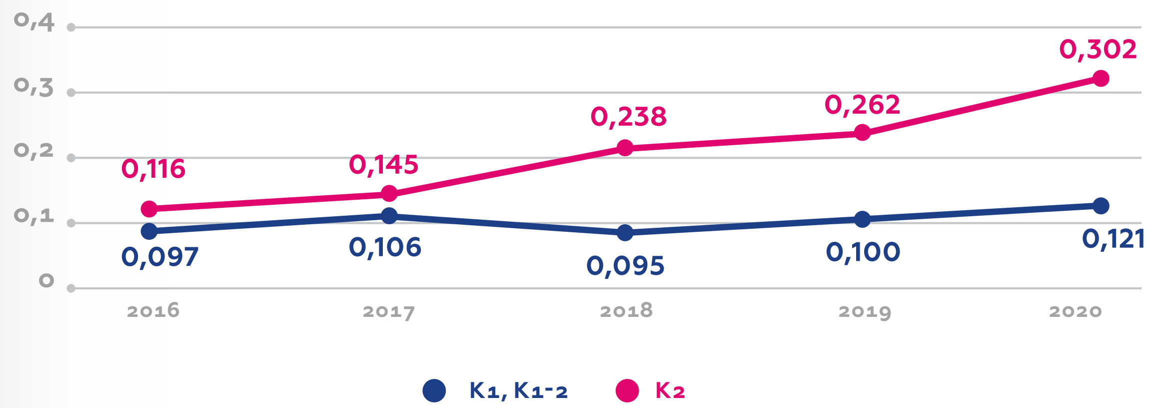
In April 2020, additional capitalization was made in the amount of 4 billion tenge. In 2020, 612,314 ordinary shares were issued and paid for 6,532. 60 tenge per share (no shares were issued in 2019). Thus, as of 31 December 2020, the Bank authorized capital was 61.1 billion tenge, a year earlier 57.1 billion tenge.

The amount of equity taken into account when calculating regulatory standards, as of 31 December 2020, increased by 1.1% and amounted to 252.5 billion tenge. The amount of the first-level capital as of 31 December 2020 amounted to 100.8 billion tenge, an increase of 6% over the year.

In its work, Eurasian Bank adheres to the policy of a stable capital base in order to maintain the confidence of investors, creditors and the market, as well as to ensure future business development. The Bank recognizes the need to maintain a balance between higher returns, which can be achieved with a higher level of borrowing, and the benefits and security that ensure a stable capital position.

The capital adequacy ratios are at a high level. The coefficient k1 at the end of 2020 was 0.121. The coefficient k1-2 was formed at a similar level – 0.121. The ratio of total capital to risk-weighted assets (k2) was 0.302 at the end of 2020.

CAPITAL ADEQUACY RATIOS FOR 5 YEARS



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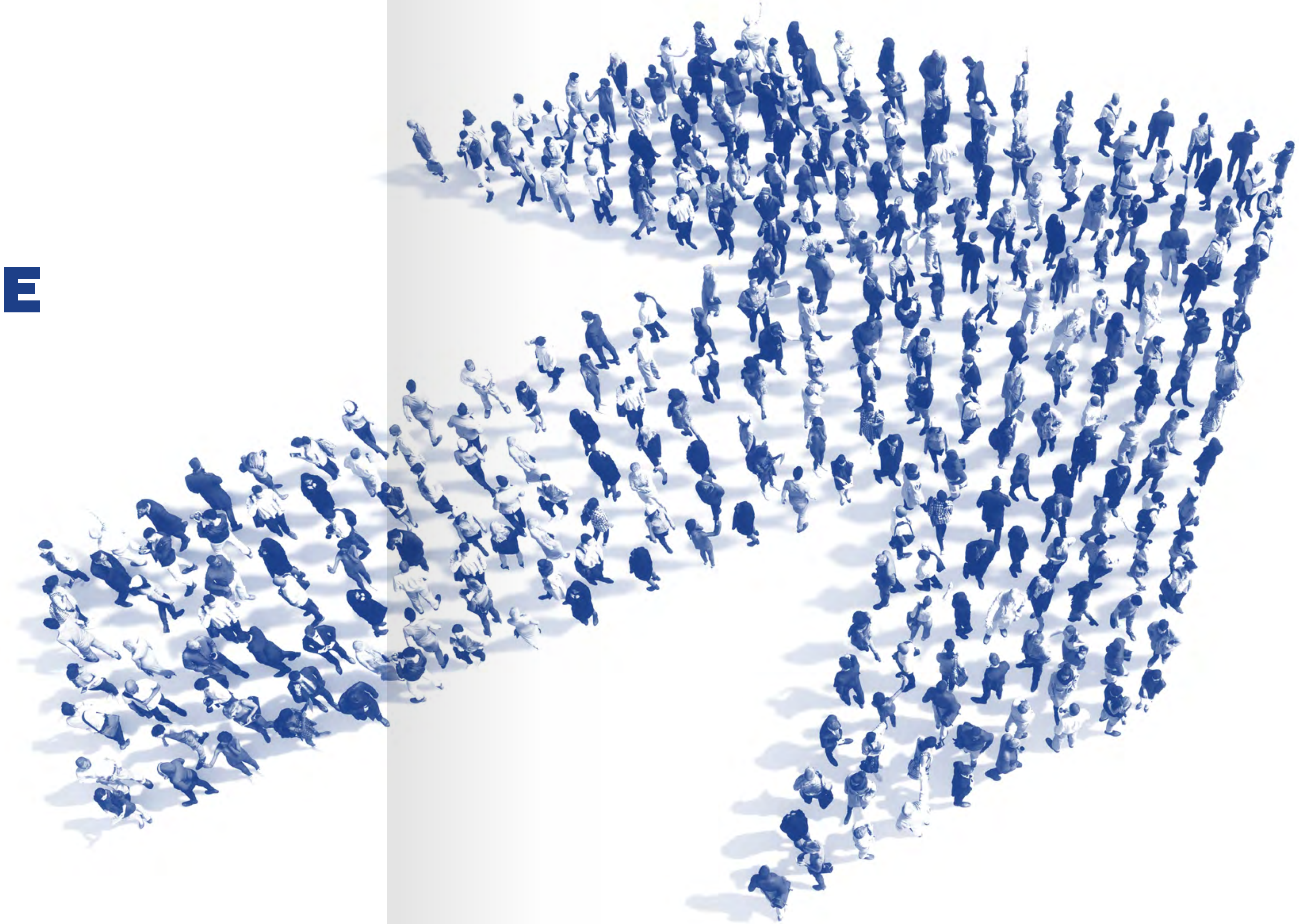


THE BANK STAFF IS A TEAM OF LIKE-MINDED PEOPLE – ACTIVE, NOT INDIFFERENT, FOCUSED ON RESULTS

PERSONNEL POLICY

On 31 December 2020, the Board of Directors adopted the Eurasian Bank development strategy until 2024, according to which the Bank intends to become the best employer, so the management pays great attention to the development of corporate culture, creating conditions for career growth, professional training and disclosure of personal potential of employees. The Group's personnel activities are determined by the personnel policy approved by the Board of Directors. The Bank has a number of internal regulatory documents and instructions that regulate professional training, provision of social guarantees and benefits, as well as remuneration, rules for evaluating and awarding staff.

The personnel policy is developed in accordance with the Labor Code of the Republic of Kazakhstan, priorities defined by the resolution of the Management Board of the National Bank of the Republic of Kazakhstan No. 188 dated 12 November 2019 "On approval of the rules for formation of the risk management and internal control system for second-tier banks", the Charter of Eurasian Bank JSC, the Internal regulations policy, the Rules for management of internal normative documents.

HR policy is a holistic long-term strategy for human resources management, the main goal of which is to fully and timely meet the Bank needs for the required quality and quantity of human resources.

HR POLICY PRINCIPLES:

- focus on achieving the Bank strategic goals;
- creating conditions for efficient work of the Bank staff;
- fair and competitive remuneration of the Bank employees;
- involvement of competent managers in the Bank activities;
- exclusion of conflict of interests in the course of performance of the duties by the Bank managers and other employees;
- minimizing the risk of losing a key employee.

PERSONNEL STRUCTURE

As of the 2020-year end, the Group had 6,207 employees.

The Bank staff consists mainly of young people: more than 53.9% of employees are under 30 years of age.

The percentage of women is 69% of the total team, which explains the large number of employees on maternity leave. In 2020, the number of employees on maternity and parental leave was 1,171.

The personnel has a high level of education: 67,5% of employees have received higher or postgraduate professional education.

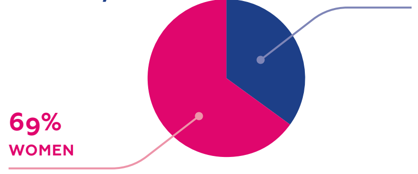
The Bank personnel is multinational and includes not only citizens of Kazakhstan, but also other employees from Russia, Kyrgyzstan, France, Lithuania, Uzbekistan, Armenia, Azerbaijan, Turkmenistan.

PERSONNEL STRUCTURE

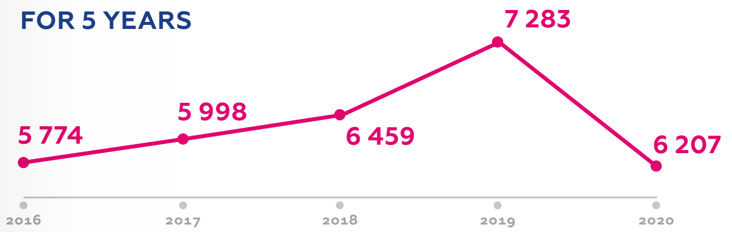
6 207
THE TOTAL NUMBER OF EMPLOYEES OF THE GROUP in 2020

757
NEW EMPLOYEES HIRED in 2020

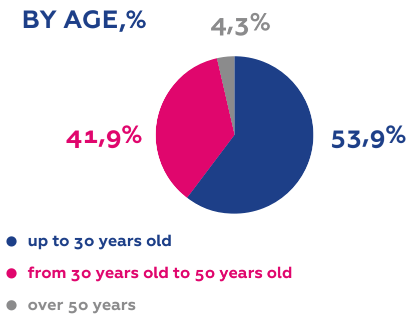
BREAKDOWN BY SEX,%



TOTAL NUMBER OF EMPLOYEES IN THE GROUP FOR 5 YEARS



BREAKDOWN BY AGE,%



The decrease in the number of employees in 2020 is due to the spread of the coronavirus pandemic and the introduction of quarantine restrictions, followed by the closure of points of sale, a decrease in sales, respectively, the lack of the possibility of receiving a variable part of wages. In this situation, employees were dismissed on their own initiative.

The Group pays great attention to identifying the reasons that motivate employees to leave the Bank, which gives us the opportunity to work on employee retention and remain a competitive player in the market.

PAYMENT SYSTEM AND EVALUATION

THE GROUP CREATES COMFORTABLE WORK CONDITIONS FOR ITS EMPLOYEES BY SETTING THEM COMPETITIVE WAGES AND PROVIDING THEM WITH A SOCIAL PACKAGE, AS WELL AS CREATING A FAVORABLE CREATIVE ATMOSPHERE IN THE TEAM AND CONTRIBUTING TO THE EMPLOYEES' PROFESSIONAL DEVELOPMENT. THIS ALLOWS THE GROUP TO REMAIN AN ATTRACTIVE PLACE TO WORK FOR PROFESSIONALS.

The system of financial incentives for labor is one of the most efficient management tools that can influence the performance of employees and the Bank as a whole.

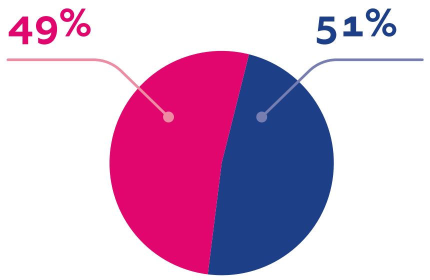
19.8 billion tenge

MADE THE EXPENSES FOR THE PERSONNEL OF THE GROUP IN 2020

58,8%

EMPLOYEES PERFORMED WELL IN 2020 AND WERE AWARDED

SHARE OF BONUSES ACCRUED FOLLOWING PERFORMANCE APPRAISALS, DISAGGREGATED BY SEX



The financial incentive system set up in accordance with the Bank's strategic and tactical guidelines allows management to purposefully manage employee motivation and increase staff productivity.

The terms of remuneration are set in such a way as to be competitive in order to attract highly qualified specialists. Wage growth is consistent with market changes.

The remuneration system in the Group is based on a fixed and variable part of the salary. The payment of bonuses to employees is a right, not an obligation of the Group. The frequency of payment of bonuses to employees varies depending on the specifics of their work and can be annual, quarterly or monthly.

The employees involved in the retail, corporate, private, cash segments and in debt collection subdivision are awarded bonuses on a monthly and quarterly basis. The variable part of the employee salary depends primarily on performance of a business subdivision, and on achievement of key goals and tasks set for them. In addition, programs are being implemented to encourage the most successful employees of a business subdivision, according to the results of which they are awarded valuable prizes.

MOTIVATION OF EMPLOYEES

The Bank appreciates the enthusiasm. To ensure the continuity of the process of improving the efficiency of the Bank employees, one-time bonuses are paid for proposals aimed at improving the quality of services provided, reducing costs, as well as a new management solution that saves labor, material and financial resources or has a positive impact on the Group's activities.

The Bank has a number of programs that allow you to mark outstanding employees. Among them: Eurasian Diamond, Best Outlet and Best employee.

Within the framework of the Best Outlet program there was chosen the best outlet with the help of the customer evaluations. According to the results of each quarter, the top 5 best outlets are determined, and the winning outlet receives a certificate and the Eurasian Bank Best Outlet As Recommended by Kazakhstan Customers plate.

The Best Employee title is awarded to the employee who makes the most calls to customers and helps them solve their problems. Each quarter, three employees who receive monetary remuneration are identified. Once a year, the best employee is determined, and he/she receives a badge of distinction made of 585 gold.

The Bank encourages a healthy lifestyle. There is a free gym in Almaty, which can be used by all Bank employees in their free time. There are also tables for playing table tennis in the halls. At the same time, the Group employees take part in sports events of the financial institute and citywide marathons with particular enthusiasm.

The Bank takes care of its employees. The Group takes care of the health of its employees and provides safe workplaces.

In addition, the Group provides a social package that includes medical insurance for employees in case of illness with service in one of the clinics throughout Kazakhstan. This insurance covers outpatient care, inpatient treatment, dental care, medical coordination, and other medical services. The Bank pays 95% of the insurance cost; the remaining 5% is deducted from the employees' salary. As part of this service, it is also possible to attach a spouse under 65 years of age, children from 1 year of age.

Until 2020, every new employee, upon reaching the work experience of 6 months, had the opportunity to get this insurance. In 2020, the management decided to insure all employees who have worked in the Bank for 3 months or more. Upon termination of employment, the benefit ceases to apply.

In addition, the Group does not allow discrimination in any of its manifestations, in 2020, there were no such cases.

The Bank supports employees. Our employees have access to attractive preferential terms of service in the Bank partner network.

PERSONNEL TRAINING

HIGH-QUALITY TRAINING AND PERSONNEL DEVELOPMENT IS A KEY FACTOR IN EMPLOYEE MOTIVATION AND COMPETENCE.

2020 was a transformational year in terms of the Bank staff training and development – more than 70% of offline content was transferred to online.

The Bank cooperates with the Udemy platform, where the Bank employees get the opportunity to improve their knowledge 24/7 in such areas as:

- Development
- Business
- Finance and Accounting
- IT and Software
- Office software
- Personal growth
- Marketing
- Lifestyle and a lot more.

THE ONLINE SIMULATOR TOOL WAS RECREATED AND IMPLEMENTED, WHICH ALLOWS YOU TO LEARN HOW TO WORK IN THE BANK SYSTEMS IN 3 STEPS:

Step 1 – "I'm looking at how to work in the system".

Step 2 – "I'm learning how to work in the system, but I'm using prompts".

Step 3 – "I work on my own in the system.

AND CUSTOMER SUPPORT CENTER. THESE PROGRAMS ACCOMPANY EMPLOYEES FROM THE FIRST STEPS AT THE INTERNSHIP STAGE UNTIL THEY REACH MORE THAN 1 YEAR OF WORK EXPERIENCE IN THE BANK. THE TRAINING PROGRAMS INCLUDE THE FOLLOWING TOPICS:

1. Welcome training for new employees.

2. Knowledge of products.

3. Work in the system.

4. Fraud counter-action.

5. Sales skills.

6. Dealing with claims and special customers.

7. Customer-orientedness.

FOR THE FIRST TIME IN THE BANK HISTORY, A THREE-STAGE TRAINING AND DEVELOPMENT PROGRAM WAS DEVELOPED AND CONDUCTED FOR RETAIL BUSINESS EMPLOYEES OF THE BANK BRANCH NETWORK ON THE TOPICS OF CUSTOMER-ORIENTEDNESS, WORK WITH CLAIMS, WORK WITH SPECIAL (REQUIRING SPECIAL ATTENTION) CUSTOMERS:

- *Independent study of theoretical material.*
- *Webinar with internal business coach on development of an action plan for putting theory into practice.*

- *A 4-week marathon called Service that makes you fall in love.*

1, 224 employees took part in the marathon, these are both front-line employees and middle-level managers of the branch network.

Thanks to the Compliance Service employees' training, the employees' security and awareness level is increased in terms of preventing fraudulent actions by money laundering. Training is systematic and affects every Bank employee.

At the system level, employees' knowledge in the areas of activity of various subdivisions tested on a quarterly and monthly basis.

In general, 2,146 employees passed internal training in 2020, of which 60.3% were women, 39.7% were men.

HEALTH MANAGEMENT

AGAINST THE BACKGROUND OF THE SPREAD OF THE CORONAVIRUS, CONCERN FOR THE WELL-BEING AND HEALTH OF EMPLOYEES WAS IN THE FIRST PLACE IN 2020.

In 2020, the Group made every effort to ensure employees' quality and safe work. All sanitary standards were observed in the branches, outlets and the head office, in particular, personal protective equipment was purchased, sanitizers were installed, and recommendations for social distancing and reminders of personal hygiene were established.

In addition, the Group regularly implemented preventive measures, including regular disinfection of premises in order to protect employees and customers.

The Group also provides employees with safe equipment, tools and other means necessary for the performance of their work duties. Activities related to safety and reduction of occupational injuries and occupational diseases are carried out. So, safety trainings are held every quarter. All branches and outlets are fully equipped with fire extinguishers.

In 2020, there were no injuries sustained by the Bank employees, as well as occupational diseases. The accident registration report is provided in the H-1 form to state bodies in accordance with the Labor Code of the Republic of Kazakhstan, including information on fire safety.

LABOR RELATIONS

NOTIFICATION OF CHANGES TO THE EMPLOYMENT AGREEMENT

Notification of an employee according to the Kazakhstan legislation, under which the employer should inform the employee in writing about changes in labor conditions not later than fifteen calendar days unless the employment, collective agreements do not provide for a longer notice period.

MECHANISM FOR FILING APPEALS AND COMPLAINTS

All the Group employees have the opportunity to file a complaint. The complaint filing system is arranged as follows: an employee's request/complaint is submitted by submitting in an office memo in the database of the Bank internal normative documents or on paper signed by the immediate head who is responsible for the request. Further, the conciliation commission reviews the labor disputes. By the 2020-year results, there were no complaints filed against the Bank in the reporting year for violation of labor relations practices.

SOCIAL REPORT

THE GROUP TAKES AN ACTIVE PART IN CHARITY PROJECTS AIMED AT SUPPORTING VULNERABLE SEGMENTS OF THE POPULATION, HELPING REPRESENTATIVES OF THE YOUNGER AND OLDER GENERATIONS, DEVELOPING CULTURE, PROTECTING THE ENVIRONMENT AND THE NATION'S HEALTH.

SPONSOR AND CHARITY PROJECTS

Charity and sponsorship are one of the main areas of participation in the society and part of the Group's corporate culture. Contribution to the development of the society in which the Group operates is a core value instilled in all the employees.

IN 2020, THE GROUP IMPLEMENTED THE FOLLOWING PROJECTS:

Kazakhstan, like the whole world, faced a shortage of necessary medicines and equipment during the COVID-19 pandemic. At that moment, the Kazakhstani business provided timely support to healthcare. A Member of the Eurasian Bank Board of Directors, Mr. Shukhrat Ibragimov, purchased 100 powerful 10-liter oxygen concentrators for rural and urban clinics in 16 regions of Kazakhstan. The Bank supported the initiative and bought additional consumables for the concentrators: several thousand disposable masks, anti-plague suits, protective masks and glasses, shoe covers, gloves for doctors, and pulse oximeters. The Bank volunteers delivered this aid to medical institutions in 16 regions.

For the second year, Eurasian Bank has abandoned the practice of New Year gifts to partners in favor of the Charity Instead of Souvenirs campaign. This is an international initiative in which, instead of spending the gift budget on buying souvenirs, companies fully or partially transfer these funds to non-profit organizations for charity. On the eve of 2021, Eurasian Bank transferred several million tenge to support the SPIA Craft House (Social Project International Association), where children and young people with neurological and mental disorders work. The Bank also provided assistance in the treatment abroad of an injured child (Ms. Arina Popovich, 18 years old) through the Mercy Voluntary Society headed by Ms. Aruzhan Sain.

ASSISTANCE TO VETERANS

It has become a good tradition to annually congratulate the Great Patriotic War veterans on the Great Victory Day. The Group financially helps the Medeu Council of Veterans of Almaty. From the funds allocated by the Bank and the voluntary collection, monetary gifts were formed, which were handed over to 55 WWII veterans, labor front participants and former minor prisoners of fascism in Almaty. In all the Bank outlets, the employees made up and delivered gifts to veterans.

CORPORATE VOLUNTEERING

Together, the employees provide assistance not only to such organizations as orphanages, donation centers, medical institutions, but also to individual Kazakhstanis.

With the introduction of quarantine restrictions, the Republican and City Blood Donation Centers throughout the country experienced an acute shortage of donor personnel, which could affect the quality of treatment of patients in need of transfusion care.

On the same dates, the Eurasian Bank branches employees in Atyrau, Petropavlovsk, Pavlodar, Kokshetau, Shymkent, Taldykorgan and Taraz independently applied to the city blood centers to join the action locally. The capital branch started the initiative at the request of the Scientific and Production Center of Transfusiology. Thus, the action acquired a Republican scale. 100 Eurasian Bank employees replenished blood banks by 45 liters in 2 days.

In 2020, the Bank employees repaired the bathroom of a wheelchair user from Almaty, who asked for help in organizing a barrier-free life.

SOCIAL RESPONSIBILITY

COMPLIANCE WITH THE LEGAL REQUIREMENTS

During 2020, the following supervisory response measures were applied to the Bank by the authorized bodies of the Republic of Kazakhstan:

- Recommended supervisory response measures by the ARDFM – 10.
- ARDFM supervisory response measures in the form of a writ – 1.
- ARDFM administrative sanction in the form of an administrative fine – 3, with the administrative payment in the total amount of 972, 300 tenge.
- ARDFM supervisory response measures in the form of a written agreement with the Bank – 1.

The reasons for the violations in the Bank activities are mainly the insufficient control procedure automation level in certain Bank business processes, the human factor caused by a decrease in the efficiency of control functions on the part of the Bank internal controllers, the discrepancy in the interpretation of the requirements of certain legislative acts on the part of the regulator and the Bank, due to the not always unambiguous presentation of the norms of the legislative act, the volatility of the situation in the economic sphere that affected the possibility of timely fulfillment by certain categories of the Bank borrowers of their obligations to the Bank in accordance with the terms of the Bank loan agreement.

The Bank took appropriate corrective measures for all supervisory response measures on the part of the regulator, aimed at preventing the repetition of similar violations in the Bank activities in the future.

RESPONSIBILITY FOR PRODUCTS

There were no cases of non-compliance of Eurasian Bank with the requirements of legislation and codes in relation to the impact of services rendered on health and safety, in relation to information and labeling about the properties of products (products, services rendered), in relation to marketing communications, including advertising, promotion and sponsorship for 2020.

Eurasian Bank does not sell products that are prohibited in certain markets and raise questions from interested parties or are the subject of public discussion. As a socially responsible organization, the Group provides customers with high-quality service and a decent service. In all matters, the Group is guided by the principle of forming a socially sustainable society. The Group does not participate in financing of environmentally harmful industries, and at making loan decisions, it takes into account the impact of projects on the environment.

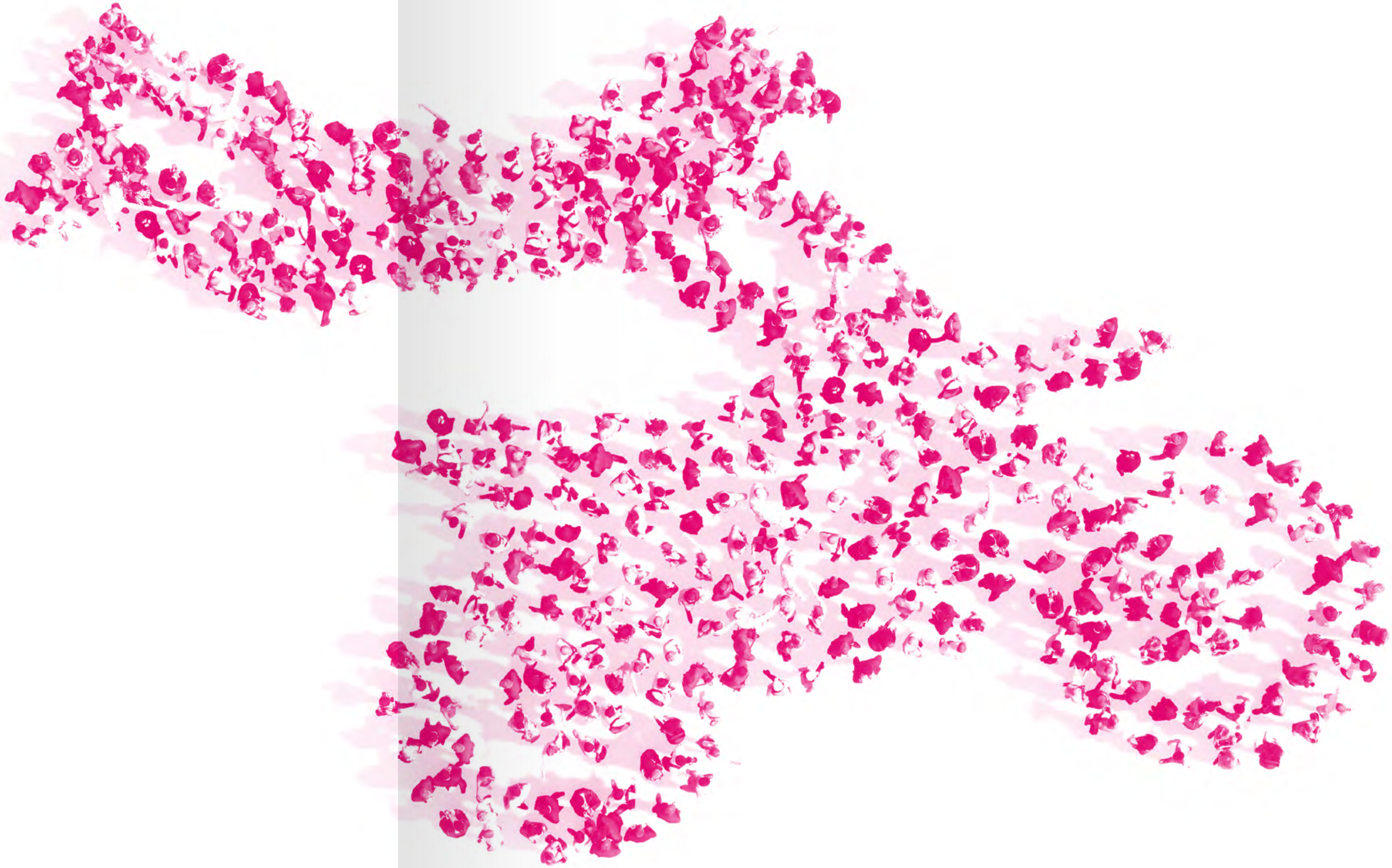
ENVIRONMENTAL RESPONSIBILITY

WITHIN THE FRAMEWORK OF THE STRATEGY, EURASIAN BANK CONSIDERS SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY AS ONE OF THE SIGNIFICANT ASPECTS OF ITS ACTIVITIES. THE BANK SUPPORTS THE GLOBAL ESG AGENDA AND, IN THIS REGARD, IT IS IMPLEMENTING A NUMBER OF ECO-PROJECTS AIMED AT CAREFUL USE OF IRREPLACEABLE RESOURCES AND ENVIRONMENT PRESERVATION.

A NUMBER OF PROJECTS IS BEING IMPLEMENTED WITHIN THE BANK:

- Банк активно развивает безбумажный документооборот. По итогам пилотного – The Vank is actively developing paperless document flow. By the results of the pilot project in 2020 at the head office, printing on paper decreased by 33%. This project is being continued. A number of internal processes were converted to electronic format, which makes it possible to cease using paper.
- The Bank introduced lean energy consumption and a transition to LED lamps, that have a number of advantages over conventional incandescent and fluorescent lamps. During this project implementation at the Head Office, energy savings amounted to 101,614 kWh. Water and heat supply systems installed in the Head Offices facilitate rational use of these resources.
- Since 2020 year end, the Bank has been preparing for implementation of the Green Office project aimed at rational consumption and separate waste collection. The project was launched in pilot mode at the Bank Head Office, where special boxes for sorting waste were installed. In addition, Eco Network representatives held training seminars for the Bank employees, introduced them to collecting and sorting waste rules, and told about environmental habits. The Eurasian Bank internal portal regularly publishes materials on the environmental behavior basic principles, "green" rules for sorting waste, which employees can read at any time.
- Eurasian Bank offers customers the possibility of conducting contactless payments using Eurasian Pay, Apple Pay and Samsung Pay. Contactless payments with smartphones reduce the number of plastics produced.
- The Bank also began to launch massive environmental projects that concern not only employees, but also customers. Together with Mastercard, the Bank developed a special banking product with ecological content – Eco-card, made from recycled plastic. The Bank transfers 0.5% of non-cash transactions using the Eco-card to the Eurasian Environmental Fund to finance tree planting and waste recycling. The Bank additionally credits customers with 0.5% bonuses for contactless payments through Eurasian Pay, Apple Pay and Samsung Pay, which allows to stimulate the abandonment of plastic cards.
- In some outlets, the Bank installed the first NFC posters in Kazakhstan, which make it possible to transfer funds for tree planting with one touch payment card of any Kazakhstan bank. These efforts are aimed at supporting green economy projects and creating environmentally friendly banking services. The Bank is developing an online mechanic that will allow customers to see the results of their charity, track the amounts accumulated by the fund, geolocate trees planted, and where containers for separate waste collection are installed.

RISK MANAGEMENT



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RISK MANAGEMENT POLICY AND PROCEDURES

Risk management is at the core of banking activities and is an essential element of the Bank operations. Market risk, credit risk, liquidity risk and operational risk are the main risks that the Bank faces in the course of its operations. The main task of financial risk management is to determine the risk limits and further ensure compliance with the established limits. Operational and legal risk management should ensure proper compliance with internal regulations and procedures in order to minimize operational and legal risks.

IN THE RISK MANAGEMENT, THE BANK APPLIES THE THREE LINES OF DEFENSE CONCEPT:

- initial analysis on the part of the issuing subdivision;
- analysis on the part of the controlling subdivision (risk management subdivision, legal department, compliance service, etc.);
- revision and independent evaluation of the Bank risk management system efficiency.

The Bank annually conducts a procedure for identifying and evaluating key risks, based on the results of which the Board of Directors establishes risk appetite standards.

The Bank risk management policy is aimed at identifying, analyzing and managing the risks to which the Bank is exposed, setting risk limits and appropriate controls, as well as continuously assessing the level of risks and their compliance with the established limits. The risk management policies and procedures are reviewed on a regular basis to reflect changes in the market situation, the banking products and services offered, and emerging best practices.

The Board of Directors is responsible for proper functioning of the risk management control system, for managing key risks and approving risk management policies and procedures, as well as for approving major transactions. The Risk and Internal Control Committee preliminarily reviews these issues and requests the Board of Directors to consider and/or approve these issues.

The Management Board is responsible for monitoring and implementing risk mitigation measures, as well as ensuring that the Bank operates within the established risk limits. The responsibilities of the management of risk management subdivisions include general risk management and monitoring compliance with the current legislation, as well as monitoring the application of general principles and methods for detecting, evaluating, managing and reporting both financial and non-financial risks. The management of risk management subdivisions reports directly to the Chairman of the Management Board and, indirectly, through the Risk and Internal Control Committee, to the Board of Directors.

Credit and market risks, as well as liquidity risk, are managed and controlled by the Credit Committee, the Market and Liquidity Risk Management Committee (MLRMCO), both at the portfolio level as a whole and at the level of individual transactions. To improve the efficiency of the decision-making process, the Bank created a hierarchical structure of credit committees depending on risk exposure type and amount.

Both external and internal risk factors are identified and managed within the Bank. Particular attention is paid to identifying the entire list of risk factors and determining the level of sufficiency of current risk mitigation procedures. In addition to the standard analysis of credit and market risks, risk management subdivisions monitor financial and non-financial risks by holding regular meetings with operational subdivisions in order to obtain expert assessment in certain areas.

MARKET RISK MANAGEMENT

Market risk is probability of financial losses on balance sheet and off-balance sheet items due to adverse changes in the market and expressed in changes in market interest rates, foreign exchange rates, market value of financial instruments and goods. Market risk includes currency risk, interest rate risk, and price risk.

Market risk is managed at the portfolio level. The task of managing this risk is to manage and control that the market risk exposure does not exceed acceptable parameters, while ensuring optimization of the revenue received for the risk accepted.

MLRMCO is responsible for market and liquidity risk management. MLRMCO reviews market risk limits based on the recommendations of the Risk Management Block and submits them for approval by the Management Board and the Board of Directors.

The Bank manages market risk by setting limits on the open position in relation to the amount of the portfolio for individual financial instruments, the timing of changes in interest rates, currency position, and loss limits. The Bank regularly monitors such positions, which are updated and approved by the Management Board and the Board of Directors.

In addition, the Bank uses various stress tests to model the possible financial impact of certain exceptional market scenarios on individual trading portfolios and overall position. Stress tests allow you to determine the potential amount of losses that may occur in extreme conditions. Stress tests used by the Bank include stress tests of risk factors, in which each risk category is subjected to stressful changes, as well as special stress tests that include applying possible stressful events to the individual positions.

Interest rate risk management based on an analysis of the timing of interest rate revisions is supplemented by monitoring the Bank's net interest margin sensitivity to various standard and non-standard interest rate scenarios.

The Bank also uses the value at risk ("VaR") methodology to manage market risk by its trading positions.

CREDIT RISK MANAGEMENT

Credit risk is the probability of losses due to non-fulfillment by the borrower or counterparty of its obligations in accordance with the terms of the Bank loan agreement.

The Bank manages credit risk (for recognized financial assets and unrecognized contractual obligations) through the application of approved policies and procedures that include requirements for setting and complying with credit risk concentration limits.

The Bank created a system of Authorized collegial bodies with a certain limit of authority, whose functions include making decisions related to credit risk and credit risk management.

In addition, to control the level of credit risk, the Bank has internal normative documents regulating all processes related to the Bank acceptance of credit risk, which are approved by the Management Board and/or the Board of Directors of the Bank. In addition, the Bank developed processes for monitoring the implementation of the INDs requirements by each employee/subdivision.

THE BANK'S CREDIT POLICY DETERMINES:

- loan application review and approval procedures;
- borrower credit rating methodology (corporate and retail);
- counterparties, issuers and insurance companies credit rating methodology;

- proposed security evaluation and methodology;
- loan documentation requirements;
- procedures of continuous monitoring of loans and other credit risk-related products.

Prior to making a decision on accepting credit risk, the Bank customer applications are reviewed by the Bank services involved in the process of analyzing the borrower's financial situation (analyst conclusions are based on a structural analysis of the borrower's business and financial situation), the customer's legal standing (legal expertise of title documents, the competence of signatories, the correctness of the customer's corporate decisions, and other aspects of legal risks as part of credit risk), and the customer's reliability and business reputation assessment, as well as examination of the collateral value.

After checking all the above aspects of the customer's application, the Risk Management Block conducts an independent risk assessment, which results in a conclusion that reflects the risks inherent in the borrower's business and the proposed transaction structure and provides recommendations for minimizing the Bank risks. In addition, the Risk Management Block conducts an examination of the Bank customer's application for compliance with the Bank Credit Policy and the requirements of the legislation of the Republic of Kazakhstan.

The authorized collegial body makes decisions based on the conclusions of the Bank internal subdivisions.

To minimize credit risks during the entire term of the customer's financing, the Bank constantly monitors the status of loans and regularly reassesses the solvency of its borrowers. Revaluation procedures are based on an analysis of the borrower's financial statements as of the last reporting date and/or other information provided by the borrower or otherwise obtained by the Bank. The current market value of collateral is also regularly assessed by independent professional appraisers, whose reports are reviewed by the Bank specialists, or the assessment is performed by the Bank specialists independently, taking into account all legal requirements in the valuation area. If the market value of collateral decreases, the borrower is required to provide additional collateral.

Individual loan applications are considered using ABIS, the Bank decision-making system, which includes a scoring model and other procedures for verifying the data in the loan application developed by the Risk Management Block together with other structural subdivisions of the Bank.

In addition to the credit analysis of individual borrowers conducted by the credit risk and collateral assessment subdivision, the Risk Management Block also evaluates the loan portfolio as a whole with respect to credit concentration of the loan portfolio.

The maximum level of credit risk is generally reflected in the balance value of financial assets in the unconsolidated financial statements and in the amount of unrecognized contractual obligations. The ability to offset assets and liabilities is not essential to reduce potential credit risk.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the probability of financial losses arising because of the Bank's failure to timely meet its obligations without significant losses.

Liquidity risk occurs when the maturities of assets and liabilities do not correspond. The coincidence and/or controlled discrepancy in the maturities and interest rates of assets and liabilities is a fundamental point in liquidity risk management. Due to the variety of transactions performed and the uncertainty associated with them, it is not common practice for financial institutions to fully match the maturities of assets and liabilities. This discrepancy makes it possible to increase the profitability of transactions, but at the same time increases the risk of losses.

The Bank maintains the required liquidity level to ensure that funds are always available to pay for its obligations as they become due.

The Bank strives to actively maintain a diversified and stable structure of funding sources consisting of issued debt securities, long-term and short-term loans from other banks, deposits from major corporate customers and individuals, as well as a diversified portfolio of highly liquid assets in order to enable the Bank to respond quickly and without sharp fluctuations to unforeseen liquidity requirements.

The ALM subdivision monitors the liquidity position on a daily basis, and the Risk Management Block regularly conducts "stress tests" taking into account a variety of possible market scenarios, both in normal and unbeneficial conditions. The ALM subdivision receives information from divisions about the liquidity structure of their financial assets and liabilities, as well as about the forecast of cash flows expected from the planned business in the future. Forecasting is performed on a 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 attraction and various ways of placing temporarily available funds. Based on the forecast of expected inflows and outflows of funds, the ALM subdivision evaluates the liquidity deficit/excess, as well as performs an operational forecast of liquidity ratios.

The Bank management regularly receives information about the liquidity position. The frequency of providing information depends on the state of the Bank liquidity at any given time. Under normal market conditions, reports on the state of liquidity are provided to senior management on a weekly basis. The information provided is sufficient for an adequate assessment of the Bank liquid position as a whole and in certain areas (currencies, customers, etc.), which also allows the collegial bodies and structural subdivisions of the Bank to make an informed decision regarding the Bank's ability to meet its liquidity needs and completely and timely fulfill its obligations.

In accordance with the legislation of the Republic of Kazakhstan, depositors have the right to withdraw their term deposits from the Bank at any time, and in most cases, they lose the right to receive accrued interest income.

However, the management believes that regardless of availability of early withdrawal option and the fact that a significant portion of deposits are demand accounts, diversification of these accounts and deposits by the number and type of depositors, as well as the Bank past experience, indicates that these accounts represent a long-term and stable source of funding.

The management expects that cash flows for certain financial assets and liabilities may differ from those indicated in the agreements, either because the management is authorized to manage the cash flows, or because experience indicates that the timing of cash flows for these financial assets and liabilities may differ from the contractual timing.

THE MANAGEMENT BELIEVES THAT THE FOLLOWING FACTORS REDUCE THE LIQUIDITY GAP FOR UP TO ONE YEAR:

- Analysis by the management of the behavior of term deposit owners during the last three years indicates that the offer of competitive interest rates provides for high level of renewal of term deposit agreements.
- As of 31 December 2020, the remaining amounts on the accounts and deposits of related parties, the maturity of obligations of which occur within one year, amount to 235, 953, 312 thousand tenge (2019 year: 128, 511, 354 thousand tenge). The management believes that term deposit agreements will be extended when their obligations mature, and withdrawal by the customers of significant amounts from their accounts will be coordinated as part of the Liquidity Group objectives.

OPERATIONAL RISK MANAGEMENT

Operational risk is the probability of losses resulting from inadequate or insufficient internal processes, human resources and systems, or the impact of external events, with the exception of strategic risk and reputational risk.

The purpose of operational risk management in Eurasian Bank is to ensure that the accepted risk is maintained at an acceptable level, in accordance with the strategic objectives, as well as to maximally conserve the assets and capital based on potential loss reduction (exclusion), and to ensure that the operational risks are measured using qualitative and quantitative systems for assessing them.

The operational risk management process is an integral part of the business management process and is a set of tools established by the Rules of the National Bank of the Republic of Kazakhstan No. 188, which provides a mechanism for interaction of internal procedures, processes, policies, and structural divisions of the Bank developed and regulated by the Bank, allowing timely identification, measurement, evaluation, monitoring and control of the level of operational risk, thereby minimizing the impact of significant risks on the Bank, as well as ensuring its financial sustainability and stability of its functioning.

COMPLIANCE RISK MANAGEMENT

Compliance risk is the probability of occurrence of losses due to non-observance by the Bank and its employees of the requirements of the civil, tax, banking legislation of the RoK, the laws of the RoK on state regulation, control and supervision of financial market and financial organizations, the RoK legislation on currency regulation and currency control, payments and payment systems, on pensions, on the securities market, accounting and financial reporting, on credit bureaus and formation of credit files, about collection activities, on compulsory insurance of deposits, on counteraction to legalization (laundering) of illegally obtained income, the financing of terrorism, on joint-stock companies, the Bank internal documents regulating the procedure for rendering services by the Bank and conducting transactions in the financial market, as well as legislation of foreign states that affects the Bank activities.

Currently, the Compliance and Internal Control Service, among other Bank subdivisions, is performing preparatory work on the Bank transition to the new requirements of the regulator for the Bank compliance risk management in accordance with the requirements of Rules No. 188.

The compliance subdivision coordinates the development and improvement of the Bank's compliance risk management system and the development of required measures to manage compliance risk in order to reduce its level and minimize its impact on the Bank transactions.

Compliance risk management process is a constant, continuous and systematic process performed by all the participants in the compliance risk management system as part of their functional activities. The main purpose of compliance risk management is to limit the impact of risks on the Bank activities related to violation of the requirements of the legislation of the Republic of Kazakhstan, Bank INDs, regulating the provision of the Bank financial services and conducting financial market transactions, as well as foreign laws affecting the Bank activities.

The Bank compliance risk management philosophy is reflected in all areas of the Bank activities and is enshrined in the Bank Charter, Strategy, Code of Ethics and Business Conduct, and other Bank INDs related to compliance risk management in the Bank.

The subdivision activities also include creating an efficient internal compliance culture of the highest level in the Bank by promoting the benefits of ethical business conduct within the legal framework. In order to enhance the compliance culture, the compliance subdivision holds ongoing trainings and seminars on compliance risk management for the Bank employees.

The Bank subdivisions, authorized collegial working bodies, and other participants in compliance developed and continuously exchange information in order to increase the level of awareness of the Bank management, subdivisions, and employees about compliance risks identified in the Bank activities, followed by their efficient management at all the three lines of defense existing at the Bank, with a clear definition of the accountability structure of the subdivisions according to the Bank INDs.

THE REGULATORY EXCHANGE PROCESS HAS THE FOLLOWING OBJECTIVES:

- timely communication of information about potential and/or realized compliance risk to the involved subdivisions or risk owners in order to ensure efficient risk management;
- implementation of efficient corrective measures in the Bank activities aimed at eliminating/reducing the compliance risk level in the relevant business process of the Bank;
- timely communication of information on compliance risk events to the authorized collegial bodies of the Bank for timely response and making an appropriate management decision.

The Compliance Service periodically, within the framework of management reporting, provides the Management Board, the Risk and Internal Control Committee and the Board of Directors of the Bank with information on the compliance control status in the Bank, including violations and deficiencies identified in the compliance risk management process.

One of the main tasks of compliance risk management is to develop and implement organizational measures aimed at ensuring the stable and efficient functioning of the Bank compliance risk management system.

LEGAL RISK MANAGEMENT

Legal risks – the probability of financial losses (damages), unplanned expenses, or the possibility of reducing the planned income as a result of:

- non-compliance of internal documents with the requirements of legislation, regulatory legal acts and law enforcement practice;
- failure to take into account (ignore) judicial and law enforcement practice;
- imperfections of the legal system;
- possible legal errors in the implementation of activities.

Within the framework of legal risk management, reports are generated on the facts of realization of losses (damages) related to the legal risk implementation, the current legal risk level, the legal risk management level and the current status of actions to minimize the legal risk.

BUSINESS CONTINUITY RISK MANAGEMENT

The Bank's business continuity management system corresponds to the current market situation, strategy, volume of assets, and level of complexity of the Bank transactions.

WITHIN THE FRAMEWORK OF BUSINESS CONTINUITY MANAGEMENT, THE BANK ANALYZES THE IMPACT OF NON-STANDARD SITUATIONS ON ITS TRANSACTIONS IN ORDER TO IDENTIFY CRITICAL ACTIVITIES AND DETERMINE THE TIME FRAME FOR RESTORING CRITICAL ACTIVITIES, AS WELL AS FOR:

- identification of resources required for resuming and continuing key activities in the event of unforeseen circumstances;
- maximum period of time within which the activity is resumed;
- period of time within which the normal level of activity is resumed.

Contingency risk analysis is performed by the Bank to assess threats and vulnerabilities in critical activities and the resources they use.

Every year, the Bank tests business continuity plans and prepares for undergoing the unforeseen situations.

INFORMATIONAL SECURITY AND IT RISK MANAGEMENT

Information security risk is the likely occurrence of damage due to a breach of confidentiality (risks associated with access to information by unauthorized persons or unsanctioned loss of information), deliberate violation of the integrity (risks associated with unauthorized modification or substitution of information) or availability (risks of blocking or destruction associated with the inability to use information by authorized persons) of the Bank information assets.

Information technology risk is the probability of damage due to the failure (malfunction) of information and communication technologies used by the Bank.

The main goal of information security risk management and information technology risk management is to organize and implement an efficient information security risk management system that corresponds to the external operating environment, the Bank strategy, organizational structure, volume of assets, and the nature and level of complexity of the Bank transactions – a system aimed at minimizing information security risks in the Bank.

Eurasian Bank

DISCLOSURE STATEMENTS

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FORWARD-LOOKING STATEMENTS

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DISCLOSURE STATEMENTS

Financial figures in this annual report are taken from the corresponding year's audited consolidated financial statements and their accompanying notes. In the management discussion, numbers may be rounded, or represented graphically. The reader should read the accompanying audited financial statements and notes for the 2018 -2019 years. Prior years audited financial statements are available on the company website www.eubank.kz.

For convenience, the Strategic Report presents the data in trillions of tenge, and on occasion, charts with billions of tenge, unless otherwise stated. The audited financial statements are all presented in thousands of tenge. In all cases, the units are stated.

Any comparative data to the Kazakhstan banking sector (including market shares, loan portfolio quality) is drawn from official reports to the NBRK, and are also available in Kazakh, Russian and English from the website (www.nationalbank.kz). All data reported to the regulator is accounted on a non-consolidated basis, but as of 2013 on an IFRS basis.

Forecasts and historical data for the Kazakhstan economy are available from multilateral organizations, such as the World Bank and International Monetary Fund. Historical data is also available from the Kazakhstan Government's official Statistical Agency, and available from their website (www.stat.gov.kz). A number of domestic and international financial institutions and research groups make forecasts available for their clients. Any historical economic data is based on data from the Statistical Agency, or from Government releases.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Such statements, certain of which can be identified by the use of forward looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "could", "would be", "seeks", "approximately", "estimates", "predicts", "projects", "aims" or "anticipates", or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realized.

The Bank is not obliged to, and does not intend to, update or revise any forward looking statements made in this Annual Report whether as a result of new information, future events or otherwise. All subsequent written or verbal forward looking statements attributable to the Bank, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Annual Report. As a result of these risks, uncertainties and assumptions, the reader of this Annual Report should not place undue reliance on these forward looking statements. Local regulatory requirements require the Bank to publish three-year forecasts in its annual report. These forecasts are forward-looking statements, and as long as the regulatory requirement exists, they will be replaced by subsequent forecasts in subsequent annual reports that reflect the banking and economic environment at that time.

Eurasian Bank

GLOSSARY

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GLOSSARY

JSC	Joint-Stock Company
ARDFM	Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market
STB RK	Second-tier banks of the Republic of Kazakhstan
WB	World Bank
GDP	Gross Domestic Product
IND	Internal normative documents
SSIF	State Social Insurance Fund
RBS	Remote banking service
MLRMCO (КУРРиЛ)	Market and Liquidity Risk Management Committee
KDIF	JSC Kazakhstan Deposit Insurance Fund JSC
mln	million
bln	billion
SME	Small and medium enterprise
IFRS	International Financial Reporting Standards
NB RK	The National Bank of the Republic of Kazakhstan
OJSC	Open Joint-Stock Company
AML/CFT (AML)	anti-money laundering and combating the financing of terrorism
p.p.	percentage point
RB	retail business
IAS	The Internal Audit Service
RK	The Republic of Kazakhstan
RMS	Risk Management System
USA	The United States of America
LLP	Limited Liability Partnership
thou	thousand
ACB	Authorized collegial bodies of the Bank
EDF/Damu	Fund Damu Entrepreneurship Development Fund JSC
SE	State of emergency
AQR	Asset quality review
ENRC	Eurasian Natural Resources Corporation
KASE	Kazakhstan Stock Exchange
KPI	Key Performance Indicators
KYC	Know Your Customer
Moody’s	Investors Service international credit rating agency
NPL	Non-Performing Loans
NPS	Net Promoter Score
ROE	Return on equity
SWIFT	Society of Worldwide Interbank Financial Telecommunications
VaR	Value at Risk

INVESTOR INFO

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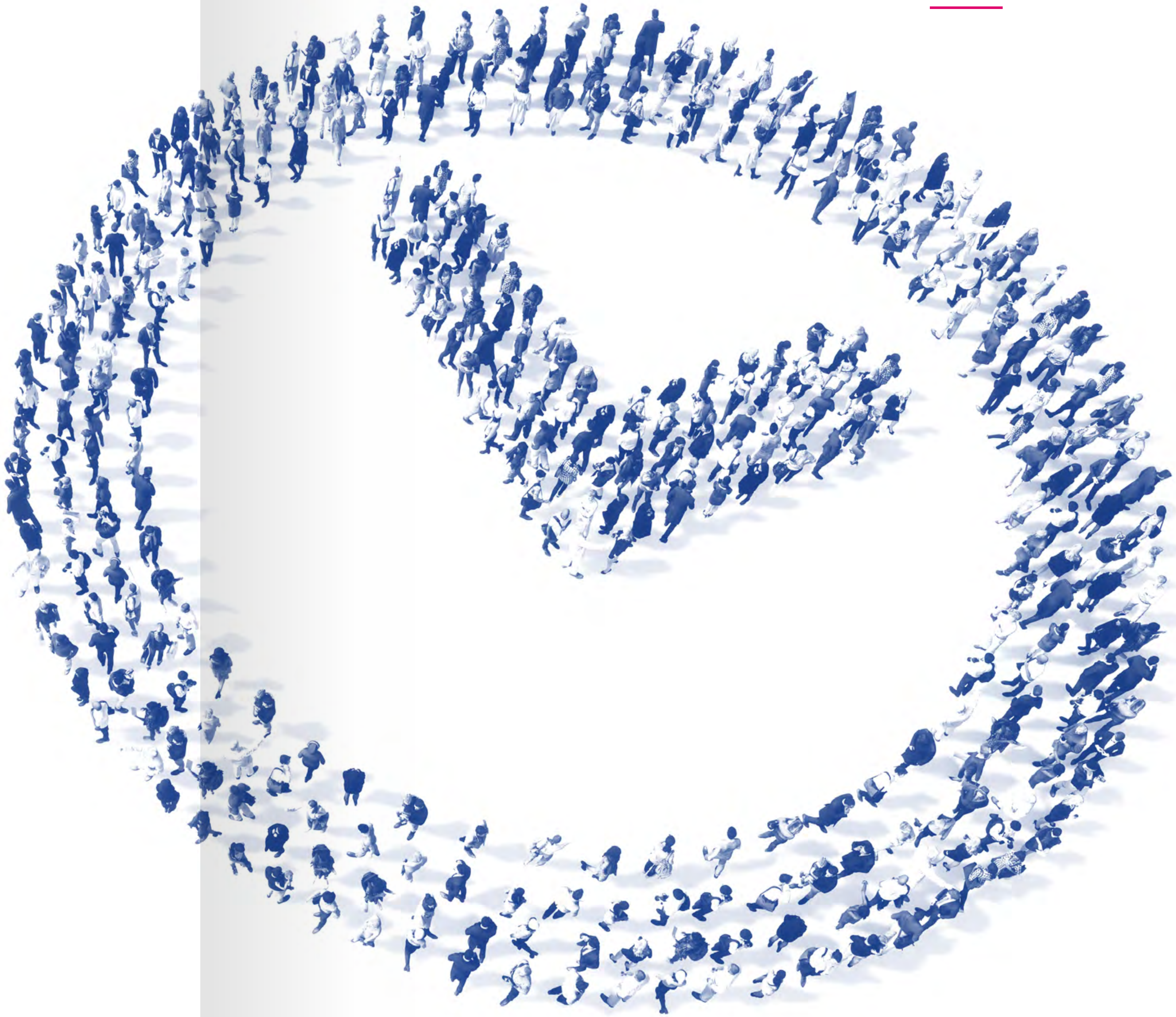


INVESTOR INFO

EURASIAN BANK JSC

Registered address:	56, Kunayev Street, A25Y5K2, Almaty, Kazakhstan
Telephone:	+7 (727) 250-86-84
Fax:	+7 (727) 244-39-24
Website:	www.eubank. kz
For investors:	www.eubank.kz/about/for-investors

The responsible subdivision for issue of the Bank securities intended for the domestic financial market and the implementation of transactions with its own securities is the Debt Obligation and Capital Transaction Division of the Treasury Transaction Block of Eurasian Bank JSC.

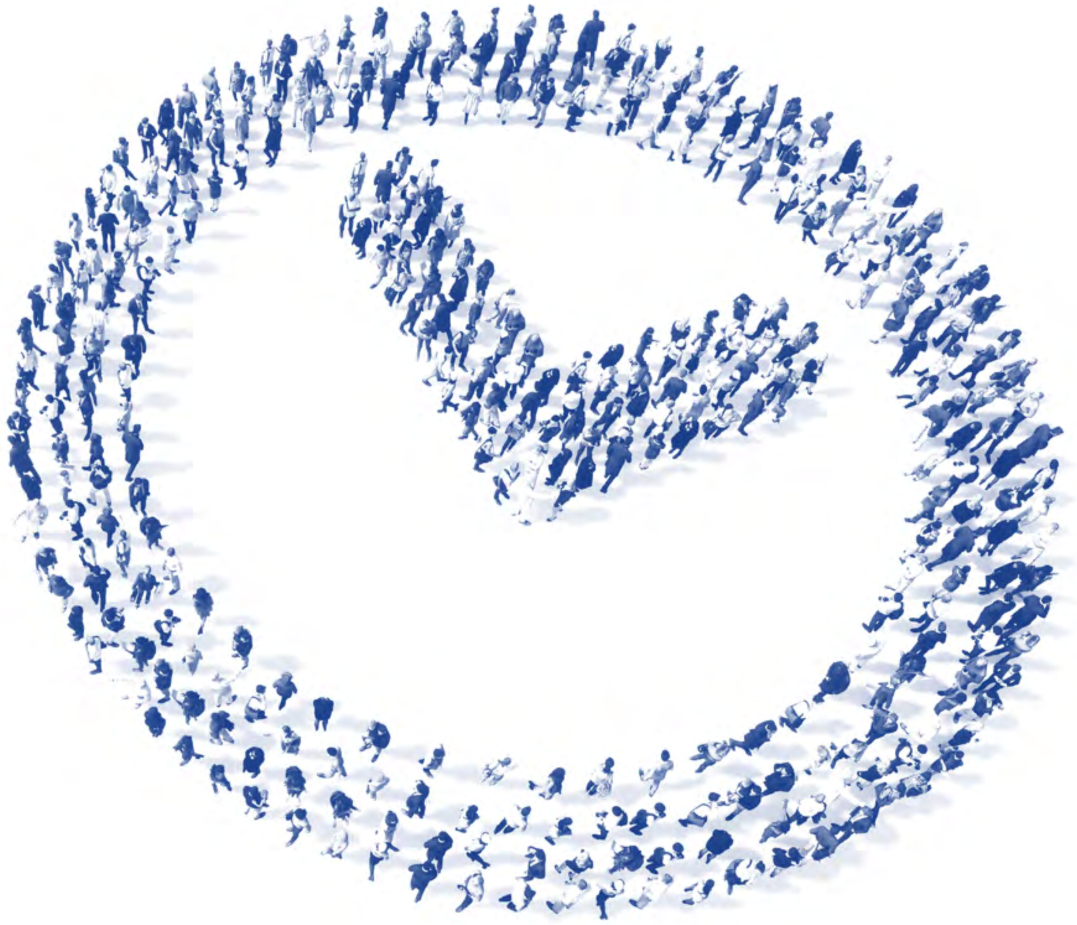
AUDITORS

KPMG Audit LLC

Registered address:	180, Dostyk Avenue, Koktem Business Center, Almaty, A25D6T5, Kazakhstan.
Telephone:	+7 (727) 298 08 98
Website:	www.kpmg.kz

THE REGISTRAR OF THE BANK IS THE CENTRAL DEPOSITORY OF SECURITIES JSC

Registered address:	28, Samal-1 Microrayon, Almaty, 050051, Kazakhstan
Telephones:	+7 (727) 262 08 46, 355 47 60



Eurasian Bank

FINANCIAL STATEMENTS

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Eurasian Bank JSC

Consolidated Financial Statements

for the year ended 31 December 2020

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KPMG

«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
Қазақстан, A25D6T5, Алматы,
Достық д-лы, 180,
Тел.: +7 (727) 298-08-98

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

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Eurasian Bank Joint Stock Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

<table>
<tr><th colspan="2">Expected Credit Losses (ECL) for loans to customers</th></tr>
<tr><td colspan="2">Please refer to Notes 3(g) and 16 in the financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></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 Group 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 uncertainty in estimating of ECL allowance, this area is a key audit matter.</td><td>We analysed the key aspects of the Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including involvement of our own specialists in financial risk management.

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 consolidated financial statements we tested whether Stages are correctly assigned by the Group given the impact of COVID-19 on the borrowers' operations by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group.

- For a sample of loans to corporate customers, we tested the correctness of data inputs for PD calculation.

- For a sample of Stage 3 loans to corporate customers, where ECL are assessed individually, we critically assessed assumptions used by the Group to forecast future cash flows, including the estimated value of realisable collateral and their expected realisation periods based on publicly available market information.

- For loans to retail customers we tested the design and operating effectiveness of controls over timely reflection of delinquency events in the underlying systems.

- We agreed input data for the model used to assess ECL for loans to retail customers to underlying documents and checked whether these loans have been correctly allocated into Stages on a sample basis.</td></tr>
</table>

	- We assessed general predictive capability of the models used by the Group to assess ECL by comparing the estimates made as at 1 January 2020 with actual results for 2020. We also assessed the appropriateness of economic forecasts by comparing the Group's forecasts with those we have simulated. As part of this work we critically assessed the appropriateness of the Group's assumptions of the economic uncertainty related to COVID-19. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for 2020 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group for 2020 is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is:

Ashley Clarke
Engagement partner

Mukhit Kossayev
Certified auditor,
of the Republic of Kazakhstan Auditor's
Qualification Certificate
558 of 24 December 2003

KPMG Audit LLC

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

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

18 May 2021

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

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

V.V. Morozov
Chairman of the Board

N.M. Druzhinina
Deputy Chairman of the Board

Sh.K. Kapekova
Chief Accountant

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

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

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

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

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

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

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

KZT'000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Dynamic reserve**	**Revaluation reserve for financial assets measured at fair value through other comprehensive income**	**Cumulative presentation currency translation reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2019	57,135,194	25,632	8,234,923	-	(227,202)	1,880,026	25,777,815	92,826,388
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	4,492,113	4,492,113
Other comprehensive income								
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
Foreign currency translation differences	-	-	-	-	-	732,487	-	732,487
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	*787,169*	*732,487*	-	*1,519,656*
Total other comprehensive income	-	-	-	-	787,169	732,487	-	1,519,656
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**787,169**	**732,487**	**4,492,113**	**6,011,769**
Balance at 31 December 2019	**57,135,194**	**25,632**	**8,234,923**	**-**	**559,967**	**2,612,513**	**30,269,928**	**98,838,157**

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

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

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

1 Background

(a) Principal activity

The accompanying consolidated financial statements include the financial statements of Eurasian Bank JSC (the "Bank") and of its subsidiaries - Eurasian Project 1 LLP and Eurasian Project 2 LLP (31 December 2019: Eurasian Bank PJSC, Eurasian Project 1 LLP and Eurasian Project 2 LLP)(jointly referred to as the "Group").

The Bank was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank operates based on banking licence No. №1.2.68/242/40 granted on 3 February 2020, to conduct banking and other operations and engage in activities on securities market. The principal activities of the Bank are deposit taking, maintaining customer accounts, extending loans and issuing guarantees, providing custodian services, and settlement and cash services, and securities and foreign exchange activities.

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

The Bank is a member of the Kazakhstan Deposit Insurance Fund (the "KDIF").

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

The Bank's head office is registered at: 56 Kunayev street, Almaty, Republic of Kazakhstan. The majority of the Bank's assets and liabilities are located in the Republic of Kazakhstan.

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

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

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

On 29 December 2020, the Bank closed the deal to sell its holding of shares of the subsidiary bank of Eurasian Bank JSC (the Russian Federation) to Sovcombank PJSC; share purchase price was RUB 530,644 thousand, which was settled in cash.

(b) Shareholders

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

(c) Kazakhstan business environment

The Group's operations are primarily located on the territory of the Republic of Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan.

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

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

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

The accompanying consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the consolidated financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgments

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

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

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

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(d)(i);
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 3(g)(ii);
- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 3(g)(iv);
- recognition of fee and commission income on agency services - Note 3(m);
- estimates of fair values of financial assets and liabilities – Note 35.

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

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

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

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

Asset Quality Review (AQR)

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

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

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

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

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combination

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

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

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

(ii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Transactions eliminated on consolidation

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

(iv) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets.

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

(b) Foreign currency

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

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

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

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

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

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

(c) Cash and cash equivalents

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

(d) Financial instruments

(i) Classification

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

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

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

– to hold assets for collecting contractual cash flows;

– sales are irrelevant in relation to the objective of this model;

– within this model, the level of sales volume is generally the lowest as compared to other business-models (in terms of frequency and volume of asset transactions).

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

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

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

– how the performance of the business model is evaluated (and the financial assets held within that business model) and how this information is communicated to key management personnel;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– how managers responsible for portfolio management are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised. Information about sales in prior periods, the reasons for such sales and conditions existed at that time compared to current conditions is considered.

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

In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

The Group classifies its financial assets as follows:

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

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

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

(ii) Recognition

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

(iii) Measurement

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

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

- loans and receivables which are measured at amortised cost using the effective interest method;
- investments within a business model 'Held for collecting contractual cash flows', which are measured at amortised cost using an effective interest rate method;

(iv) Amortised cost versus gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. Premiums and discounts, including transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

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

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

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

(vi) Gains and losses on subsequent measurement

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

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

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

(vii) Derecognition

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

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

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

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

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

The Group writes off assets deemed to be uncollectible, if there are no reasonable expectations for their recovery.

(viii) Repurchase and reverse repurchase agreements.

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

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

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

(ix) Derivative financial instruments

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

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

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

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

(x) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

(e) Property, plant and equipment

(i) Owned assets

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

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

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Items of property, plant and equipment are depreciated from the date that they are acquired, or in respect of internally constructed assets, from the date that the asset is completed and ready for us. Land is not depreciated. The estimated useful lives of items of property, plant and equipment are as follows:

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

(f) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

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

(g) Impairment of assets

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

(i) Impairment

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

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

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

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

The Group considers:

- a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade';
- a financial asset to have low credit risk when a loan transaction is made with a counterparty having a credit rating of BBB- according to the international rating scale of S&P rating agency or similar ratings of Moody's and Fitch rating agencies, or a loan transaction is made with a company owned by the Government of the Republic of Kazakhstan.

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

(ii) Significant increase in credit risk

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

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

Significant increase in credit risk on a financial asset is evidenced by the occurrence of one or more of the below events:

- significant changes in indicators of credit risk (increase in long-term probability of default point in time by 80% from initial recognition of the financial asset) for a particular financial asset or similar financial assets with the same expected life;
- an actual or expected internal credit rating downgrade for the borrower determined upon monitoring based on a set of quantitative and qualitative indicators of the counterparty;
- significant changes in value of collateral (more than 50% of the value at the time of initial

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

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

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Measurement of expected credit losses (ECL)

ECL are a probability-weighted estimate of credit losses. Subsequently, they are measured as follows:

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

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

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

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

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

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

Individual financial assets

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

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

Homogeneous financial assets

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

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

To take into account the impact of macroeconomic indicators on PD, estimated PDs are calibrated by PIT coefficient (Point-in-Time). Economic scenarios used as at 31 December 2020 used the following key indicators for the Republic of Kazakhstan:

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

Period	Inflation,%	GDP growth, %	United States dollar exchange rate (average annual)	Export, bln. USD	Revenues of the Republic's budget (bln. KZT)	Oil price, USD	Basic rate of NB of Kazakhstan, in%
2021 forecast	6.0	2.8	445.0	41.40	6,926	35.0	8.50

Based on the correlation results, scripting was applied:

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

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

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

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

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

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

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

(v) Recognised impairment losses

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

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

(vi) Write-offs

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

(vii) Non-financial assets

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

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

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

(h) Provisions

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

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

(i) Credit related commitments

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

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

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

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

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

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

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

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

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

(j) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

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

(k) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

– temporary differences related to initial recognition of goodwill not deductible for tax purposes;

– temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

– temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

(l) Income and expense recognition

(i) Effective interest rate

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

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

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

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

(ii) Calculation of interest income and expense

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

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

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

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

(iii) Presentation

Interest income on financial instruments measured at fair value through profit or loss is included in "Other interest income" in the consolidated statement of profit or loss and other comprehensive income.

(m) Fee and commission income

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

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

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

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

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

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

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

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

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(n) Segment reporting

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

(o) Leases

The Group has initially applied IFRS 16 Leases from 1 January 2019 which replaced existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group as a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments, and depreciation charge for right-of-use assets and interest expense on lease liabilities.

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

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

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments.

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

In the consolidated statement of profit or loss and other comprehensive income, lease expenses are stated as depreciation and amortisation expenses in "Other general and administrative expenses" and as interest expenses paid in "Interest expenses".

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

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

(p) New standards and interpretations

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

– Amendments to References to Conceptual Framework in IFRS Standards;

– *Definition of a business (Asset acquisition and Business acquisition*) (Amendments to IFRS 3);

– *Definition of Material* (Amendments to IAS 1 and IAS 8).

New and revised IFRS standards issued but not yet effective

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

– *Interest Rate Benchmark Reform (IBOR)– Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16;*

– *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 Property, Plant and Equipment);*

– *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);*

– *Annual Improvements to IFRS Standards 2018-2020 Cycle;*

– *Reference to Conceptual Framework (Amendments to IFRS 3);*

– *Classification of Liabilities as Current or Non-current (Amendments to IAS 1);*

– *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*

4 Disposal of subsidiary

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

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

	29 December 2020 (unaudited) KZT'000
ASSETS	
Cash and cash equivalents	12,243,520
Financial instruments at FVTPL	304,624
Deposits and balances with banks	56,931
Loans to customers	112,189
Property, plant and equipment and intangible assets	248,808
Right-of-use assets	852,272
Deferred tax assets	10,335
Other assets	123,828
Total assets	**13,952,507**
LIABILITIES	
Deposits and balances from banks	318,819
Current accounts and deposits from customers	3,344,070
Other borrowed funds	4,362,211
Lease liabilities	913,849
Other liabilities	102,948
Total liabilities	**9,041,897**
Net disposed assets	**4,910,610**

	At the date of disposal
Net assets and liabilities of subsidiary	(4,910,610)
Previously recognised goodwill relating to subsidiary	(243,480)
Effect of inter-group transactions	(12,477)
Consideration received settled in cash	3,035,284
Loss on disposal	**(2,131,283)**
Disposed cash	(12,189,850)
Cash consideration received for assignment of the rights of claim on subordinated loans	**4,348,059**
Net cash outflow	**(4,806,507)**

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

5 Interest income and expense

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

6 Fee and commission income and expense

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

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

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

8 Net foreign exchange gain

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

9 Impairment losses on debt financial assets

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

10 Personnel expenses

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

11 Other general and administrative expenses

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

12 Income tax expense

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

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

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

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

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as at 31 December 2020 and 2019.

Tax loss carry-forwards originated in 2017 will expire on 31 December 2027. During 2020, the Group utilised tax loss of KZT 8,964,424 thousand (2019: KZT 13,600,586 thousand). Other deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

Movements in temporary differences during the years ended 31 December 2020 and 31 December 2019 are as follows:

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

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

13 Cash and cash equivalents

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

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

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

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

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

During 2020 and 2019, the Group entered into reverse repurchase agreements with counterparties on the Kazakhstan Stock Exchange and Non-banking Credit Organisation "National Clearing Centre" JSC. The agreements have been secured mainly by the treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, discount notes of the NBRK and the federal bonds of the Russian Federation. As at 31 December 2020, the fair value of financial assets that serve as collateral under reverse repurchase agreements is KZT 1,204,349 thousand (31 December 2019: KZT 7,672,955 thousand).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks' liabilities. Second-tier banks are required to comply with these requirements by maintaining average reserve (cash on hand in the national currency in the amount not exceeding 50 (fifty) percent of average minimum reserve requirements for the period, for which the minimum reserve requirements are determined, and balances on accounts in the national currency with NBRK) equal to or in excess of the average minimum requirements. As at 31 December 2020 the minimum reserves amounted to KZT 17,384,894 thousand (31 December 2019: KZT 14,395,261 thousand).

14 Financial assets at fair value through other comprehensive income

	2020 KZT'000	2019 KZT'000
Held by the Group		
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	78,512,607	23,271,216
NBRK discount notes	2,869,489	61,219,618
US treasury bonds	-	15,797,007
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 financial assets at fair value through other comprehensive income are overdue or impaired as at 31 December 2020 and 2019.

15 Deposits and balances with banks

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

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

As at 31 December 2020 and 2019, all deposits and balances with banks are categorised into Stage 1 of the credit risk grade.

As at 31 December 2020, a conditional deposit with the NBRK comprises funds of KZT 35,286,125 thousand received from the "Kazakhstan Sustainability Fund" JSC ("KSF JSC") (31 December 2019: KZT 0), KZT 993,042 thousand (31 December 2019: KZT 1,699,449 thousand) received from the "Development Bank of Kazakhstan" JSC (" DBK JSC") and KZT 1,004,769 thousand (31 December 2019: KZT 854,723 thousand) received from "DAMU Entrepreneurship Development Fund" JSC (" EDF DAMU JSC ") in accordance with the loan agreements with "KSF" JSC, "DBK" JSC and "EDF DAMU" JSC. Funds will be distributed as loans to small and medium businesses on preferential terms. These funds may be withdrawn from the conditional deposit only after approval of "KSF JSC", "DBK" JSC and "EDF DAMU" JSC, respectively.

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

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

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

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

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

Concentration of deposits and balances with banks

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

16 Loans to customers

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

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

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

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

** Excludes repayments (including early repayments).

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

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

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

** Excludes repayments (including early repayments).

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

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

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

** Excludes repayments (including early repayments).

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

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

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

** Excludes repayments (including early repayments).

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

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

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

The amount of undiscounted expected credit losses on initial recognition of originated credit-impaired financial assets recognised during 2019 was KZT 2,852,225 thousand.

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

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

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

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

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers measured at amortised cost as at 31 December 2020.

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets on initial recognition	Total
Loans to customers at amortised cost – corporate customers					
Not externally rated:					
Standard	14,754,098	-	-	-	14,754,098
Low risk	54,724,978	-	-	-	54,724,978
Medium risk	-	26,055,297	5,126,146	264,442	31,445,885
Increased risk	-	-	68,288,429	-	68,288,429
Problem	-	-	3,139,521	227,963	3,367,484
High risk	-	-	36,057,321	457,252	36,514,573
Not rated (secured with cash)	2,402,863	-	-	-	2,402,863
Total loans to large corporates	**71,881,939**	**26,055,297**	**112,611,417**	**949,657**	**211,498,310**
Loss allowance	(1,686,934)	(5,992,250)	(44,928,685)	(551,087)	(53,158,956)
Carrying amount	**70,195,005**	**20,063,047**	**67,682,732**	**398,570**	**158,339,354**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets on initial recognition	Total
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	3,226,628	-	-	-	3,226,628
Low risk	3,397,723	-	-	-	3,397,723
Medium risk	-	-	526,866	-	526,866
Problem	-	-	47,793	-	47,793
High risk	-	-	5,238,022	-	5,238,022
Not rated	479,169	-	42,640	-	521,809
Not rated (secured with cash)	295,540	-	-	-	295,540
Total loans to small- and medium-size companies	**7,399,060**	**-**	**5,855,321**	**-**	**13,254,381**
Loss allowance	(29,037)	-	(4,309,900)	-	(4,338,937)
Carrying amount	**7,370,023**	**-**	**1,545,421**	**-**	**8,915,444**

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

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

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

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

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

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

(i) Loans to corporate customers

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

- a discount of between 30% and 60% to the originally appraised value if the property pledged is sold;
- exclusion from collateral value of unstable collaterals;
- a delay of up to 36 months in obtaining proceeds from the foreclosure of collateral;
- PD for loans referred to as Stage 1 in terms of credit quality was 0.88-26.06%, referred to as Stage 2 in terms of credit quality - 0.29-39.16%, depending on the borrower’s internal rating;
- LGD for loans referred to as Stages 1, 2 and 3, with gross carrying amount of less than 0.2% of equity but not more than KZT 180 million, was from 0% to 79.46%. LGD for loans referred to as Stage 3, with gross carrying amount exceeding 0.2% of equity, was from 0% to 100%.

Changes in the above estimates may impact a loss allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, loss allowance for expected credit losses on loans to corporate customers as at 31 December 2020 would be KZT 1,672,548 thousand lower/higher.

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

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

- migration rates are constant and can be estimated based on historic loss migration pattern for the past 5-8 years; a 12-month PD for groups of products referred to as Stage 1 in terms of credit quality was 5.67-15.32% (minimum value of 5.67% relates to the product “Auto lending” and maximum value of 15.32% relates to the product “UnCL” (“Uncollateralised consumer loans”)); lifetime PD referred to as Stage 2 in terms of credit quality was 30.70-48.58%, depending on the group of products of homogeneous retail portfolio (minimum value of 30.70% relates to the product “PayRoll” (“Uncollateralised consumer loans”) and maximum value of 48.58% relates to the product “UnCL” (“Uncollateralised consumer loans”);
- recovery rates for uncollateralised loans are estimated based on historical cash recovery rates for the past 5-8 years; LGD for products of homogeneous portfolio referred to as Stage 1 and Stage 2 was 50.25% for the product “Car” (car loans) and 66.96% for the product “POS” (Uncollateralised consumer loans); Recovery rate for products of homogeneous portfolio referred to as Stage 3 was varied from 23.46% for the “Business Car SME” product to 100% for the “Uncollateralised consumer loans” product;
- a delay of up to 24 months in obtaining proceeds from the sale of foreclosed collateral;
- there are no significant legal impediments for foreclosure of cars pledged as collateral that could extend realisation period beyond expected time;
- the cars will either be foreclosed without significant damages or the damages will be reimbursed by insurance companies and the sales will be made at market prices prevailing at the reporting date less reasonable handling expenses and liquidity discounts.

Changes in the above estimates may impact a loss allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, loss allowance for expected credit losses on loans to retail customers as at 31 December 2020 would be KZT 11,717,094 thousand lower/higher.

(c) Analysis of collateral

(i) Loans to corporate customers

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

31 December 2020 KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral - for collateral assessed as of reporting date**	**Fair value of collateral: for collateral assessed as at loan inception date**	**Fair value of collateral not determined**
Loans measured at amortised cost				
Loans not credit-impaired				
Real estate	43,077,940	41,813,820	1,264,120	-
Vehicles	19,581,524	19,567,155	14,369	-
Corporate guarantees and guarantees of individuals	5,513,711	-	-	5,513,711
Construction-in-progress	-	-	-	-
Cash and deposits	5,663,102	5,663,102	-	-
Insurance	3,526,072	-	-	3,526,072
Goods in turnover	2,538,151	2,538,151	-	-
Equipment	1,657,282	1,657,282	-	-
Mineral rights	354,181	354,181	-	-
Property/money in the future	65,398	65,398	-	-
Other collateral	4,781	4,781	-	-
No collateral and other credit enhancements	15,645,933	-	-	15,645,933
Total unimpaired loans	**97,628,075**	**71,663,870**	**1,278,489**	**24,685,716**

31 December 2020 KZT'000	**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	62,857,708	62,645,188	212,520	-
Construction-in-progress	4,794,464	4,794,464	-	-
Equipment	942,039	942,039	-	-
Corporate guarantees and guarantees of individuals	474,720	-	-	474,720
Vehicles	163,043	163,029	14	-
Other collateral	71,281	71,281	-	-
Cash and deposits	9,809	9,809	-	-
No collateral and other credit enhancements	313,659	-	-	313,659
Total credit-impaired loans	**69,626,723**	**68,625,810**	**212,534**	**788,379**
Total loans to corporate customers measured at amortised cost	**167,254,798**	**140,289,680**	**1,491,023**	**25,474,095**
Loans measured at fair value				
Real estate	**4,608,253**	**4,608,253**	**-**	**-**
Total loans to corporate customers measured at fair value	**4,608,253**	**4,608,253**	**-**	**-**
	171,863,051	**144,897,933**	**1,491,023**	**25,474,095**

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

The tables above exclude overcollateralisation.

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

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

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

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

(ii) Loans to retail customers

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

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 1,097,395 thousand (31 December 2019: KZT 1,519,356 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 263,014 thousand (31 December 2019:` KZT 349,898 thousand).

Management believes that fair value of collateral for mortgage loans with a net carrying amount of KZT 8,945,934 thousand (31 December 2019: KZT 8,623,707 thousand), is at least equal to the carrying amount of individual loans at the reporting date.

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

The fair value of collateral for mortgage loans with a net carrying amount of 2,982,828 thousand (31 December 2019: KZT 3,703,525 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Loans for individual entrepreneurship

Included in loans for individual entrepreneurship are loans with a net carrying amount of KZT 248,142 thousand (31 December 2019: KZT 334,304 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 38,335 thousand (31 December 2019: KZT 13,402 thousand).

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

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

Management believes that the fair value of collateral for loans for individual entrepreneurship with a net carrying amount of KZT 153,467 thousand (31 December 2019: KZT 123,803 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Non-programme loans issued on individual terms

Included in non-programme loans on individual terms are loans with a net carrying amount of KZT 233,012 thousand (31 December 2019: KZT 3,358,219 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 137,826 thousand (31 December 2019: KZT 2,220,480 thousand).

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

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

Management believes that the fair value of collateral for non-programme loans on individual terms with a net carrying amount of KZT 34,667 thousand (31 December 2019: KZT 36,539 thousand) the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Car loans

Included in car loans are loans with a net carrying credit KZT 2,166,208 thousand (31 December 2019: KZT 75,773 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 253,637 thousand (31 December 2019: KZT 73,939 thousand).

Management believes that fair value of collateral for car loans with a net carrying amount of KZT 158,153,927 thousand (31 December 2019: KZT 162,580,630 thousand), is at least equal to the carrying amount of individual loans at the reporting date.

(d) Industry and geographical analysis of the loan portfolio

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

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

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

(e) Loan maturities

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

(f) Transfer of financial assets

In 2020, as part of its participation in the state mortgage programmes '7-20-25' and "Market Mortgage Product" ("Baspana Hit") the Group transferred to Baspana Mortgage Organisation JSC the mortgage loans of KZT 1,917,990 thousand (2019: KZT 1,653,303 thousand). The Group determined that it has not transferred risks and rewards to the buyer of the assets and therefore, retains control and continues recognising loans in its consolidated statement of financial position. The liability from continuing involvement with the asset is included in 'other liabilities' and amounts to KZT 3,437,654 thousand (2019: KZT 1,798,934 thousand).

During 2020, the Group did not sell other consumer loans to third parties (during 2019: the Group did not sell other consumer loans to third parties).

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

As at 31 December 2020 the Group's continuing involvement with such transferred portfolio is recorded in the consolidated statement of financial position in other assets (Note 19) in the amount of KZT 18,583 thousand (31 December 2019: KZT 1,429,693 thousand) with corresponding liability on continuing involvement included in other liabilities of KZT 13,131 thousand (31 December 2019: KZT 809,164 thousand) (Note 26) and the guarantee with the fair value of KZT zero (31 December 2019: KZT 149,438 thousand) recognised in other liabilities. This asset also includes an interest strip receivable of KZT zero (31 December 2019: KZT 960,942 thousand) which represents the right to withhold from the loan buyer a portion of interest receivable on mortgage loan portfolio sold. The Group has a right to receive 1.7% p.a. of the mortgage loan portfolio sold on a monthly basis.

(g) Loans issued under Government programs

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

17 Investments at amortised cost

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

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

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

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

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

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

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

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

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

19 Other assets

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

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

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

Analysis of movements in the ECL allowance

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

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

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

20 Deposits and balances from banks

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

21 Amounts payable under repurchase agreements

Securities pledged

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

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

22 Current accounts and deposits from customers

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

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

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

As at 31 December 2020, the Group maintains current accounts and demand deposits from retail customers of KZT 7,380,634 thousand (31 December 2019: KZT 9,523,118 thousand), which are prepayments for loans. Prepayments for loans comprise payments made by retail borrowers ahead of schedule. These payments are settled against the loan balance at the date the instalments fall due.

23 Debt securities issued

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

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

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

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

	Date of first placement of issue	Maturity date	Coupon rate	Effective interest rate	Carrying amount 2020 KZT'000	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 consolidated statement of profit and loss and other comprehensive income upon Bonds initial recognition, amounted to KZT 106,961,607 thousand.

25 Other borrowed funds

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

As at 31 December 2020, the terms and conditions and schedule of repayment of the borrowed 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 Group, the Group is responsible to extend loans to companies operating in the agriculture industry to support their financial recovery. According to the loan agreements between “ACC JSC” and the Group, the Group is responsible to extend loans to companies operating in the agriculture industry.

According to “EDF DAMU” JSC and “DBK” JSC loan agreements, the Group is responsible to extend loans to large corporates and SME borrowers, eligible to participate in the Program, with maximum maturity up to 10 years at 6.00% interest rate per annum. Management of the Group believes that due to their specific nature, the loans from “KazAgro”, “ACC” JSC, “EDF DAMU” JSC and “DBK” JSC represent a separate segment of borrowings from state companies to support companies operating in certain industries. As a result, the loans from “KazAgro”, “ACC” JSC, “EDF DAMU” JSC and “DBK” JSC are regarded as having been received on an “arm’s length” basis and, as such, the amount received under the loans represents the fair value of the loans on initial recognition.

The Group is liable for compliance with covenants of loan agreements stated above. The Group has complied with all covenants as at 31 December 2020 and 31 December 2019.

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

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

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

26 Other liabilities

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

27 Share capital

(a) Issued capital and share premium

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

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

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

	2020 Shares	2019 Shares
Issued at KZT 955.98	8,368,300	8,368,300
Issued at KZT 1,523.90	2,631,500	2,631,500
Issued at KZT 1,092.00	2,930,452	2,930,452
Issued at KZT 6,532.60	7,030,137	6,417,823
Total issued and outstanding shares	**20,960,389**	**20,348,075**

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

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

(b) Dividends

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

During the year ended 31 December 2020, no dividends were declared or paid (2019: no dividends were declared or paid).

(c) Book value per share

Under the listing rules of the Kazakhstan Stock Exchange the Group should present book value per share in its consolidated financial statements.

The book value per ordinary share is calculated dividing net assets less intangible assets by the number of outstanding ordinary shares. As at 31 December 2020 the book value per ordinary share was KZT 4,871.89 (31 December 2019: KZT 4,527.42).

(d) Nature and purpose of reserves

Reserves for general banking risks

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

Starting from 2013, the formation of this reserve was determined by the Bank management at its disposal. During the annual periods ended 31 December 2020 and 31 December 2019, no transfers to/from general reserve were made by the Bank to cover general banking risks.

28 Earnings per share

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

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

29 Analysis by segment

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

- Corporate banking – includes loans, deposits and other transactions with corporate customers;
- Retail banking – includes loans, deposits and other transactions with retail customers;
- Assets and Liabilities management – includes maintaining of liquid assets portfolio (cash, nostro accounts with the NBRK, and other banks, interbank financing (up to 1 month), investments into liquid assets and bonds issue management);
- Small and medium size companies banking - includes loans, deposits and other transactions with small and medium size companies;
- Treasury – includes Group financing via interbank borrowings and using derivatives for hedging market risks and investments into liquid securities (corporate bonds).

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

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

Reconciliations of reportable segment total assets and total liabilities:

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

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

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

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

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

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

Reconciliations of reportable segment revenues and profit or loss:

	2020 KZT'000	2019 KZT'000
Reportable segment revenue	250,098,996	263,727,434
Consolidation effect	2,803,758	414,280
Funds transfer pricing	(87,786,044)	(91,791,078)
Other adjustments	(10,088,855)	(6,874,302)
Total revenue	**155,027,855**	**165,476,334**

	2020 KZT'000	2019 KZT'000
Reportable segment profit	4,044,429	6,215,087
Other adjustments	112,979	(3,467,856)
Consolidation effect	2,630,372	1,744,882
Total profit	**6,787,780**	**4,492,113**

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

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

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

Information about large customers and geographical areas

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

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

30 Risk management

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

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures. The Risk and Internal Controls Committee preliminary reviews these matters and seeks consideration and/or approval of these matters from the Board of Directors.

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

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

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

(b) Market risk

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

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

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

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

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Group’s overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

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

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its consolidated financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring and forecasting interest rate gaps, reduction in time gaps of interest bearing assets and liabilities. A summary of the interest gap position as at 31 December 2020 and 2019 for major financial instruments is as follows:

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

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

Average effective interest rates

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

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

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2020 and 31 December 2019, is as follows:

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

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

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

(ii) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group hedges its exposure to currency risk. The Group manages its foreign currency position through the limits established for each currency and net foreign currency position limits.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2020:

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

** including spot transactions.

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

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

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

** including spot transactions.

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2020 and 2019 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

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

A strengthening of the KZT against the above currencies at 31 December 2020 and 2019 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risk

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

(iv) Value at Risk estimates

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

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

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

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

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

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

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

(c) Credit risk

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

The credit policy establishes:

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

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

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

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

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

Loan approvals and credit card limits can be cancelled at anytime.

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

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

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

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

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

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

Offsetting financial assets and liabilities

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

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

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

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

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

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

Such collateral is subject to the standard industry terms of the International Swaps and Derivatives Association ("ISDA") Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transitions upon the counterparty's failure to post collateral.

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

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

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

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

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

(d) Liquidity risk

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

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

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

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

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

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

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

* including SPOT transactions.

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

KZT'000	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total gross amount outflow/ (inflow)**	**Carrying amount**
Non-derivative financial liabilities							
Deposits and balances from banks	1,319,388	-	-	-	57,389	1,376,777	1,376,777
Current accounts and deposits from customers	195,943,337	79,562,662	118,173,592	251,702,234	212,495,833	857,877,658	799,376,578
Debt securities issued	46,666	462,638	13,079,290	10,422,721	12,991,717	37,003,032	32,043,765
Subordinated debt securities issued	112,275	-	479,186	6,591,461	243,130,589	250,313,511	63,437,257
Other borrowed funds	65,545	4,292,116	629,646	1,470,623	33,069,621	39,527,551	33,571,380
Lease liabilities	130,707	247,552	356,839	594,224	2,478,712	3,808,034	3,557,051
Other financial liabilities	15,814,018	3,000	158	2	794	15,817,972	15,817,972
Derivative financial liabilities*							
- Inflow	(7,500,804)	-	-	-	-	(7,500,804)	(1,516)
- Outflow	7,499,288	-	-	-	-	7,499,288	-
Total liabilities	**213,430,420**	**84,567,968**	**132,718,711**	**270,781,265**	**504,224,655**	**1,205,723,019**	**949,179,264**
Credit related commitments	86,591,130	-	-	-	-	86,591,130	86,591,130

* including SPOT transactions.

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

- KZT 30,317,424 thousand are categorised to ‘demand deposits’ and those which mature within less than one month (31 December 2019: KZT 37,944,144 thousand);
- KZT 156,278,567 thousand are categorised to deposits, which mature within one to three months (31 December 2019: KZT 79,492,938 thousand);
- KZT 113,534,638 thousand are categorised to deposits, which mature within three to six months (31 December 2019: KZT 117,740,508 thousand);
- KZT 225,665,313 thousand are categorised to deposits, which mature within six to twelve months (31 December 2019: KZT 251,603,384 thousand);
- KZT 129,587,107 thousand are categorised to deposits, which mature within the period of more than one year (31 December 2019: KZT 210,488,245 thousand).

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

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position, excluding derivative instruments, as at 31 December 2020:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative financial assets								
Cash and cash equivalents	305,893,609	-	-	-	-	-	-	305,893,609
Securities measured at fair value through other comprehensive income	938,276	374,733	19,211,130	72,907,267	653,171	-	-	94,084,577
Deposits and balances with banks	37,283,936	-	-	1,707,699	3,855,570	-	-	42,847,205
Loans to customers	54,838,205	36,598,377	137,616,871	273,362,651	25,360,604	-	34,656,149	562,432,857
Securities measured at amortised cost	8,721,209	50,516,438	33,452,797	52,411,915	-	-	-	145,102,359
Current tax asset	3,652	-	-	-	-	-	-	3,652
Property, plant and equipment and intangible assets	-	-	-	-	-	20,105,644	-	20,105,644
Right-of-use assets	3,091	10,250	261,795	2,168,300	-	-	-	2,443,436
Other assets	17,236,104	219,269	302,256	5,789,805	2,974,741	242,587	9,104	26,773,866
Total assets	**424,918,082**	**87,719,067**	**190,844,849**	**408,347,637**	**32,844,086**	**20,348,231**	**34,665,253**	**1,199,687,205**
Non-derivative financial liabilities								
Deposits and balances from banks	862,012	-	-	-	-	-	-	862,012
Accounts payable under repurchase agreements	1,139,662	-	-	-	-	-	-	1,139,662
Current accounts and deposits from customers	367,662,817	150,358,864	326,227,937	93,424,713	15,200,063	-	-	952,874,394
Debt securities issued	-	296,825	-	7,849,859	2,000,611	-	-	10,147,295
Subordinated debt securities issued	106,038	-	1,452,696	15,325,412	49,745,333	-	-	66,629,479
Other borrowed funds	137	630,886	747,718	6,180,840	19,775,637	-	-	27,335,218
Lease liabilities	1,478	15,260	280,010	2,486,178	-	-	-	2,782,926
Deferred tax liabilities	-	-	-	-	-	6,111,707	-	6,111,707
Other liabilities	22,630,351	-	125,819	-	-	-	-	22,756,170
Total liabilities	392,402,495	151,301,835	328,834,180	125,267,002	86,721,644	6,111,707	-	1,090,638,863
Net position	**32,515,587**	**(63,582,768)**	**(137,989,331)**	**283,080,635**	**(53,877,558)**	**14,236,524**	**34,665,253**	**109,048,342**
Accumulated net position	**32,515,587**	**(31,067,181)**	**(169,056,512)**	**114,024,123**	**60,146,565**	**74,383,089**	**109,048,342**	**109,048,342**

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

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

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

- Management's analysis of behaviour of holders of term deposits during the past three years indicates that offering of competitive interest rates provides for high level of renewals.
- As at 31 December 2020 the balance of accounts and deposits from related parties, which fall due within 1 year, is KZT 235,953,312 thousand (2019: KZT 128,511,354 thousand). Management believes that the term deposits will be extended when they fall due and withdrawals of significant customer accounts, if required, will be coordinated with the Group's liquidity management objectives.

(e) Operational risk

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

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

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

31 Capital management

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

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

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

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

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

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

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

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

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

As at 31 December 2020, the minimum level of ratios as applicable to the Bank are as follows:

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

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

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

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

The Bank's capital position as at 31 December 2020 calculated in accordance with the requirements established by the Resolution of the Board of the National Bank of the Republic of Kazakhstan of 13 September 2017, No. 170 "On establishment of normative values and techniques of calculations of prudential standard rates and other regulations, obligatory to observance, and limits of the size of the capital of bank for the certain date and Rules of calculation and limits of the open foreign exchange position of bank" amounted to KZT 252,512,250 thousand (31 December 2019: KZT 249,720,379 thousand). Tier 1 capital as at 31 December 2020 amounted to KZT 100,775,697 thousand (31 December 2019: KZT 95,097,739 thousand).

32 Credit related commitments

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

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

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

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

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

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

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

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

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

KZT’000 **Credit related commitments**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance for expected credit losses at the beginning of the year	234,670	-	65,531	300,201
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	45,265	(45,265)	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(205,164)	(45,265)	(20,266)	(270,695)
New financial assets originated or purchased	60	-	-	60
Disposal of subsidiary	(13,343)	-	-	(13,343)
Foreign exchange and other movements	(16,206)	-	-	(16,206)
Loss allowance for expected credit losses at the end of the year	**17**	**-**	**-**	**17**

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

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

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

33 Contingencies

(a) Insurance

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

(b) Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial results of future operations of the Group.

(c) Taxation contingencies

The taxation system in the Republic Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the consolidated financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

34 Related party transactions

(a) Control relationships

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

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

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

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

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

The outstanding balances and average effective interest rates as at 31 December 2020 and 2019 for transactions with members of the Board of Directors, the Management Board and other key management personnel are as follows:

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

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

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

(c) Transactions with other related parties

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

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

31 December 2020	**Parent Company**		**Other subsidiaries of the Parent Company**		**Other related parties***		
	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 consolidated statement of financial position							
Guarantees issued	-		-		45,427		45,427
Guarantees received	-		-		11,982,469		11,982,469
Letters of credit	-		-		405,493		405,493
Profit/(loss)							
Interest income under the effective interest method	-		-		1,387,657		1,387,657
Other interest income	-		-		634,549		634,549
Interest expense	(74,246)		(1,162,004)		(2,432,426)		(3,668,676)
Fee and commission income	874		3,337,156		530,064		3,868,094
Fee and commission expenses	-		(2,888)		(22,088)		(24,976)
Net gain on financial instruments measured at fair value through profit or loss	-		-		18,089		18,089
Net foreign exchange loss	2		(160,375)		(8,921,878)		(9,082,251)
Impairment losses on debt financial assets	-		-		(2,649,994)		(2,649,994)
Other general and administrative expenses	-		(66,865)		(191,930)		(258,795)

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

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

31 December 2019	**Parent Company**		**Other subsidiaries of the Parent Company**		**Other related parties***		
	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 consolidated statement of financial position							
Loan and credit line commitments	-		-		1,178,986		1,178,986
Guarantees issued	-		-		120,569		120,569
Guarantees received	-		-		3,864,472		3,864,472
Letters of credit	-		-		14,793		14,793
Profit/(loss)							
Interest income under the effective interest method	-		-		1,645,485		1,645,485
Other interest income	-		-		813,151		813,151
Interest expense	(232,924)		(2,156,415)		(3,625,706)		(6,015,045)
Fee and commission income	799		1,315,813		590,808		1,907,420
Fee and commission expenses	-		(4,378)		(1,711)		(6,089)
Net gain on financial instruments measured at fair value through profit or loss	-		-		61,579		61,579
Net foreign exchange gain	-		123,862		2,336,068		2,459,930
Other operating expenses	-		-		-		-
Impairment losses on debt financial assets	-		-		(351,998)		(351,998)
Other general and administrative expenses	-		(91,776)		(167,433)		(259,209)

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

Loans to related parties with net carrying amount of KZT 51,710,866 thousand (31 December 2019: KZT 51,652,416 thousand) are secured by land plots, real estate, guarantees, movable property and other types of collateral, whose value mostly covers the carrying amount of these loans excluding overcollateralization. The remaining amount of loans to related parties is not secured.

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

35 Financial assets and liabilities: fair values and accounting classification

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020:

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

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

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

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

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

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

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

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

For more complex instruments, the Group uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and securities for which there is no active market.

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

- discount rates of 4.70 – 12.20% and 14.90 – 27.65% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively (31 December 2019: 4.40 – 13.60% and 6.00 – 27.98%, respectively);
- discount rates of 0.40 – 7.30% and 1.00 – 9.20% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively (31 December 2019: 0.80 – 7.40% and 1.40 – 8.80%, respectively);
- quoted market price is used for determination of fair value of debt securities issued.

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

(b) Fair value hierarchy

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

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

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

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

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

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

Due to low market liquidity, management considers that quoted prices in active markets are not available, including for government securities listed on the Kazakhstan Stock Exchange. Accordingly, as at 31 December 2020 and 2019 the estimated fair value of these financial instruments is based on the results of valuation techniques involving the use of observable market inputs.

Unobservable valuation differences on initial recognition

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

The following table shows a reconciliation for the years ended 31 December 2020 and 31 December 2019 for fair value measurements in Level 3 of the fair value hierarchy:

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

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

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

As at 31 December 2020 if the interest rate applied to cash flows had increased/(decreased) by 1%, the fair value of loans to customers in Level 3 of the fair value hierarchy would have (decreased)/increased by (KZT 40,631 thousand)/KZT 41,397 thousand (31 December 2019: (KZT 118,362 thousand)/KZT 121,218 thousand).

36 Subsequent events

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