JSC Halyk Bank

Consolidated Financial Statements
and Independent Auditors' Report
For the Year Ended 31 December 2020

JSC Halyk Bank

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JSC Halyk Bank

Statement of Management's Responsibilities
For the Preparation and Approval of the Consolidated Financial Statements
For the Year Ended 31 December 2020

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of JSC Halyk Bank (the "Bank") and its subsidiaries (collectively – the "Group") as at 31 December 2020, the related consolidated statement of profit or loss, the consolidated statement of other comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the Management Board on 5 March 2021.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan

Dana S. Talzhanova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC Halyk Bank

Opinion

We have audited the consolidated financial statements of JSC Halyk Bank and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2020, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies.

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 ("IFRSs").

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' Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the 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 judgement, 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.

Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
Collective assessment of the expected credit losses on loans to customers	
As at 31 December 2020, the Group reported total gross loans of KZT 4,824,316 million, including KZT 1,635,095 million subject to collective impairment assessment, which comprise 34% of total gross loans. The expected credit losses (“ECL”) resulting from this assessment amounted to KZT 132,560 million. For loans assessed on a collective basis, there is a risk of errors in the underlying data used in assessment of the ECL, including errors in loan data (maturity date or outstanding balances), inaccurate or incomplete inputs and assumptions used in assessing probability of default (“PD”), loss given default data (“LGD”) and inconsistency of historical and forward-looking information with available market based data, including the impact of COVID-19 pandemic. Due to the significance and subjectivity of judgements used by management of the Group, the volume of loans assessed on a collective basis and a high degree of estimation uncertainty due to the economic impacts of COVID-19 which led to a high degree of auditor judgement, we identified the collective assessment of expected credit losses as a key audit matter. Refer to Notes 3, 4, 11 and 33 to the consolidated financial statements for the description of the Group’s policy and disclosures of gross carrying amounts and related allowances balances.	We obtained an understanding of processes and control procedures related to the loan origination, credit risk management and ECL assessment for loans to customers, assessed on a collective basis. We challenged the reasonableness of the methodology on collective loan loss provisioning and its compliance with IFRS 9 Financial Instruments requirements. We checked that the data inputs and key assumptions used in the models for assessing PDs and LGDs reflect historical information about incurred credit losses adjusted for relevant forward-looking macroeconomic factors, including the impact of COVID-19, amongst other factors. With the involvement of our credit risk advisory specialists, we tested the mathematical accuracy and computation of the ECL on loans to customers assessed on a collective basis by re-performing and calculating elements of the expected credit losses based on relevant source data. This included assessing the appropriateness of model design and formulas used, considering modelling techniques and recalculating PDs, LGDs and Exposure at default. On a sample basis, we tested the accuracy and completeness of the data used in the ECL models, such as collateral values and statistics for recoveries of loans, we traced back information used in the ECL models to source data and also assessed the appropriateness of forward-looking information used in the models, including its adjustment for the impact of COVID-19 pandemic. We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements, including the impact of COVID-19 on ECL. We found no material exceptions in these tests.

Individual assessment of the expected credit losses on loans to customers	
As at 31 December 2020, the Group's gross loans assessed for impairment on an individual basis amounted to KZT 3,189,221 million, which accounts for 66% of total gross loans. The related ECL comprised KZT 245,481 million. The amount of allowances for the ECL on individually significant loans is dependent on the accuracy of allocation of loans to appropriate stage of impairment in the provisioning system of the Group. In particular, there is a risk that exposures with significant increase in credit risk and credit-impaired exposures (movements between stage 1, stage 2 and stage 3 and vice versa) are not completely or accurately identified/classified as at the reporting date, as not all relevant qualitative, quantitative and forward-looking information was captured and the impacts to particularly vulnerable sectors affected by COVID-19 were not considered. Additionally, the ECL on individually significant credit-impaired loans in stage 3 may be misstated due to errors related to the estimation of future cash receipts or use of inappropriate or unsupported information. Due to the significance of the allowance for expected credit losses on individually assessed loans and the complexity and subjectivity of management's judgements, we identified the individual assessment of ECL as a key audit matter. Refer to Notes 4, 11 and 33 to the consolidated financial statements for the description of impairment indicators on individually significant loans and disclosure of gross carrying amounts and related allowances for such loans. .	We obtained an understanding of the loan origination and credit risk management processes. We assessed the Group's definitions of significant increase in credit risk and credit-impairment for assessment of individual loans' ECL. We also evaluated the design and implementation of controls related to individual assessment of the ECL on loans to customers. For a sample of loans identified as stage 1, we performed a detailed credit review and challenged the Group's analysis of whether there was a significant increase in credit risk (stage 2) or default (stage 3), including consideration of the economic disruption caused by COVID-19 to particularly vulnerable sectors. In order to evaluate whether the loans have been appropriately classified to the respective stage, we analysed internal credit ratings (scoring), credit risk factors and checked if relevant impairment events, such as delinquency of interest or principal, restructuring events and certain financial performance indicators had been identified on a timely manner and had reflected the impact of COVID-19, amongst other factors. On a sample basis, we re-performed calculations of allowances for ECL for individually significant loans in stage 2 and 3, including reviewing the Group's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, such as future cash flow projections and the valuation of collateral held, adjusted for COVID-19 impact, as well as agreeing key assumptions to supporting documents. We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements, including the impact of COVID-19 on ECL. We found no material exceptions in these tests.

Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditors' report thereon. The Annual report 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 an 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.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRSs, 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 judgement 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Zhangir Zhilysbayev
Engagement partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate
No.MF-0000116
dated 22 November 2012
General Director,
Deloitte LLP

Deloitte LLP
State license on auditing in the
Republic of Kazakhstan
№ 0000015, type MFU-2, issued by
the Ministry of Finance of the
Republic of Kazakhstan
dated 13 September 2006

5 March 2021
Almaty, Republic of Kazakhstan

JSC Halyk Bank

Consolidated Statement of Financial Position
As at 31 December 2020, 2019 and 2018
(Millions of Kazakhstani Tenge)

	Notes	31 December 2020	31 December 2019	31 December 2018
ASSETS				
Cash and cash equivalents	5	1,757,477	1,664,337	1,755,138
Obligatory reserves	6	170,128	141,006	115,741
Financial assets at fair value through profit or loss	7	242,326	185,031	186,836
Amounts due from credit institutions	8	709,310	53,161	55,035
Financial assets at fair value through other comprehensive income	9	1,256,158	1,630,921	1,765,933
Debt securities at amortised cost, net of allowance for expected credit losses	10	1,229,539	1,212,981	1,055,907
Loans to customers	11, 37	4,446,275	3,752,445	3,481,079
Investment property	12	39,441	46,558	58,868
Commercial property	13	103,098	113,381	70,318
Assets classified as held for sale	15	42,244	45,766	56,129
Current income tax assets	21	782	1,704	34,478
Deferred income tax assets	21	234	197	323
Property and equipment and intangible assets	14	170,581	144,583	139,422
Insurance assets	16	39,929	82,009	65,651
Other assets	17	180,310	160,678	118,166
TOTAL ASSETS		**10,387,832**	**9,234,758**	**8,959,024**
LIABILITIES AND EQUITY				
LIABILITIES				
Amounts due to customers	18, 37	7,455,977	6,406,413	6,526,930
Amounts due to credit institutions	19	300,727	305,965	168,379
Financial liabilities at fair value through profit or loss	7	2,484	20,444	7,022
Debt securities issued	20	778,192	834,446	900,791
Current income tax liability	21	2,758	10,029	126
Deferred tax liability	21	51,281	45,570	66,188
Provisions	24	9,287	3,924	2,546
Insurance liabilities	16	191,246	223,702	182,441
Other liabilities	22	102,612	77,042	38,955
Total liabilities		**8,894,564**	**7,927,535**	**7,893,378**
EQUITY				
Share capital	23	209,027	209,027	209,027
Share premium reserve		5,741	3,867	1,839
Treasury shares		(111,027)	(114,634)	(111,441)
Retained earnings and other reserves		1,389,520	1,208,957	966,215
Total equity attributable to owners of the Group		1,493,261	1,307,217	1,065,640
Non-controlling interest		7	6	6
Total equity		**1,493,268**	**1,307,223**	**1,065,646**
TOTAL LIABILITIES AND EQUITY		**10,387,832**	**9,234,758**	**8,959,024**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan

Dana S. Talzhanova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

The notes on pages 16 to 145 form an integral part of these consolidated financial statements.

JSC Halyk Bank

Consolidated Statement of Profit or Loss
for the years ended 31 December 2020, 2019 and 2018
(Millions of Kazakhstani Tenge, Except for Earnings per Share which is in Tenge)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
CONTINUING OPERATIONS				
Interest income calculated using the effective interest method	25, 37	717,688	701,350	675,699
Other interest income	25	15,546	8,954	6,342
Interest expense	25, 37	(333,741)	(312,326)	(333,772)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE	25	399,493	397,978	348,269
Credit loss expense	5, 8, 9, 10, 11, 17	(26,918)	(30,054)	(31,995)
NET INTEREST INCOME		**372,575**	**367,924**	**316,274**
Fee and commission income	26	131,399	123,256	113,241
Fee and commission expense	26	(63,184)	(54,646)	(39,006)
Fees and commissions, net		**68,215**	**68,610**	**74,235**
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	27	3,201	(18,734)	114,158
Net realised gain from financial assets at fair value through other comprehensive income		3,424	8,138	2,428
Net foreign exchange gain/(loss)	28	40,940	45,379	(64,577)
Insurance underwriting income	29	85,848	92,983	67,315
Share in profit of associate		6,321	5,742	2,899
Income on non-banking activities	31	27,245	31,301	11,793
Other income		8,391	4,742	9,972
OTHER NON-INTEREST INCOME		**175,370**	**169,551**	**143,988**
Operating expenses	30	(153,092)	(137,938)	(135,553)
Loss from impairment of non-financial assets		(5,145)	(7,429)	(27,308)
(Other credit loss expense)/recoveries of other credit loss expense	24	(5,025)	(1,308)	15,951
Insurance claims incurred, net of reinsurance	29	(63,366)	(88,925)	(61,656)
NON-INTEREST EXPENSES		**(226,628)**	**(235,600)**	**(208,566)**
INCOME BEFORE INCOME TAX EXPENSE		389,532	370,485	325,931
Income tax expense	21	(36,878)	(35,974)	(82,474)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**352,654**	**334,511**	**243,457**
DISCONTINUED OPERATIONS				
Profit for the year from discontinued operations		-	-	9,974
NET PROFIT		**352,654**	**334,511**	**253,431**
Attributable to:				
Non-controlling interest		1	-	(807)
Common shareholders		352,653	334,511	254,238
		352,654	**334,511**	**253,431**
EARNINGS PER SHARE (in Kazakhstani Tenge)	32			
Basic and diluted earnings per share		30.16	28.64	22.75
Basic and diluted earnings per share from continuing operations		30.16	28.64	21.86

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan

Dana S. Talzhanova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

The notes on pages 16 to 145 form an integral part of these consolidated financial statements.

JSC Halyk Bank

Consolidated Statement of Other Comprehensive Income for the years ended 31 December 2020, 2019 and 2018
(Millions of Kazakhstani Tenge)

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Net profit	**352,654**	**334,511**	**253,431**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Gain resulting on revaluation of property and equipment (2020, 2019 and 2018 – net of tax – KZT 2,078 million, KZT 18 million, KZT 56 million)	9,043	124	2,151
Gain on revaluation of equity financial assets at fair value through other comprehensive income	1,870	25	558
Items that may be subsequently reclassified to profit or loss:			
Gain/(loss) on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (2020, 2019 and 2018 – net of tax – KZT nil)	24,985	42,387	(6,456)
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (2020, 2019 and 2018 - net of tax – KZT nil)	(3,424)	(8,138)	(2,428)
Share of other comprehensive (loss)/income of associate	(256)	553	(167)
Exchange differences on translating foreign operations (2020, 2019, 2018 – net of tax – KZT nil)	(4,589)	(552)	2,784
Other comprehensive income/(loss) for the year	27,629	34,399	(3,558)
Total comprehensive income for the year	**380,283**	**368,910**	**249,873**
Attributable to:			
Non-controlling interest	1	-	(1,954)
Common shareholders	380,282	368,910	251,827
	380,283	**368,910**	**249,873**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan

Dana S. Talzhanova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

The notes on pages 16 to 145 form an integral part of these consolidated financial statements.

JSC Halyk Bank

Consolidated Statement of Changes in Equity
for the years ended 31 December 2020, 2019 and 2018
(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2019	**209,027**	**3,867**	**(114,634)**	**9,105**	**30,023**	**20,018**	**1,149,811**	**1,307,217**	**6**	**1,307,223**
Net income	-	-	-	-	-	-	352,653	352,653	1	352,654
Other comprehensive (loss)/ income	-	-	-	(4,589)	23,175	9,043	-	27,629	-	27,629
Total comprehensive (loss)/income	**-**	**-**	**-**	**(4,589)**	**23,175**	**9,043**	**352,653**	**380,282**	**1**	**380,283**
Treasury shares purchased	-	-	(6,697)	-	-	-	-	(6,697)	-	(6,697)
Treasury shares sold	-	1,874	10,304	-	-	-	-	12,178	-	12,178
Dividends – common shares	-	-	-	-	-	-	(199,778)	(199,778)	-	(199,778)
Recovery of reserves for bonuses to the insured	-	-	-	-	-	-	59	59	-	59
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(1,259)	1,259	-	-	-
31 December 2020	**209,027**	**5,741**	**(111,027)**	**4,516**	**53,198**	**27,802**	**1,304,004**	**1,493,261**	**7**	**1,493,268**

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.

JSC Halyk Bank

Consolidated Statement of Changes in Equity (continued)
for the years ended 31 December 2020, 2019 and 2018
(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2018	**209,027**	**1,839**	**(111,441)**	**9,657**	**(4,804)**	**20,970**	**940,392**	**1,065,640**	**6**	**1,065,646**
Net income	-	-	-	-	-	-	334,511	334,511	-	334,511
Other comprehensive (loss)/ income	-	-	-	(552)	34,827	124	-	34,399	-	34,399
Total comprehensive (loss)/income	**-**	**-**	**-**	**(552)**	**34,827**	**124**	**334,511**	**368,910**	**-**	**368,910**
Treasury shares purchased	-	-	(16,304)	-	-	-	-	(16,304)	-	(16,304)
Treasury shares sold	-	2,028	13,111	-	-	-	-	15,139	-	15,139
Dividends – common shares	-	-	-	-	-	-	(125,923)	(125,923)	-	(125,923)
Insurance bonuses to the insured	-	-	-	-	-	-	(245)	(245)	-	(245)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(1,076)	1,076	-	-	-
31 December 2019	**209,027**	**3,867**	**(114,634)**	**9,105**	**30,023**	**20,018**	**1,149,811**	**1,307,217**	**6**	**1,307,223**

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.

JSC Halyk Bank

Consolidated Statement of Changes in Equity (continued)
for the years ended 31 December 2020, 2019 and 2018
(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2017	**143,695**	**1,839**	**(104,234)**	**6,570**	**13,008**	**15,470**	**785,668**	**862,016**	**72,441**	**934,457**
Impact of adopting IFRS 9	-	-	-	-	(9,539)	-	(33,467)	(43,006)	(11,857)	(54,863)
Restated opening balance under IFRS 9	143,695	1,839	(104,234)	6,570	3,469	15,470	752,201	819,010	60,584	879,594
Net income	-	-	-	-	-	-	254,238	254,238	(807)	253,431
Other comprehensive income/(loss)	-	-	-	2,784	(7,346)	2,087	64	(2,411)	(1,147)	(3,558)
Total comprehensive income/(loss)	**-**	**-**	**-**	**2,784**	**(7,346)**	**2,087**	**254,302**	**251,827**	**(1,954)**	**249,873**
Treasury shares purchased	-	-	(935)	-	-	-	-	(935)	-	(935)
Treasury shares sold	-	-	1,119	-	-	-	-	1,119	-	1,119
Effect from exchange of preferred shares of JSC Kazkommertsbank	-	-	-	-	-	-	(817)	(817)	6,175	5,358
Dividends – common shares	-	-	-	-	-	-	(69,363)	(69,363)	-	(69,363)
Change in share due to the legal merger with JSC Kazkommertsbank	65,332	-	(7,391)	303	(927)	4,127	3,355	64,799	(64,799)	-
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(714)	714	-	-	-
31 December 2018	**209,027**	**1,839**	**(111,441)**	**9,657**	**(4,804)**	**20,970**	**940,392**	**1,065,640**	**6**	**1,065,646**

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan

Dana S. Talzhanova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

The notes on pages 16 to 145 form an integral part of these consolidated financial statements.

JSC Halyk Bank

Consolidated Statement of Cash Flows

For the years ended 31 December 2020, 2019 and 2018

(Millions of Kazakhstani Tenge)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES:				
Interest received from financial assets at fair value through profit or loss		12,696	6,200	3,849
Interest received from cash and cash equivalents and amounts due from credit institutions		20,580	38,080	36,435
Interest received on financial assets at fair value through other comprehensive income		47,259	45,300	84,013
Interest received on debt securities at amortised cost, net of allowance for expected credit losses		98,563	93,345	93,426
Interest received from loans to customers		453,012	449,927	422,865
Interest paid on amounts due to customers		(225,577)	(214,704)	(217,606)
Interest paid on amounts due to credit institutions		(9,623)	(4,647)	(3,635)
Interest paid on debt securities issued		(63,058)	(65,309)	(55,730)
Fee and commission received		130,547	123,223	110,754
Fee and commission paid		(63,722)	(54,314)	(39,263)
Insurance underwriting income received		81,924	89,586	63,535
Ceded reinsurance share received/(paid)		7,454	(2,593)	669
(Payments)/receipts from financial derivatives		(1,319)	(154)	17,812
Other income received		35,636	36,043	21,765
Operating expenses paid		(136,857)	(123,333)	(117,397)
Insurance claims paid		(37,661)	(54,351)	(50,064)
Cash flows from operating activities before changes in net operating assets		349,854	362,299	371,428
Changes in operating assets and liabilities:				
(Increase)/decrease in operating assets:				
Obligatory reserves		(29,122)	(25,274)	(4,656)
Financial assets at fair value through profit or loss		(41,426)	(13,906)	59,389
Amounts due from credit institutions		(640,098)	5,313	54,826
Precious metals		(6,142)	(4,907)	2,131
Loans to customers		(604,156)	(395,660)	(157,296)
Assets classified as held for sale		26,433	10,394	10,427
Insurance assets		10,731	(5,862)	(1,097)
Other assets		(937)	(14,554)	23,212
Increase/(decrease) in operating liabilities:				
Amounts due to customers		763,718	(58,841)	(20,599)
Amounts due to credit institutions		(8,181)	138,087	(89,881)
Financial liabilities at fair value through profit or loss		(18,231)	13,390	1,162
Insurance liabilities		(31,920)	6,180	10,588
Other liabilities		11,185	32,908	(32,986)
Net cash (outflow)/inflow from operating activities before income tax		(218,292)	49,567	226,648
Income tax paid		(37,553)	(13,789)	(46,633)
Net cash (outflow)/inflow from operating activities		**(255,845)**	**35,778**	**180,015**

JSC Halyk Bank

Consolidated Statement of Cash Flows (continued)
For the years ended 31 December 2020, 2019 and 2018
(Millions of Kazakhstani Tenge)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash outflow on disposal of a subsidiary		-	-	(110,175)
Purchase and prepayments for property and equipment and intangible assets		(31,703)	(16,887)	(9,199)
Proceeds on sale of property and equipment and intangible assets		3,939	3,028	3,611
Proceeds on sale of investment property		1,494	6,278	2,809
Proceeds on sale of commercial property		35,621	26,311	19,952
Proceeds from sale of financial assets at fair value through other comprehensive income		1,064,720	349,067	54,421
Purchase of financial assets at fair value through other comprehensive income		(554,126)	(109,407)	(219,839)
Proceeds from sale of debt securities at amortised cost, net of allowance for expected credit losses		14,602	24,413	56,544
Purchase of debt securities at amortised cost, net of allowance for expected credit losses		(30,758)	(179,882)	(66,583)
Capital expenditures on commercial property		(1,251)	(327)	(973)
Net cash inflow/(outflow) from investing activities		**502,538**	**102,594**	**(269,432)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds on sale of treasury shares		12,178	15,139	1,119
Purchase of treasury shares		(6,697)	(16,304)	(935)
Dividends paid – common shares		(199,778)	(125,923)	(69,363)
Redemption and repayment of debt securities issued	20	(126,213)	(82,261)	(167,463)
Repayment of lease liabilities		(1,923)	(1,490)	n/a
Purchase of shares by subsidiary		-	-	(6,984)
Net cash outflow from financing activities		**(322,433)**	**(210,839)**	**(243,626)**
Effect of changes in foreign exchange rates on cash and cash equivalents		168,880	(18,334)	164,897
Net change in cash and cash equivalents		93,140	(90,801)	(168,146)
CASH AND CASH EQUIVALENTS, beginning of the year	5	**1,664,337**	**1,755,138**	**1,923,284**
CASH AND CASH EQUIVALENTS, end of the year	5	**1,757,477**	**1,664,337**	**1,755,138**

During the years ended 31 December 2020, 2019 and 2018, there were non-cash transfers, which were excluded from the consolidated statement of cash flows and were disclosed in Notes 12, 13, 15 and 23.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan

Dana S. Talzhanova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

The notes on pages 16 to 145 form an integral part of these consolidated financial statements.

1. Principal activities

JSC Halyk Bank (the "Bank") and its subsidiaries (collectively, the "Group") provide corporate and retail banking services principally in Kazakhstan, Russia, Kyrgyzstan, Tajikistan, Georgia and Uzbekistan, leasing services in Kazakhstan and Russia, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on 3 February 2020. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Deposit Insurance Fund.

The Bank's primary business includes originating loans and guarantees, collecting deposits, trading in securities and foreign currencies, executing transfers, cash and payment card operations, as well as rendering other banking services to its customers. In addition, the Bank acts as a non-exclusive agent of the Government of the Republic of Kazakhstan in channeling various budgetary payments and pensions through its nationwide branch network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE") and Astana International Exchange. The Bank's Global Depository Receipts ("GDRs") are primary listed on the London Stock Exchange, KASE and Astana International Exchange. In addition, the Bank's Eurobonds are primary listed on the London Stock Exchange and Luxembourg Stock Exchange.

The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As at 31 December 2020, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 467 cash settlement units (31 December 2019 – 24, 120 and 482, respectively, 31 December 2018 – 23, 121 and 503, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 31 December 2020, the number of the Group's full-time equivalent employees was 16,991 (31 December 2019 – 16,387, 31 December 2018 – 16,131).

The consolidated financial statements of the Group for the year ended 31 December 2020 were authorised for issue by the Management Board on 5 March 2021.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly, no provision has been made in these consolidated financial statements.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks compared to more developed markets, including economic, political, social, legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Moreover, the state of the economy is significantly influenced by government spending on major infrastructure projects and various programs of the country's socio-economic development.

During 2020, the average price of Brent crude oil was approximately 45.59 USD/bbl. (60.01 USD/bbl. during 2019 year). Based on the results of 2020 year, Kazakhstan's GDP decreased by 2.6% in annual terms. For the service sector, the year ended with a 5.6% loss, although in recent months the dynamics began to recover. The processing growth rate accelerated to 3.9%. At the same time, output indicators in the mining industry in 2020 decreased by 3.7%. This, in turn, was associated with a 5.4% reduction in oil and gas production in 2020 under the OPEC + agreement, while oil prices fell 34%. At the same time, the share of oil and gas production in the structure of the mineral resources extraction industry is dominant and amounted to 70% at the end of 2020. At the end of 2020 year, annual inflation was in line with the expectations of the National Bank of the Republic of Kazakhstan at the level of 7.5% (in 2019 year - inflation was 5.4%).

As at 31 December 2020, the base rate set by NBRK was 9.0% ± 1% (9.25% ± 1% as at 31 December 2019). Short-term notes of NBRK remain the key instrument to withdraw excess KZT liquidity from the system.

The coronavirus pandemic presents an unprecedented social and economic challenge, which is having a significant impact on people and businesses in Kazakhstan and around the world. The Group's financial strength and business model enables the Group to play a significant role, together with the Government, regulators and other authorities, in helping Kazakhstan manage through this crisis supporting the customers of the Group.

The economic environment changed significantly during 2020 year. The main changes include:

- Reduction in industrial production and activity in many sectors of the economy as a result of the state restrictions imposed in response to the COVID-19 pandemic;
- Development and implementation of the government support measures for individuals and businesses due to the COVID-19 pandemic;
- Significant decrease and high volatility of oil prices;
- Depreciation of the tenge against major foreign currencies, high volatility of the foreign exchange market.

(Millions of Kazakhstani Tenge)

The changes in the economic environment, described above, have a significant impact on the Group's operations. The following main activities are performed by the Group to support its clients:

- Offering of the loans under the state support programs;
- Change in loan conditions for customers due to quarantine restrictions and consequences of the COVID-19 pandemic;
- Expansion of offering through digital channels of products and services, which were previously provided exclusively at the Bank's branches;
- Extension of payment cards of individuals, which expire during the quarantine period.

Strong balance sheet position allows the Group to manage the current environment from a position of strength as the leading bank in Kazakhstan. A sustainable business model, risk policies and customer support measures, including those provided by the Kazakhstan government, have enabled the Group to mitigate future losses and the negative impact of the COVID-19 pandemic on its financial results in 2020.

In July 2020, a resurgence in new coronavirus infections lead to re-imposing of certain lockdown restrictions by the authorities until mid - August 2020. To stimulate Kazakhstan's economic recovery, the government continued to implement a fiscal stimulus program and increased transfers from the National Fund of the Republic of Kazakhstan. The stimulus package of KZT 5.9 trillion (more than 8% of GDP) mitigated the negative impact of low oil prices and coronavirus on the economy.

The management of the Group is monitoring developments in the current environment and taking measures it considers necessary in order to support the sustainability and development of the Group's business in the foreseeable future.

Ownership

As at 31 December 2020, 2019 and 2018, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

31 December 2020

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	64.9%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	2,969,178,640	25.4%
Other	413,569,107	3.6%
Total shares in circulation (on consolidated basis)	**11,684,340,715**	**100%**

31 December 2019

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	65.1%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.2%
GDR holders	3,001,602,000	25.7%
Other	353,390,222	3.0%
Total shares in circulation (on consolidated basis)	**11,656,585,190**	**100%**

31 December 2018

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	8,756,202,348	75.0%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	1,840,105,600	15.8%
Other	365,393,741	3.1%
Total shares in circulation (on consolidated basis)	**11,679,756,429**	**100%**

2. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements have been prepared assuming that the Group is a going concern, as the Group have the resources to continue in operation for the foreseeable future. In making this assessment, the management have considered a wide range of information in relation to present and future economic conditions, including projections of cash flows, profit and capital resources. In addition, the management of the Group observed that the emergence of COVID-19 pandemic during the first half of 2020 and the associated lock-down measures have determined negative effects that are expected to be offset, only in part, by the economic relief measures put in place by the government of the Republic of Kazakhstan. In order to ensure that the Group have adequate resources to continue to operate for the foreseeable future and also acknowledging the current uncertainty surrounding the economic recovery and the long-term impact of the lock-down measures adopted, the management of the Group have considered the implications of the COVID-19 pandemic upon the Group's performance, projected funding and capital positions and also have taken into account the impact of further stress scenarios, as well as a number of other key dependencies which are set out in the financial risk management section (Note 33) to ensure that the Group will continue to operate profitably in the foreseeable future.

These consolidated financial statements are presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated.

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are accounted for at fair value and insurance liabilities which are accounted for based on actuarial calculations and certain property and equipment which are carried at revalued cost less depreciation and impairment as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the date of the consolidated statement of financial position (current) and more than 12 months after the date of the consolidated statement of financial position (non-current) is presented in Note 33.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Bank is KZT. The presentation currency of the consolidated financial statements is KZT.

(Millions of Kazakhstani Tenge)

Consolidated subsidiaries

These consolidated financial statements include the following subsidiaries:

Subsidiaries			Holding %	Country	Industry
	31 December 2020	31 December 2019	31 December 2018		
JSC Halyk-Leasing	100	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	100	Kazakhstan	Telecommunications
OJSC Halyk Bank Kyrgyzstan	100	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	100	Kazakhstan	Life insurance
JSC Insurance Company Halyk	99.99	99.99	99.99	Kazakhstan	General insurance
JSC Halyk Bank Georgia	100	100	100	Georgia	Banking
LLC Halyk Project	100	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Commercial Bank Moskommertsbank	100	100	100	Russia	Banking
CJSC Halyk Bank Tajikistan	100	100	100	Tajikistan	Banking
JSC Halyk Global Markets	100	100	100	Kazakhstan	Broker and dealer activities
LLP KUSA Halyk	100	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ	100	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ 1	100	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Halyk Finservice	100	100	100	Kazakhstan	Payment card processing and other related services
JSCB Tenge Bank	100	100	-	Uzbekistan	Banking

On 29 August 2018, the BOD of the Bank approved the establishment of a new subsidiary in Uzbekistan – JSCB Tenge Bank. On 24 May 2019, the Central Bank of Uzbekistan issued a license to JSCB Tenge Bank for carrying out banking and other operations. On 10 July 2019, JSCB Tenge Bank started to serve customers in Uzbekistan and on that date is included in the consolidated financial statements.

3. Significant accounting policies

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

The profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to any non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to any non-controlling interests even if this results in any non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

Non-controlling interests

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group. Transactions with non-controlling shareholders are presented as financing activities in the consolidated statement of cash flows.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 “Income Taxes” (“IAS 12”);
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based Payment” (“IFRS 2”) at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (“IFRS 5”) are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Business combination under common control

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

The effects of combinations of businesses under common control are accounted for by the Group by the pooling of interests method, assuming that: assets and liabilities of the combining business entities are measured at their carrying values as disclosed in the Group's consolidated financial statements, merger-related transaction costs are expensed in the consolidated statement of profit or loss, mutual balances are eliminated, any difference between the purchase price paid/transferred and the value of net assets acquired (at their carrying values disclosed in the consolidated financial statements) shall be recognized in equity of the acquirer.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts and amounts due from credit institutions and reverse repo agreements with original maturities within three months.

Obligatory reserves

Obligatory reserves represent funds in correspondent accounts with the National Banks of Kazakhstan, Kyrgyzstan, Georgia, Tajikistan, Uzbekistan and the Central Bank of the Russian Federation and cash which are not available to finance the Group's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates, using the KZT/USD exchange rate effective at the date. Changes in the bid prices are recorded in net foreign exchange gain/ (loss).

Amounts due from credit institutions

In the normal course of business, the Group maintains current restricted accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for expected credit losses.

Recognition and measurement of financial instruments

The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Group accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (“FVTPL”). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 “Financial Instruments” (“IFRS 9”) are required to be subsequently measured at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- *Retention of an asset to obtain the cash flows stipulated by the contract.* This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- *Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets.* This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "retention of an asset to obtain the cash flows stipulated by the contract" business model.
- *Retention of an asset for other purposes.* Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.
- Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in “Other income” when the right to receive the payment has been established.

Debt instruments at amortised cost or at fair value through other comprehensive income (“FVTOCI”)

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group’s business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments that reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Reclassification of financial assets

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. Renegotiated terms are evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

When a financial asset is modified due to commercial reasons, the Group considers various qualitative factors (change in currency, interest rate, maturity) and on that basis concludes whether old loan should be derecognised and new loan should be recognised at fair value.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification. Please also refer to Note 11 for more details.

Impairment

Calculation of financial assets impairment is carried out taking into account the following factors:

- In order to calculate the ECL, the Bank performs a loan assessment on an individual basis and on a group basis depending on general credit risk features.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
- Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

Allowances for expected credit losses

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

For more details about staging refer to Notes 5, 8, 9, 10, 11 and 17.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate ("EIR"), regardless of whether it is measured on an individual basis or a collective basis.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default, which affects both the measurement of ECLs and the identification of a significant increase in credit risk. Please also refer to Note 4 for more details.

For the details of supportable forward-looking information, please refer to Note 33 for more details.

Repurchase and reverse repurchase agreements and securities lending

The Group enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilised by the Group as an element of its treasury management.

Repos are treated as secured financing transactions. Securities sold under repos are retained in the consolidated statement of financial position and, in case the transferee has the right, by contract or custom, to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions.

Securities purchased under reverse repos are recorded as amounts due from credit institutions, amounts due customers or cash and cash equivalents as appropriate. The difference between the sale and repurchase prices is treated as interest and accrued over the life of the repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the consolidated statement of profit or loss. The obligation to return securities borrowed is recorded at fair value as a trading liability.

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Kazakhstan and other Commonwealth of Independent States (“CIS”), the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

Offsetting

Financial assets and liabilities are offset and the net amount is 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 to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Derivative held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and credit default swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

Forwards

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honored. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts that are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amounts. The Group purchases credit default swaps from monoline insurers and banks in order to mitigate the risk of default by the counterparty on the underlying security referenced by the swap.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases and sells options through regulated exchanges and in the over-the-counter markets.

Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from or sell to the bank the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 7.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market, credit, and liquidity risks (Note 33).

Credit-impaired financial assets

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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. The decision to use cross-default is based on case-by-case assessment of client's facility conditions such as collateral and materiality of exposure.

Purchased or originated credit-impaired ("POCI") financial assets.

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain (recovery of credit loss expense).

Write off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is 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. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains. Where loans are secured, they are generally written off after receipt of any proceeds from the sale of collateral. When such net realizable value of collateral has been determined and no reasonable expectation of further recovery, write off may be earlier.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Group has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Modification and derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Taxation

The current income tax expense is calculated in accordance with the regulations of Kazakhstan and other countries where the Group operates.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset and reported net in the consolidated statement of financial position if:

- The Group has a legally enforceable right to offset current income tax assets against current income tax liabilities; and
- Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Kazakhstan and other countries where the Group operates also have various operating taxes that are assessed on the Group's activities. These taxes are recorded as taxes other than income tax.

The Group records a provision for uncertain tax positions if it is probable that the Group will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Group's best estimate of the amount expected to be paid. Provisions are reversed to income in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment, except for any buildings and construction which are carried at revalued amount, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and construction	20-100
Vehicles	5-7
Computers and banking equipment	5-10
Other	7-10

Leasehold improvements are amortised over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses, unless they qualify for capitalisation.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognised in the respective year and is included in operating expenses.

Buildings and construction held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such buildings and construction is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such buildings and construction is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and construction is charged to the consolidated statement of profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not subject to amortisation.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is recognised on a straight-line basis over the following estimated useful lives:

	Years
Customer deposit intangibles	5
Software	10
Licensing agreements for the right to use the software	10
Other	10

Assets held for sale

Non-current assets and the liabilities directly associated with non-current assets are classified as held for sale ("disposal group") if it is highly probable that the net asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognised in profit or loss. Any subsequent increase in an asset's fair value less costs to sell is recognised to the extent of the cumulative impairment loss that was previously recognised in profit or loss in relation to that specific asset.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the property is derecognised.

Commercial property

In certain circumstances, the Group may foreclose commercial properties as part of the settlement of loan agreements with customers. The Group intends to sell these properties in the normal course of business and therefore these are initially measured at fair value including transaction costs and subsequently measured at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the commercial property is expected to be realised for. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

Amounts due to customers and credit institutions

Amounts due to customers and credit institutions are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. Subsequently, amounts due are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. 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 recognised in the consolidated statement of profit or loss.

Debt securities issued

Debt securities issued represent bonds issued by the Group, which are accounted for according to the same principles used for amounts due to customers and credit institutions. Any difference between proceeds received, net of debt issuance costs, and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the state pension system of Kazakhstan and other countries where the Group operates, which requires current withholdings by the employer calculated as a percentage from current gross salary payments; such expense is charged in the year the related salaries are earned and included in operating expenses in the consolidated statement of profit or loss. The Group contributes social tax to the budget of Kazakhstan and other countries where the Group operates for its employees. In addition, the Group has no post-retirement benefits.

Equity

The Group classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Group, after the deduction of liabilities.

The components of a compound financial instrument issued by the Group are classified and accounted for separately as financial assets, financial liabilities or equity instruments as appropriate.

Share capital

External costs directly attributable to the issue of new shares, other than in a business combination, are shown as a deduction from the proceeds in equity. Prior to 13 May 2003, any excess of the fair value of consideration received over the nominal value of shares issued was recognised as share premium reserve. Effective 13 May 2003, upon a change in the law concerning “Joint Stock Companies”, the nominal amount concept was restricted to placement of shares only between the founders of an entity. For all other investors, share capital is recorded at placement value being the consideration received by an entity for its shares.

Treasury shares

When the Group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the Group are cancelled. Repurchased shares are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity. Dividends on shares purchased by the Group’s subsidiaries are eliminated upon consolidation.

Dividends

Dividends are recognised as a liability and deducted from equity on the date they are declared. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- Revaluation reserve of financial assets at fair value through other comprehensive income which comprises changes in fair value of financial assets at fair value through other comprehensive income and allowances for expected credit losses on debt financial assets at fair value through other comprehensive income;
- Cumulative translation reserve which is used to record foreign exchange differences arising from the translation of the net investment in foreign operations;
- Property revaluation reserve, which comprises revaluation reserve of land and buildings.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting years, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15").

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations. Revenue for provision of trustee services is recognised as services are provided.

Recognition of income and expense

Interest income and expense for all financial instruments, except for financial assets measured or designated at fair value through profit or loss are recognized in 'Net interest income' as 'Interest income calculated using the effective interest method' and 'Interest expense' in the profit or loss account using the effective interest method.

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.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets POCI the EIR reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Loan origination fees for loans issued to customers are (together with related direct costs) recognised as an adjustment to the effective yield of the loans. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognised in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in profit or loss on expiry.

Fee and commission income

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Group identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognises income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Group’s influence. The consideration is subsequently allocated to the identified performance obligation.

Fee and commission income from maintenance of customer accounts and cash operations include fees earned from deposit products in lieu of compensating balances, service charges for transactions performed upon depositors' request, as well as fees earned from performing cash management activities. Service charges on deposit products are recognized over the period in which the related service is provided, typically monthly. Service fees are recognized at a point in time upon completion of the requested service transaction. Fees on cash management products are recognized over time as services are provided.

Plastic cards operations fee and commission income include interchange income from credit and debit card transactions and are recognized at a point in time upon settlement by the associated network. Interchange rates are generally set by the associated network based on purchase volume and other factors. Other card-related fees are recognized at a point in time upon completion of the transaction.

Other banking fees include fees for various transactional banking activities such as bank transfers, letters of credit fees and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided. Letter of credit fees primarily includes fees received related to letter of credit agreements and are generally recognized upon execution of the contract.

The adoption of IFRS 15 has not had any material impact on the disclosures or on the amounts reported in the consolidated financial statements.

Foreign currency translation

The consolidated financial statements are presented in KZT, which is the functional currency of the Bank and each of its subsidiaries, except for foreign subsidiaries. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the currency rate of exchange as quoted by KASE as at the reporting date. Gains and losses resulting from the translation of foreign currency transactions into functional currency are recognised in the consolidated statement of profit or loss as net foreign exchange gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into the Group's presentation currency at the exchange rates as at the consolidated statement of financial position date, and their statements of profit or loss are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net foreign exchange gain or loss. The market exchange rate at 31 December 2020 was – KZT 420.91 to USD 1, KZT 5.6 to RUB, KZT 516.79 EUR (at 31 December 2019 – KZT 382.59 to USD, KZT 6.16 to RUB, KZT 429.00 to EUR; at 31 December 2018 – KZT 384.20 to USD, KZT 5.52 to RUB, KZT 439.37 to EUR).

Insurance

Insurance contracts are those contracts which transfer significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Group utilises accounting policies determined by NBRK for insurance companies of Kazakhstan.

In accordance with the Kazakhstan regulations, when insurance contracts contain a discretionary participation feature with no guaranteed element, such additional payments to the insured are contingent on a decision reached at the annual general shareholders' meeting and should be presented as an allocation of retained earnings and not as an expense.

The Group offers various insurance products in property and casualty, liability, personal, and life insurance.

Underwriting income

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance, reduced by the net change in the unearned premium reserve.

Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned insurance premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within insurance liabilities in the consolidated statement of financial position.

Losses and loss adjustments are charged to the consolidated statement of profit or loss as incurred through the reassessment of the reserve for claims and loss adjustment expenses, and included within insurance claims incurred, net of reinsurance in the consolidated statement of profit or loss.

Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is written and deemed enforceable.

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are capitalised and recorded in the accompanying consolidated statement of financial position within insurance assets. The asset related to deferred acquisition costs is subsequently amortised over the period in which the related written premiums are earned and is reviewed for impairment in circumstances where its carrying amount may not be recoverable. If the asset is greater than the recoverable amount, it is written down immediately. All other costs are recognised as expenses when incurred.

Reserve for insurance losses and loss adjustment expenses

The reserve for insurance losses and loss adjustment expenses is included in insurance liabilities in the consolidated statement of financial position and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting year.

The incurred but not reported reserve ("IBNR") for motor, hull and liability insurance is actuarially determined and is based upon statistical claim data for the year typical for loss development of the classes and sub-classes of business and the Group's previous experience.

Due to the lack of historical the Group specific data and comparable industry data for other lines of business, the reserve for IBNR claims is determined by applying current government guidance as provided by NBRK. Under this guidance, the IBNR reserve is calculated in an amount of 5% of the insurance premiums written during the last twelve months preceding the settlement date in this class of insurance.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss in the year in which they are determined.

Reinsurance

In the ordinary course of business, the Group cedes reinsurance risk to reinsurers. Such reinsurance arrangements provide for greater diversification of risks, allow management to control exposure to potential losses arising from insured risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from re-insurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Payables to reinsurers for ceded premium are recorded gross when due, unless a right of offset exists against commission receivable from the reinsurer and are included in the consolidated statement of financial position within insurance assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are both transferred by the Group to the re-insurer.

The Group regularly assesses its reinsurance assets for impairment. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Income and expenses from non-banking activities

The income and expenses of the non-banking subsidiaries of the Group, the main activity of which is acquisition of distressed investment property and commercial property from the Bank and further management and/or sale of such assets, is recognized in the consolidated statement of profit or loss on a net basis as income and expenses from non-banking activities. Income and expenses from non-banking activities include income / expenses on sale of investment property, commercial property and assets held for sale and income/expenses on other transactions with real estate, which includes operating lease income, registration expenses and income/expenses from sale of accompanying property.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Financial guarantee contracts and letters of credit issued

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognised at fair value. Subsequently, they are measured at the higher of (a) the amount recognised as a provision and (b) the amount initially recognised less, where appropriate, cumulative amortisation of initial premium revenue received over the financial guarantee contracts or letters of credit issued.

Accounting policy applicable on and after 1 January 2019

The Group as a lessor

In cases where the Group is the lessor under a lease, each lease is classified as an operating lease or finance lease. Contracts that transfer substantially all of the risks and rewards of ownership of the leased asset, but not necessarily the legal title to them, are classified as finance leases. At the start date of the lease, the Group recognizes assets held under finance leases in its consolidated statement of financial position and presents them as receivables in an amount equal to the net investment in the lease. Initial direct costs are included in the initial measurement of the net investment in the lease and are deducted from the income recognized over the lease term. Finance income receivable is recognized in interest income over the lease term so as to provide a constant rate of return on the net investment in the lease.

Agreements that do not transfer substantially all of the risks and rewards of ownership of the leased asset, but not necessarily legal title to them, are classified as operating leases. Assets subject to operating leases continue to be included in the Group's balance sheet in accordance with the category (balance sheet item) to which they were assigned. Operating lease receivables are recognized over the lease term on an accrual basis.

The Group as a lessee

When the Group acts as a lessee, leases are accounted for using the right-of-use model. This model assumes that at the start date of the lease, the lessee has a financial obligation to make the lease payments to the lessor for the right to use the underlying asset over the lease term. The cost of a right-of-use asset includes the initial measurement of the lease liability, lease payments at or before start date of the lease, less incentive payments received for the lease, and incremental lease costs that would not have been incurred if the lease had not been concluded.

Subsequent accounting for the right-of-use asset is carried out at its historical cost:

- less accumulated depreciation and accumulated impairment losses; and
- adjusted for the revaluation of the lease liability.

Depreciation is carried out on a straight-line basis until the expiry date of the lease.

The lease liability is measured on initial recognition at the present value of the lease payments that have not yet been settled at that date. The present value is calculated by discounting the lease payments using the interest rate implicit in the lease or the incremental borrowing rate.

After the commencement date of the lease, the Group measures the lease liability as follows:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- revaluing the carrying amount to reflect revaluation or modification of leases.

The right-of-use model does not apply to short-term leases (no longer than 12 months) that do not contain an option to purchase the underlying asset, or contracts with a low value of the underlying asset (up to USD 5,000). Lease payments for such leases are recognized as an expense over the lease term on an accrual basis.

Accounting policy applicable prior to 1 January 2019

Finance lease

Contracts that transfer substantially all of the risks and rewards of ownership of the leased asset, but not necessarily the legal title to them, are classified as finance leases. Where the Group is the lessor under a finance lease, the amounts payable under the lease are included in accounts receivable. Finance income receivable is recognized in interest income over the lease term so as to provide a constant rate of return on the net investment in the lease.

When the Group acts as a lessee under a finance lease, the leased assets are capitalized and included in property, plant and equipment, and the corresponding liability to the lessor is included in other liabilities. A finance lease and related liability are initially recognized at the fair value of the leased asset or, if less, the present value of the minimum lease payments. Finance costs are recognized as interest expense over the lease term at the internal rate of interest for the lease so as to reflect the cost at a constant rate of interest on the balance of the liability.

Other leases

All other leases are classified as operating leases. If the Group is the lessor, the assets subject to operating leases continue to be carried in the Group's consolidated statement of financial position in accordance with the category (balance sheet item) to which they were assigned. If the Group acts as a lessee, the leased assets are not recognized in the consolidated statement of financial position. Payables and receivables under operating leases are recognized on a straight-line basis over the lease term as operating and other expenses and income, respectively.

New and amended IFRS Standards that are effective for the current year

On 1 January 2020 the Group implemented amendments to IAS 1 and IAS 8 *Definition of Materiality,* IFRS 3 *Definition of a Business* and amendments to References to the Conceptual Framework in IFRS Standards.

The amendments to IAS 1 and IAS 8 clarify the definition of material and aligns the definition of material used in the Conceptual Framework with that in the IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2020.

The amendments to IFRS 3 clarifies the definition of a business, with the objective of assisting a preparer to determine whether a transaction should be accounted for as a business combination or as the acquisition of assets. The clarifications are applicable for business combinations after 1 January 2020. The implementation of the amendments had no impact on the Group's financial statements.

New and revised IFRS Standards in issue but not yet effective

The International Accounting Standards Board (IASB) has issued one new accounting standard (IFRS 17) and amendments to existing international accounting standards (IFRS 1, IFRS 3, IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 1, IAS 16, IAS 37, IAS 39 and IAS41) that have not yet come into force. The Group has not early adopted any of the changes. The sections below explain the IFRS changes that are likely to affect the Group's future financial reporting. For the changes not described below, no significant impact is expected.

IFRS 17 "Insurance Contracts"

In May 2017, the IASB issued IFRS 17, Insurance Contracts. IFRS 17 replaces IFRS 4, Insurance Contracts, which was an interim standard that did not prescribe the measurement of insurance contracts but relied on existing accounting practices. IFRS 17 is a comprehensive standard with principles for, for example, the measurement of insurance contracts at a current (fulfilment) value in the balance sheet, the recognition of insurance contract revenue in the income statement and the presentation of information on the performance in relation to insurance contracts. In June 2020, the IASB issued some amendments to IFRS 17 which included a deferral of the effective date to 1 January 2023.

The standard may have an impact on the consolidated financial statements due to the new accounting principles for calculating insurance liabilities. However, the management of the Group has not completed its assessment of the impact on the Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the impact of the interest rate benchmark reform on the modification of financial assets, financial liabilities and lease liabilities, hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

Modification of financial assets, financial liabilities and lease liabilities

The IASB introduces a practical expedient for changes in contractual cash flows as a direct consequence of the interest rate benchmark reform provided that the new cash flow basis is economically equivalent to the original basis According to the practical exception these modifications are accounted prospectively for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

Disclosures

The amendments require that an entity discloses additional information in order to allow users to understand the nature and extent of risks arising from the interbank offered rate ("IBOR") and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively. Early application is permitted. Restatement of prior periods is not required, however, an entity may restate prior periods if, and only if, it is possible without the use of hindsight.

The management of the Group does not expect that the application of these amendments could have an impact on the Group's consolidated financial statements in future periods.

Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date has yet to be set; however, earlier application of the amendments is permitted.

The management of the Group does not expect that the application of these amendments could have an impact on the Group's consolidated financial statements in future periods should such transactions occur.

Annual Improvements to IFRS 2018-2020 Cycles

The list of amendments includes amendments to the three standards, as well as annual improvements to the Board, which are changes that clarify the wording or eliminate minor inconsistencies, omissions or contradictions between the requirements in the standards.

- **The amendments to IFRS 3** "Business Combinations" update the reference in IFRS 3 to the Conceptual Framework for Financial Statements without changing the accounting requirements for a business combination.
- **Amendments to IAS 16** "Property, Plant and Equipment" prohibit deducting from the value of property, plant and equipment the amounts received from the sale of manufactured goods while preparing the asset for its intended use. Instead, these sales revenue and related costs are recognized in profit or loss.
- **Amendments to IAS 37** "Provisions, Contingent Liabilities and Contingent Assets" determine the costs to be included in assessing whether the contract is unprofitable.
- **Annual improvements** introduce minor amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and illustrative examples accompanying IFRS 16 "Leases".

All amendments are effective on 1 January 2022, early application is permitted.

The management of the Group does not expect that the application of these amendments could have an impact on the Group's consolidated financial statements in future periods should such transactions occur.

4. 4a. Significant accounting estimates

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting year. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information (refer to Note 33 for more details).

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario

For treasury operations, the Bank calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty's/issuer's environment in the future. In particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default.

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage.

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 33 for more details.

The key inputs used for measuring ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default. The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

PD for individually assessed loans of corporate, small and medium businesses is estimated using an internal rating model based on the quantitative and qualitative characteristics of the borrower. The calculation of PD on loans assessed on a collective basis is carried out on the basis of historical data using the migration matrices and roll-rates.

Loss Given Default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch and Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated and sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

Exposure at Default

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 33 for details of the 5 characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Notes 5, 8, 9, 10, 11, 17 and 33 for more details on allowances for ECL and Note 36 for more details on fair value measurement.

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are reasonable in current circumstances.

In order to reflect objectively the impact of the prevailing macroeconomic conditions and in accordance with the recommendations of the International Accounting Standards Board, the Group adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recorded in the consolidated financial statements for the year ended 31 December 2020:

- The Group refined the approach of calculating macroeconomic parameters in the probability of default rates of borrowers, as disclosed in Note 33. The impact of macroeconomic indicators is assessed, which more accurately reflects the changing economic conditions and an updated forecast of macroeconomic indicators is used based on the most relevant information.

The allowances for ECL of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Kazakhstan and in other countries it operates in and what effect such changes might have on the adequacy of the allowances for ECL of financial assets in future years.

The carrying amount of the allowance for ECL of loans to customers as at 31 December 2020 is KZT 378,041 million (31 December 2019 is KZT 408,718 million, 31 December 2018: KZT 409,793 million).

Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 36 for more details on fair value measurement.

Property and equipment carried at revalued amounts

Buildings and construction are measured at revalued amounts. The latest appraisal was in November 2020. Details of the valuation techniques used are set out in Note 14.

Taxation

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

Management has concluded that all deferred tax assets are properly recognized, as it is probable that sufficient future taxable income will exist to fully utilize the assets.

As at 31 December 2020, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group’s reported net income.

Claims liability and reserves arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. For certain lines of business, IBNR claims form the majority of insurance liabilities in the consolidated statement of financial position. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull, property, accident and liability insurance, the Group actuarially determines the liability using past claims settlement trends to predict future claims settlement amounts. In estimating the cost of reported and IBNR claims for certain other lines of business, management applies current government guidance, as provided by NBRK, due to the absence of sufficient historical data. Under this guidance, the IBNR reserve is calculated using the expected loss ratio for each line of business, less the cumulative losses actually reported. General insurance claims provisions are not discounted for the time value of money.

The gross reserves for claims and the related receivables for reinsurance recoveries are based on information available to management and the ultimate amounts may vary as a result of subsequent information and events and may result in adjustments to the amounts recovered. Actual claims experience may differ from the historical pattern on which the estimate is based and the cost of settling individual claims may differ from costs previously estimated. Any adjustments to the amount of reserves will be reflected in the consolidated financial statements in the year in which the necessary adjustments become known and estimable.

(Millions of Kazakhstani Tenge)

4b. Reclassifications

Certain reclassification have been made to the consolidated statement of profit or loss for the years ended 31 December 2019 and 2018 to conform to the presentation for the year ended 31 December 2020, as current period presentation provides better view of the financial performance of the Group.

Reclassification from other income to income from non-banking activities.

	As previously reported 31 December 2018	Reclassification amount 31 December 2018	As reclassified 31 December 2018
Other income	21,765	(11,793)	9,972
Income on non-banking activities	-	11,793	11,793

	As previously reported 31 December 2019	Reclassification amount 31 December 2019	As reclassified 31 December 2019
Other income	36,043	(31,301)	4,742
Income on non-banking activities	-	31,301	31,301

Reclassification from operating expenses to insurance claims incurred, net of reinsurance relates to commission to freelance agents and which are directly related to the Group's insurance business.

	As previously reported 31 December 2018	Reclassification amount 31 December 2018	As reclassified 31 December 2018
Insurance agents fees	(1,670)	1,670	-
Operating expenses	(137,223)	1,670	(135,553)
Commission to agents	(28,206)	(1,670)	(29,876)
Insurance claims incurred, net of reinsurance	(59,986)	(1,670)	(61,656)

	As previously reported 31 December 2019	Reclassification amount 31 December 2019	As reclassified 31 December 2019
Insurance agents fees	(4,288)	4,288	-
Operating expenses	(142,226)	4,288	(137,938)
Commission to agents	(38,243)	(4,288)	(42,531)
Insurance claims incurred, net of reinsurance	(84,637)	(4,288)	(88,925)

Change in presentation of consolidated statement of financial position

As at 31 December 2020, the Management of the Group decided to change the presentation of certain line items in the consolidated statement of financial position. The line items “Goodwill”, “Precious metals” and “Investments in associates” were reclassified to “Other assets” line item in the consolidated statement of financial position as at 31 December 2019 and 2018 to conform to the current period presentation.

(Millions of Kazakhstani Tenge)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2020	31 December 2019	31 December 2018
Cash on hand	214,693	180,553	196,266
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	150,183	155,818	120,096
Short-term deposits with OECD based banks	4,068	595,229	248,038
Overnight deposits with OECD based banks	-	15,731	2,396
Correspondent accounts with NBRK	26,899	418,688	935,757
Short-term deposits with NBRK	1,108,212	191,337	153,975
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	194,467	58,331	65,036
Correspondent accounts with non-OECD based banks	7,420	18,341	10,745
Short-term deposits with non-OECD based banks	48,802	26,459	22,657
Overnight deposits with non-OECD based banks	2,733	3,850	172
	1,757,477	**1,664,337**	**1,755,138**

As at 31 December 2020, 2019 and 2018, cash and cash equivalents allowance for expected credit losses comprised KZT 46 million, KZT 20 million and KZT 9 million, respectively.

The movements in accumulated allowances for expected credit losses of cash and cash equivalents were as follows:

	31 December 2020	31 December 2019	31 December 2018
	Stage 1	**Stage 1**	**Stage 1**
At the beginning of the year	(20)	(9)	(10)
Changes in risk parameters	(22)	(12)	2
Foreign exchange differences and other movements	(4)	1	(1)
At the end of the year	**(46)**	**(20)**	**(9)**

(Millions of Kazakhstani Tenge)

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are as follows:

	31 December 2020		31 December 2019		31 December 2018	
	KZT	Foreign currencies	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	1.0%	-	1.0%-2.5%	-	2.0%-2.8%
Overnight deposits with OECD based banks	-	-	-	1.3%	-	1.5%
Short-term deposits with NBRK	8.0%	0.3%	-	0.5%	8.3%	6.8%-7.7%
Short-term deposits with Kazakhstan banks	8.0%-12.5%	0.3%-4.8%	8.8%-12.8%	1.5%-3.9%	8.3%-13.5%	3.0%-10.0%
Short-term deposits with non-OECD based banks	-	0.1%-6.5%	-	4.1%-9.0%	-	0.2%-7.5%
Overnight deposits with non-OECD based banks	-	2.8%-8.0%	7.0%	2.0%-9.2%	7.0%	-

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements as at 31 December 2020, 2019 and 2018 are as follows:

	31 December 2020		31 December 2019		31 December 2018	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	122,697	122,708	8,192	8,514	19,154	19,695
Notes of NBRK	38,821	38,863	15,425	15,901	19,816	20,422
Bonds of Kazakhstan corporations	17,423	18,280	10,008	10,930	-	-
Eurobonds of the Russian Federation	13,129	13,821	18,625	18,929	-	-
Bonds of international financial organizations	2,100	2,100	5,056	5,618	101	102
Equity securities	199	199	140	186	4,503	7,240
Treasury bills of the Ministry of the Finance of Russian Federation	98	102	-	-	21,462	22,755
Treasury bills of the Kyrgyz Republic	-	-	885	910	-	-
	194,467	**196,073**	**58,331**	**60,988**	**65,036**	**70,214**

As at 31 December 2020, 2019 and 2018, maturities of loans under reverse repurchase agreements are less than one month.

(Millions of Kazakhstani Tenge)

6. Obligatory reserves

Obligatory reserves comprise:

	31 December 2020	31 December 2019	31 December 2018
Cash and due from banks allocated to obligatory reserves	170,128	141,006	115,741
	170,128	**141,006**	**115,741**

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of the Republic of Kazakhstan, Kyrgyzstan, Georgia, Tajikistan, Uzbekistan and Central Bank of the Russian Federation and used for calculation of the minimum reserve requirements.
As at 31 December 2020, obligatory reserves of the Bank's subsidiaries – OJSC Halyk Bank Kyrgyzstan, JSC Halyk Bank Georgia, JSC Commercial Bank Moskommertsbank, JSCB Tenge Bank and CJSC Halyk Bank Tajikistan comprised KZT 10,224 million (31 December 2019 – KZT 7,973 million, 31 December 2018 – KZT 9,885 million).

7. Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	31 December 2020	31 December 2019	31 December 2018
Financial assets held for trading:			
Corporate bonds	115,748	89,587	29,987
Treasury bills of the Ministry of Finance of Kazakhstan	52,306	9,569	11,759
Bonds of JSC Development Bank of Kazakhstan	25,679	14,843	6,491
Equity securities of Kazakhstan corporations	11,307	20,866	14,800
Bonds of foreign organizations	10,687	11,403	6,293
Bonds of Kazakhstan banks	8,682	9,523	11,453
Treasury bills of the USA	7,758	14,088	-
Equity securities of foreign organizations	6,487	8,634	3,738
Derivative financial instruments	3,672	5,088	97,853
Notes of NBRK	-	1,430	4,462
	242,326	**185,031**	**186,836**

Financial liabilities at fair value through profit or loss comprise:

	31 December 2020	31 December 2019	31 December 2018
Financial liabilities held for trading:			
Derivative financial instruments	2,484	20,444	7,022

(Millions of Kazakhstani Tenge)

Interest rates on financial assets at fair value through profit or loss are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective financial assets:

	31 December 2020	31 December 2019	31 December 2018
Corporate bonds	10.5%	10.7%	11.2%
Treasury bills of the Ministry of Finance of Kazakhstan	9.0%	9.1%	7.7%
Bonds of JSC Development Bank of Kazakhstan	10.5%	9.1%	9.2%
Bonds of foreign organizations	6.1%	8.9%	7.9%
Bonds of Kazakhstan banks	11.5%	11.5%	10.8%
Treasury bills of the USA	0.3%	1.9%	-
Notes of NBRK	-	9.4%	7.3%

Derivative financial instruments comprise:

	31 December 2020			31 December 2019			31 December 2018		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
Foreign currency contracts									
Swaps	242,701	3,656	2,381	947,346	4,642	19,983	1,221,331	97,709	6,998
Spots	40,172	16	102	29,903	446	461	27,266	144	16
Forwards	290	-	1	2,383	-	-	326	-	8
		3,672	**2,484**		**5,088**	**20,444**		**97,853**	**7,022**

As at 31 December 2020, 2019 and 2018, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable and unobservable market data.

8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2020	31 December 2019	31 December 2018
Term deposits and restricted accounts	660,776	26,186	37,365
Deposit pledged as collateral	26,596	13,409	9,512
Loans to credit institutions	22,199	13,733	8,390
	709,571	**53,328**	**55,267**
Less - Allowance for expected credit losses	(261)	(167)	(232)
	709,310	**53,161**	**55,035**

As at 31 December 2020, term deposits and restricted accounts include the restricted current accounts with NBRK received by the Bank within the framework of participation in the program of concessional lending to small and medium-sized enterprises (the “Program”) in the amount of KZT 119,450 million (Note 11).

(Millions of Kazakhstani Tenge)

Interest rates and maturities of amounts due from credit institutions are as follows:

	31 December 2020		31 December 2019		31 December 2018	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Term deposits and restricted accounts	0.1%-14.0%	2021	0.1%-14.0%	2020-2023	2.7%-14.0%	2023
Deposit pledged as collateral	0.2%-1.8%	2046	0.2%-3.0%	2046	0.2%-3.0%	2046
Loans to credit institutions	2.0%-8.5%	2021	1.5%-6.2%	2020	2.0%-7.5%	2019

The movements in accumulated allowances for expected credit losses of amounts due from credit institutions were as follows:

	31 December 2020	31 December 2019	31 December 2018
	Stage 1	Stage 1	Stage 1
At the beginning of the year	(167)	(232)	(334)
Changes in risk parameters	(91)	69	151
Foreign exchange differences and other movements	(3)	(4)	(49)
At the end of the year	**(261)**	**(167)**	**(232)**

9. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	31 December 2020	31 December 2019	31 December 2018
Treasury bills of the Ministry of Finance of Kazakhstan	708,749	431,344	408,508
Bonds of foreign organisations	147,241	96,701	44,283
Corporate bonds	141,732	199,517	202,923
Bonds of JSC Development Bank of Kazakhstan	106,839	78,904	75,190
Notes of NBRK	59,709	466,821	756,652
Eurobonds of Saudi Arabia	23,055	-	-
Eurobonds of the Emirate of Abu Dhabi	21,162	-	-
Treasury bills of Hungary	14,739	9,061	8,757
Eurobonds of State of Kuwait	9,261	-	-
Eurobonds of the Republic of Indonesia	7,193	-	-
Eurobonds of State of Qatar	7,060	-	-
Bonds of Kazakhstan banks	3,442	3,169	18,023
Treasury bills of the USA	-	342,889	249,142
	1,250,182	**1,628,406**	**1,763,478**

(Millions of Kazakhstani Tenge)

Equity securities comprise:

	31 December 2020	31 December 2019	31 December 2018
Equity securities of Kazakhstan corporations	5,976	2,515	2,455
	5,976	**2,515**	**2,455**
Total financial assets at fair value through other comprehensive income	**1,256,158**	**1,630,921**	**1,765,933**

As at 31 December 2020, 2019 and 2018, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 1,710 million, KZT 1,658 million and KZT 2,576 million, respectively (Note 10).

As at 31 December 2020, 2019 and 2018, financial assets at fair value through other comprehensive income included treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 119,654 million, KZT 108,203 million, and KZT 4,714 million, respectively, pledged under repurchase agreements with the other banks (see Note 19). All repurchase agreements as at 31 December 2020, 2019 and 2018 mature before 22 January 2021, 22 January 2020 and 8 January 2019, respectively.

Interest rates and maturities of financial assets at fair value through other comprehensive income are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2020		31 December 2019		31 December 2018	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	4.6%	2021-2045	4.8%	2020-2045	6.0%	2019-2045
Bonds of foreign organisations	4.4%	2021-2025	5.9%	2020-2036	5.5%	2019-2047
Corporate bonds	10.9%	2021-2047	8.5%	2020-2047	7.9%	2019-2047
Bonds of JSC Development Bank of Kazakhstan	6.1%	2022-2032	5.7%	2022-2032	6.1%	2020-2032
Notes of NBRK	9.5%	2021	9.2%	2020	8.7%	2019
Eurobonds of Saudi Arabia	1.2%	2021-2025	-	-	-	-
Eurobonds of the Emirate of Abu Dhabi	0.9%	2023-2025	-	-	-	-
Treasury bills of Hungary	2.9%	2023	3.2%	2023	3.2%	2023
Eurobonds of State of Kuwait	0.4%	2022	-	-	-	-
Eurobonds of the Republic of Indonesia	1.3%	2025	-	-	-	-
Eurobonds of State of Qatar	0.8%	2023	-	-	-	-
Bonds of Kazakhstan banks	11.9%	2022-2023	10.9%	2020-2023	9.8%	2019-2024
Treasury bills of the USA	-	-	2.1%	2020	1.8%	2019

(Millions of Kazakhstani Tenge)

10. Debt securities at amortised cost, net of allowance for expected credit losses

Debt securities at amortised cost, net of allowances for expected credit losses comprise:

	31 December 2020	31 December 2019	31 December 2018
Treasury bills of the Ministry of Finance of Kazakhstan	1,044,920	1,044,902	1,044,939
Corporate bonds	171,946	156,685	1,082
Treasury bills of the Kyrgyz Republic	4,296	4,667	2,847
Notes of National Bank of Tajikistan	3,712	1,971	1,119
Notes of National Bank of Georgia	2,229	1,906	2,434
Bonds of foreign organizations	1,927	1,946	2,640
Notes of National Bank of Kyrgyz Republic	509	904	-
Treasury bills of the Russian Federation	-	-	846
	1,229,539	**1,212,981**	**1,055,907**

As at 31 December 2020, 2019 and 2018, the allowance for expected credit losses on debt securities at amortised cost comprised KZT 574 million, KZT 562 million and KZT 441 million, respectively.

Interest rates and maturities of debt securities at amortised cost, net of allowance for expected credit losses are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2020		31 December 2019		31 December 2018	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	9.3%	2022-2027	9.3%	2022-2027	9.3%	2022-2027
Corporate bonds	3.3%	2022-2024	7.0%	2022-2024	9.7%	2022
Treasury bills of the Kyrgyz Republic	6.3%	2021-2024	4.9%	2020-2021	5.6%	2019-2021
Notes of National Bank of Tajikistan	10.1%	2021	13.5%	2020	14.2%	2019
Notes of National Bank of Georgia	8.7%	2024-2028	10.6%	2020-2025	10.7%	2019-2025
Bonds of foreign organizations	7.8%	2021-2025	9.1%	2020-2026	9.2%	2020-2026
Notes of National Bank of Kyrgyz Republic	4.8%	2021	5.2%	2020	-	-
Treasury bills of the Russian Federation	-	-	-	-	7.8%	2021

(Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of debt securities at amortised cost, net of allowances for expected credit losses and financial assets at fair value through other comprehensive income were as follows:

	31 December 2020			31 December 2019				31 December 2018			
	Stage 1	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At the beginning of the year	**(1,185)**	**(1,035)**	**(2,220)**	**(1,101)**	**(21)**	**(1,881)**	**(3,003)**	**(1,223)**	**(4)**	**(1,480)**	**(2,707)**
Transfer to Stage 1	-	-	-	-	-	-	-	(4)	4	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	8	(8)	-	-
Changes in risk parameters*	160	180	340	35	21	(20)	36	636	(12)	1	625
New originations or purchases of financial assets*	(236)	-	(236)	(338)	-	-	(338)	(338)	-	-	(338)
Derecognition of financial assets*	28	-	28	208	-		208	11	-	-	11
Write-offs	-	-	-	-	-	866	866	17	-	355	372
Foreign exchange differences and other movements	(29)	(167)	(196)	11	-	-	11	(208)	(1)	(757)	(966)
At the end of the year	**(1,262)**	**(1,022)**	**(2,284)**	**(1,185)**	**-**	**(1,035)**	**(2,220)**	**(1,101)**	**(21)**	**(1,881)**	**(3,017)**

* FS line “Credit loss expense” in the consolidated statement of profit or loss is comprised from “Changes in risk parameters”, “New originations or purchases of financial assets” and “Derecognition of financial assets”.

(Millions of Kazakhstani Tenge)

11. Loans to customers

Loans to customers comprise:

	31 December 2020	31 December 2019	31 December 2018
Originated loans to customers	4,811,892	4,143,692	3,869,005
Overdrafts	12,424	17,471	21,867
	4,824,316	**4,161,163**	**3,890,872**
Stage 1	4,015,322	3,338,205	2,984,812
Stage 2	216,589	159,120	142,664
Stage 3	533,519	586,025	671,406
Purchased or originated credit-impaired assets (“POCI”)	58,886	77,813	91,990
Total	**4,824,316**	**4,161,163**	**3,890,872**
Less – Allowance for expected credit losses	(378,041)	(408,718)	(409,793)
Loans to customers	**4,446,275**	**3,752,445**	**3,481,079**

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. For the year ended 31 December 2020, average interest rate on loans was 12.7% (for the year ended 31 December 2019 – 12.8%, for the year ended 31 December 2018 – 13.3%).

As at 31 December 2020, the Group’s loan concentration to the ten largest borrowers was KZT 840,995 million, which comprised 17% of the Group’s total gross loan portfolio (as at 31 December 2019 – KZT 775,224 million, 19%, as at 31 December 2018 – KZT 703,598 million, 19%) and 56% of the Group’s total equity (as at 31 December 2019 – 66%; as at 31 December 2018 – 66%). As at 31 December 2020, the allowance for expected credit losses created against these loans was KZT 4,732 million (as at 31 December 2019 – KZT 58,782 million, as at 31 December 2018 – KZT 42,044 million). The significant reduction in allowance for ECL created against top ten loans was mostly due to write-off of significant impaired exposure from the Group’s balance sheet in 2020.

(Millions of Kazakhstani Tenge)

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2020	31 December 2019	31 December 2018
Loans collateralised by pledge of real estate or rights thereon	1,605,495	1,594,776	1,603,065
Loans collateralised by guarantees	1,173,271	875,201	702,445
Consumer loans issued within the framework of payroll projects*	791,973	638,485	506,163
Loans collateralised by cash	214,025	219,611	360,071
Loans collateralised by pledge of corporate shares	144,782	166,694	167,676
Loans collateralised by mixed types of collateral	122,281	62,149	63,259
Loans collateralised by pledge of vehicles	63,788	72,266	43,701
Loans collateralised by pledge of equipment	18,469	10,348	15,598
Loans collateralised by pledge of inventories	18,219	39,357	33,662
Loans collateralised by pledge of agricultural products	14,851	7,463	7,359
Unsecured loans	657,162	474,813	387,873
	4,824,316	**4,161,163**	**3,890,872**
Less – Allowance for expected credit losses	(378,041)	(408,718)	(409,793)
Loans to customers	**4,446,275**	**3,752,445**	**3,481,079**

*These loans are collateralised by cash to be received in the future from the employees of companies within the framework of salary projects.

Loans are granted to the following sectors:

	31 December 2020	%	31 December 2019	%	31 December 2018	%
Retail loans:						
- consumer loans	1,055,522	22%	810,438	19%	715,362	18%
- mortgage loans	270,513	6%	256,053	6%	273,469	7%
	1,326,035		**1,066,491**		**988,831**	
Services	683,652	14%	567,589	14%	650,353	17%
Wholesale trade	374,274	8%	427,760	10%	406,567	12%
Retail trade	310,049	6%	271,342	7%	218,503	6%
Real estate	293,966	6%	293,923	7%	321,306	8%
Construction	215,618	4%	190,814	5%	221,797	6%
Oil and gas	213,306	5%	207,410	5%	153,837	3%
Transportation	206,024	4%	166,824	4%	151,569	3%
Energy	201,268	4%	67,655	2%	70,483	2%
Metallurgy	171,642	4%	172,245	4%	188,411	5%
Mining	165,090	3%	169,167	4%	73,017	2%
Agriculture	127,205	3%	139,110	3%	129,864	3%
Communication	115,473	2%	91,678	2%	40,080	1%
Financial services	100,339	2%	90,871	2%	62,124	2%
Food industry	97,510	2%	65,799	2%	47,053	1%
Machinery	60,058	1%	44,199	1%	33,990	1%
Hotel industry	47,710	1%	41,879	1%	32,845	1%
Chemical industry	34,011	1%	30,312	1%	30,603	1%
Light industry	28,277	1%	19,204	0%	12,994	0%
Other	52,809	1%	36,891	1%	56,645	2%
	4,824,316	**100%**	**4,161,163**	**100%**	**3,890,872**	**100%**

Restructured and modified loans to customers

The Bank derecognises a financial asset, such as a loan to a customer, if the terms of the contract are renegotiated in such a way that it effectively becomes a new loan and the difference is recognized as a gain or loss on derecognition before an impairment loss is recognized. On initial recognition, loans to customers are classified in Stage 1 for the purpose of estimating expected credit losses, unless the loan originated is considered POCI. If the modification does not result in a significant change in cash flows, then derecognition does not occur.

For the year ended 31 December 2020, the Bank modified the terms of certain loans to customers, including granting credit holidays, as part of measures introduced by governments in response to the impact of the COVID-19 pandemic. The Bank has provided a deferral of payments for up to three months on loans to customers of small, medium and retail businesses in connection with the introduction of quarantine due to the COVID-19 pandemic. As at 31 December 2020, the gross carrying amount of these loans to customers before allowance for expected credit losses was KZT 135,659 million.

Generally, these measures have not automatically been treated as a trigger for credit impairment as those were based on legislative moratoria on loan repayments applied in light of the COVID-19 crisis. However, any further extensions requested by borrowers following the credit holidays were considered by the Group as credit impairment trigger for retail customers and a trigger for stage reassessment for corporate clients.

As at 31 December 2020, accrued interest on loans comprised KZT 179,879 million (31 December 2019 – KZT 165,444 million, 31 December 2018 – KZT 200,539 million).

During the years ended 31 December 2020, 2019 and 2018, the Group received financial and non-financial assets by taking possession of collateral it held as security. As at 31 December 2020, 2019 and 2018, such assets of KZT 12,112 million, KZT 36,304 million and KZT 46,355 million, respectively, are included in assets classified as held for sale.

As at 31 December 2020, 2019 and 2018, loans to customers included loans of KZT 369,731 million, KZT 351,440 million and KZT 417,619 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

(Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of loans to customers were as follows:

					31 December 2020
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(36,305)**	**(45,797)**	**(302,834)**	**(23,782)**	**(408,718)**
Transfer to Stage 1	(6,662)	2,230	4,432	-	-
Transfer to Stage 2	1,806	(4,934)	3,128	-	-
Transfer to Stage 3	14,339	5,847	(20,186)	-	-
Changes in risk parameters*	6,486	1,691	(29,527)	9,734	(11,616)
New originations or purchases of financial assets*	(45,001)	-	-	-	(45,001)
Derecognition of financial assets*/**	10,044	1,038	25,945	384	37,411
Recoveries of allowances on previously written-off assets	-	-	(11,896)	(9,388)	(21,284)
Write-offs	-	-	72,056	8,280	80,336
Foreign exchange differences and other movements	(547)	(721)	(4,599)	(3,302)	(9,169)
At the end of the year	**(55,840)**	**(40,646)**	**(263,481)**	**(18,074)**	**(378,041)**

					31 December 2019
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(43,516)**	**(28,716)**	**(322,917)**	**(14,644)**	**(409,793)**
Transfer to Stage 1	(13,930)	7,727	6,203	-	-
Transfer to Stage 2	9,109	(23,780)	14,671	-	-
Transfer to Stage 3	49,988	4,163	(54,151)	-	-
Changes in risk parameters*	17,469	(7,252)	(13,953)	(3,894)	(7,630)
New originations or purchases of financial assets*	(68,134)	-	-	-	(68,134)
Derecognition of financial assets*/**	12,299	1,663	31,512	2,340	47,814
Recoveries of allowances on previously written-off assets	-	-	(11,457)	(9,874)	(21,331)
Write-offs	-	-	41,867	1,687	43,554
Foreign exchange differences and other movements	410	398	5,391	603	6,802
At the end of the year	**(36,305)**	**(45,797)**	**(302,834)**	**(23,782)**	**(408,718)**

(Millions of Kazakhstani Tenge)

	31 December 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(34,207)**	**(31,973)**	**(210,834)**	**(78,155)**	**(317,161)**
Transfer to Stage 1	(10,909)	6,718	4,191	-	-
Transfer to Stage 2	1,522	(1,602)	80	-	-
Transfer to Stage 3	4,800	4,333	(9,133)	-	-
Changes in risk parameters*	9,567	(6,713)	(178,625)	27,305	(148,466)
New originations or purchases of financial assets*	(21,302)	-	-	-	(21,302)
Derecognition of financial assets*/**	8,103	2,491	103,151	28,120	141,865
Recoveries of allowances on previously written-off assets	-	-	(108,298)	(2,570)	(110,868)
Write-offs	-	-	104,690	48	104,738
Foreign exchange differences and other movements	(1,090)	(1,970)	(28,139)	(1,363)	(32,562)
At the end of the year	**(43,516)**	**(28,716)**	**(322,917)**	**(14,644)**	**(409,793)**

* FS line "Credit loss expense" in the consolidated statement of profit or loss is comprised from "Changes in risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".
*/** Derecognition of financial assets includes changes in the amount of allowances for expected credit losses on fully repaid loans to customers.

In 2020 year, the credit loss expense accrual resulted from worsening of financial position of the borrowers, was compensated by the recoveries from corporate impaired loans due to sale of repossessed collaterals and restructuring strategies applied and recoveries from retail impaired loans due to sale to collection companies, in addition to the recoveries due to positive impact of government support programs to business and population of the Kazakhstan.

(Millions of Kazakhstani Tenge)

The table below summarizes the amount of allowances for expected credit losses of loans to customers by type of businesses:

	31 December 2020	31 December 2019	31 December 2018
Corporate business	(231,899)	(271,877)	(241,549)
Retail business	(98,158)	(92,276)	(115,796)
SME business	(47,984)	(44,565)	(52,448)
	(378,041)	**(408,718)**	**(409,793)**

During the years ended 31 December 2020, 2019 and 2018, the Group has written off loans of KZT 80,336 million, KZT 43,554 million and KZT 104,738 million, respectively, which allow the writing off loans without being considered forgiveness of the loan for tax purpose and are therefore not subject to corporate income tax.

COVID-19 Government - support measures

In March 2020, the Program was developed by NBRK and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market in conjunction with the second-tier banks.

For the implementation of this Program, KZT 600 billion was allocated through the placement of contingent deposits in the second-tier banks. JSC Kazakhstan Sustainability Fund under NBRK was identified as the operator of the Program and 12 participating banks were selected, which undergo an independent assets quality review (the "AQR") and have small and medium - sized enterprises ("SME") loans in their portfolio.

The business support mechanism is implemented by providing second-tier banks with concessional loans for working capital replenishment to SME and individual entrepreneurs, who suffered as a result of the emergency regime, for up to 12 months at a rate of no more than 8% per annum.

KZT 180 billion (30% of KZT 600 billion) was allocated to the Bank. The Bank signed the agreement on the implementation of the Program on 27 March 2020. In December 2020, the terms of the Program were revised, including the amount of the Program which was increased to KZT 770 billion. As at 31 December 2020, under the Program the Bank has financed 379 clients for the amount of KZT 143.9 billion.

It should also be noted that the Bank is one of the market participants in implementing the programs of preferential financing for business entities of such development institutions as JSC Entrepreneurship Development Fund DAMU, JSC Development Bank of Kazakhstan, JSC Agrarian Credit Corporation, JSC KazakhExport. As at 31 December 2020, the proportion of the unimpaired SME portfolio that is covered by the state financing programs accounts for 68% of the unimpaired SME loan portfolio or KZT 431.2 billion.

Allowance for expected credit losses and provisions

Against the backdrop of the COVID-19 pandemic continuing throughout the reporting second quarter and subsequently, the spread of coronavirus infection has also increased in Kazakhstan. In order to prevent the spread of COVID-19 among the population of the Republic of Kazakhstan, restrictive measures, including quarantine, were in force on the territory of the republic.

For the year ended 31 December 2020, credit loss expense on loans to customers comprised KZT 19,206 million (31 December 2019 – KZT 27,950 million; 31 December 2018 – KZT 27,903 million). Allowances for expected credit losses reflect the net impact of economic scenarios, actions taken on problem assets of corporate and retail business to ensure the repayment of overdue debts, sale of unsecured loans to collection companies, as well as the effect of government programs to support the SME sector.

The increased risk and uncertainty has been reflected by means of an expected credit losses overlay to current modelled outcomes by leveraging appropriate internal stress analysis. At the same time, when calculating the impact of macroeconomic changes on the Group's activities, various periods of economic recovery were considered (under different scenarios from 1 to 4 years). Management has concluded that in accordance with the requirements of IFRS 9, it is necessary to take into account the potential impact of the macroeconomic situation on a possible change in the quality of the loan portfolio in the future. This revised overlay will be monitored and refined as more observable data on economic and customer outcomes becomes available. Although market dynamics are challenging a number of sectors and corporate customers, the corporate portfolio’s diverse client base and limits are being proactively managed and have exposure to the most vulnerable sectors affected by the coronavirus outbreak was closely monitored. The impact of the COVID-19 scenario and weighting adjustments has resulted in an increase in credit loss expense from the previous scenario, primarily driven by the higher probability of default in retail unsecured loans. These drivers are partially offset by the impact of NBRK, the Government and other support measures, which are assumed to mitigate a material portion of future losses reflecting both the likely take-up and success of these schemes.

Internal rating model for loans to customers

Loans to customers are classified based on internal assessments and other analytical procedures. The respective business units classify loans according to their risk and the exposure that they potentially present to the Group, and this classification is verified by the risk management function.

The Bank and its subsidiaries are using an internal rating model to classify loans in different risk categories. The model assists to assess the risk category based on a borrowers’ financial performance, credit history, quality of accounts receivable, liquidity of the borrower, market risks relating to the borrower, industry of the borrower and other factors. At the same time, the rating is an auxiliary criterion in assessing the level of increase in credit risk and staging. In addition to the rating, the bank takes into account such factors borrowers’ credit history and financial performance, changes in the value of collateral and the quality of financial guarantees. Periodically, the required information is inputted into the model by credit analysts. Information input into the system and the estimate of the allowance for loan loss is verified by the risk management department.

(Millions of Kazakhstani Tenge)

The following classifications are used by the rating model:

- Rating score 1 - superior loan rating, minimal credit risk;
- Rating score 2 - very high quality of loan, very low credit risk;
- Rating score 3 - high quality of loan, low credit risk;
- Rating score 4 - satisfactory quality of loan, insignificant risk;
- Rating score 5 - credit risk can increase at economic variation;
- Rating score 6 - high risk at economic variation;
- Rating score 7 - high risk of default, in the absence of other factors mentioned above, paying capacity of the borrower depends on favorable economic circumstances;
- Rating score 8 - 10 - very high risk of default/default.

Pools of homogeneous loans – loans to customers are included in groups of loans with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults, internal ratings and other factors). Pools of homogeneous loans include assets that have been assessed collectively.

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

					31 December 2020
	Stage 1	Stage 2	Stage 3		
Rating score	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**
1-3	-	-	-	-	-
4	393,558	-	-	-	393,558
5	1,101,257	24,393	-	-	1,125,650
6	586,442	125,049	36,043	13,246	760,780
7	131,352	31,153	148,658	1,606	312,769
8-10	-	-	81,666	34,745	116,411
Loans to corporate customers that are individually assessed for impairment	2,212,609	180,595	266,367	49,597	2,709,168
Loans to SME customers and retail business that are individually assessed for impairment	396,565	16,094	58,928	8,466	480,053
Loans to customers that are collectively assessed for impairment	1,406,148	19,900	208,224	823	1,635,095
	4,015,322	**216,589**	**533,519**	**58,886**	**4,824,316**
Less – Allowance for expected credit losses	(55,831)	(37,479)	(266,657)	(18,074)	(378,041)
Loans to customers	**3,959,849**	**179,110**	**266,862**	**40,454**	**4,446,275**

(Millions of Kazakhstani Tenge)

					31 December 2019
	Stage 1	Stage 2	Stage 3		
Rating score	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**
1-3	-	-	-	-	-
4	298,985	-	-	-	298,985
5	990,784	12,513	-	-	1,003,297
6	580,210	65,042	27,787	14,572	687,611
7	39,419	61,792	132,131	1,626	234,968
8-10	-	-	139,635	49,548	189,183
Loans to corporate customers that are individually assessed for impairment	1,909,398	139,347	299,553	65,746	2,414,044
Loans to SME customers and retail business that are individually assessed for impairment	330,989	9,018	72,304	11,344	423,655
Loans to customers that are collectively assessed for impairment	1,097,818	10,755	214,168	723	1,323,464
	3,338,205	**159,120**	**586,025**	**77,813**	**4,161,163**
Less – Allowance for expected credit losses	(36,305)	(45,797)	(302,834)	(23,782)	(408,718)
Loans to customers	**3,301,900**	**113,323**	**283,191**	**54,031**	**3,752,445**

					31 December 2018
	Stage 1	Stage 2	Stage 3		
Rating score	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**
1-3	-	-	-	-	-
4	185,482	-	-	-	185,482
5	793,568	8,898	469	-	802,935
6	550,901	22,726	7,171	14,391	595,189
7	231,398	70,653	156,687	6,633	465,371
8-10	-	-	132,233	55,339	187,572
Loans to corporate customers that are individually assessed for impairment	1,761,349	102,277	296,560	76,363	2,236,549
Loans to SME customers and retail business that are individually assessed for impairment	409,942	13,741	141,645	15,627	580,955
Loans to customers that are collectively assessed for impairment	813,521	26,646	233,201	-	1,073,368
	2,984,812	**142,664**	**671,406**	**91,990**	**3,890,872**
Less – Allowance for expected credit losses	(43,516)	(28,716)	(322,917)	(14,644)	(409,793)
Loans to customers	**2,941,296**	**113,948**	**348,489**	**77,346**	**3,481,079**

(Millions of Kazakhstani Tenge)

Analysis by credit quality of loans to retail business and SME customers that are collectively and individually assessed for impairment as at 31 December 2020, 2019 and 2018 is as follows:

As at 31 December 2020	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	1,179,945	(45,831)	1,134,114
Overdue:			
up to 30 days	26,078	(4,590)	21,488
31 to 60 days	6,562	(1,824)	4,738
61 to 90 days	3,638	(1,171)	2,467
91 to 180 days	12,630	(8,009)	4,621
over 180 days	81,213	(48,992)	32,221
Loans to retail business that are collectively and individually assessed for impairment	**1,310,066**	**(110,417)**	**1,199,649**
Loans to SME customers			
Not past due	706,043	(20,980)	685,063
Overdue:			
up to 30 days	20,537	(1,189)	19,348
31 to 60 days	3,204	(510)	2,694
61 to 90 days	3,219	(444)	2,775
91 to 180 days	3,409	(890)	2,519
over 180 days	60,532	(34,009)	26,523
Loans to SME customers that are collectively and individually assessed for impairment	**796,944**	**(58,022)**	**738,922**
Loans to SME customers and retail business that are collectively and individually assessed for impairment	**2,107,010**	**(168,439)**	**1,938,571**
Loans to corporate customers that are collectively and individually assessed for impairment	**2,701,336**	**(207,241)**	**2,494,095**
Loans related to card transactions	**15,970**	**(2,361)**	**13,609**
Loans to customers	**4,824,316**	**(378,041)**	**4,446,275**

(Millions of Kazakhstani Tenge)

As at 31 December 2019	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	898,387	(30,108)	868,279
Overdue:			
up to 30 days	23,525	(3,714)	19,811
31 to 60 days	4,443	(1,167)	3,276
61 to 90 days	9,153	(3,361)	5,792
91 to 180 days	10,278	(5,541)	4,737
over 180 days	96,746	(58,338)	38,408
Loans to retail business that are collectively and individually assessed for impairment	**1,042,532**	**(102,229)**	**940,303**
Loans to SME customers			
Not past due	552,663	(14,507)	538,156
Overdue:			
up to 30 days	8,587	(997)	7,590
31 to 60 days	3,476	(465)	3,011
61 to 90 days	1,762	(147)	1,615
91 to 180 days	5,739	(3,634)	2,105
over 180 days	69,664	(39,323)	30,341
Loans to SME customers that are collectively and individually assessed for impairment	**641,891**	**(59,073)**	**582,818**
Loans to SME customers and retail business that are collectively and individually assessed for impairment	**1,684,423**	**(161,302)**	**1,523,121**
Loans to corporate customers that are collectively and individually assessed for impairment	**2,452,781**	**(241,518)**	**2,211,263**
Loans related to card transactions	**23,959**	**(5,898)**	**18,061**
Loans to customers	**4,161,163**	**(408,718)**	**3,752,445**

(Millions of Kazakhstani Tenge)

As at 31 December 2018	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	751,122	(30,601)	720,521
Overdue:			
up to 30 days	36,283	(5,343)	30,940
31 to 60 days	8,484	(2,926)	5,558
61 to 90 days	5,464	(2,291)	3,173
91 to 180 days	23,125	(10,555)	12,570
over 180 days	132,754	(80,111)	52,643
Loans to retail business that are collectively and individually assessed for impairment	**957,232**	**(131,827)**	**825,405**
Loans to SME customers			
Not past due	510,454	(9,299)	501,155
Overdue:			
up to 30 days	12,594	(379)	12,215
31 to 60 days	8,112	(2,881)	5,231
61 to 90 days	10,206	(3,878)	6,328
91 to 180 days	6,348	(1,753)	4,595
over 180 days	87,500	(51,095)	36,405
Loans to SME customers that are collectively and individually assessed for impairment	**635,214**	**(69,285)**	**565,929**
Loans to SME customers and retail business that are collectively and individually assessed for impairment	**1,592,446**	**(201,112)**	**1,391,334**
Loans to corporate customers that are collectively and individually assessed for impairment	**2,271,567**	**(203,451)**	**2,068,116**
Loans related to card transactions	**26,859**	**(5,230)**	**21,629**
Loans to customers	**3,890,872**	**(409,793)**	**3,481,079**

12. Investment property

	2020	2019	2018
As at 1 January	46,558	58,868	37,517
Additions	1,511	13,843	20,508
Disposals	(5,488)	(25,769)	(4,955)
Transferred to commercial property	(3,767)	-	-
Transferred (to)/from non-current assets held for sale	-	(231)	6,378
Transferred to property and equipment	-	(529)	-
Gain/(loss) on revaluation of investment property	969	135	(419)
Translation differences	(342)	241	(161)
As at 31 December	**39,441**	**46,558**	**58,868**

During the years ended 31 December 2020, 2019 and 2018, the Group foreclosed collateral it held as a security for loans to customers. As a result, the Group received investment property of KZT 1,511 million, KZT 13,843 million, and KZT 20,508 million, respectively.

(Millions of Kazakhstani Tenge)

As at 31 December 2020, 2019 and 2018, there was no investment property that was pledged as collateral for liabilities.

Investment property rental income is included in other income in the consolidated statement of profit or loss. For the years ended 31 December 2020, 2019 and 2018, investment property rental income earned was KZT 1,766 million,KZT 2,929 million, and KZT 2,508 million, respectively.

Operating expenses arising from the investment property that generated rental income during the years ended 31 December 2020, 2019 and 2018 were KZT 854 million, KZT 1,623 million, and KZT 1,416 million, respectively.

Investment property owned by the Group was revalued by independent appraisers as at 31 December 2020, 2019 and 2018. The fair value of the investment property was estimated based on the income approach and the comparative approach. When estimating the fair value of the properties, their current use is considered the best use and the most effective. There has been no change to the valuation technique during the year. This revaluation resulted in recognition of a revaluation gain in the consolidated statement of profit or loss for the years ended 31 December 2020 and 31 December 2019 – KZT 969 million and KZT 135 million, respectively; and loss in the consolidated statement of profit or loss for the year ended 31 December 2018 - KZT 419 million.

As at 31 December 2020, 2019 and 2018, the fair value measurements of the Group's investment property of KZT 39,441 million, KZT 46,558 million, and KZT 58,868 million, respectively, are categorised into Level 3 (description of measurement hierarchy is disclosed in Note 36).

13. Commercial property

	2020	2019	2018
As at 1 January	113,381	70,318	48,774
Additions	26,215	69,722	52,717
Sale of property	(41,516)	(26,597)	(39,745)
Capitalised expenses	1,251	327	1,577
Transferred from investment property	3,767	-	-
Transfers to original investors	-	(389)	(96)
Translation differences	-	-	7,091
As at 31 December	**103,098**	**113,381**	**70,318**

During the years ended 31 December 2020, 2019 and 2018, the Group foreclosed collateral it held as a security for loans to customers. As a result, the Group received commercial property of KZT 26,215 million, KZT 69,722 million and KZT 52,717 million, respectively.

(Millions of Kazakhstani Tenge)

14. Property and equipment and intangible assets

The movements in property and equipment are as follows:

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2019	**103,232**	**3,804**	**31,448**	**364**	**22,112**	**5,517**	**23,225**	**189,702**
Additions	1,123	958	10,517	2,821	3,235	3,436	8,076	30,166
Disposals	(844)	(328)	(1,512)	(104)	(528)	(195)	(3,737)	(7,248)
Revaluation	10,541	-	-	(13)	-	-	-	10,528
Reclassification to assets classified as held for sale	(223)	-	-	-	-	-	-	(223)
Transfers	1,046	-	753	(1,294)	(505)	-	-	-
Translation differences	(494)	(13)	(194)	-	(161)	(299)	(265)	(1,426)
31 December 2020	**114,381**	**4,421**	**41,012**	**1,774**	**24,153**	**8,459**	**27,299**	**221,499**
Accumulated depreciation:								
31 December 2019	**2,523**	**1,635**	**16,314**	**-**	**10,088**	**1,055**	**13,504**	**45,119**
Charge	1,904	528	4,522	-	2,103	1,745	2,224	13,026
Disposals	(352)	(314)	(1,411)	-	(493)	(134)	(543)	(3,247)
Write-off at revaluation	(3,585)	-	-	-	-	-	-	(3,585)
Transfers	8	2	27	-	(37)	-	-	-
Translation differences	(30)	(7)	(109)	-	(82)	(73)	(94)	(395)
31 December 2020	**468**	**1,844**	**19,343**	**-**	**11,579**	**2,593**	**15,091**	**50,918**
Net book value:								
31 December 2020	**113,913**	**2,577**	**21,669**	**1,774**	**12,574**	**5,866**	**12,208**	**170,581**

(Millions of Kazakhstani Tenge)

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2018	**105,951**	**3,520**	**26,090**	**63**	**20,691**	**-**	**20,482**	**176,797**
Additions	1,334	760	6,859	775	2,469	3,183	3,597	18,977
Recognition of right-of-use asset on adoption of IFRS 16	-	-	-	-	-	3,077	-	3,077
Disposals	(2,986)	(478)	(1,889)	(66)	(518)	(743)	(895)	(7,575)
Transferred from investment property	529	-	-	-	-	-	-	529
Reclassification to assets classified as held for sale	(1,485)	-	-	(408)	(262)	-	-	(2,155)
Transfers	-	-	336	-	(336)	-	-	-
Translation differences	(111)	2	52	-	68	-	41	52
31 December 2019	**103,232**	**3,804**	**31,448**	**364**	**22,112**	**5,517**	**23,225**	**189,702**
Accumulated depreciation:								
31 December 2018	**881**	**1,598**	**13,931**	**-**	**8,918**	**-**	**12,047**	**37,375**
Charge	1,896	444	4,103	-	1,668	1,162	2,323	11,596
Disposals	(272)	(406)	(1,756)	-	(488)	(112)	(882)	(3,916)
Transfers	-	-	44	-	(44)	-	-	-
Translation differences	18	(1)	(8)	-	34	5	16	64
31 December 2019	**2,523**	**1,635**	**16,314**	**-**	**10,088**	**1,055**	**13,504**	**45,119**
Net book value:								
31 December 2019	**100,709**	**2,169**	**15,134**	**364**	**12,024**	**4,462**	**9,721**	**144,583**

(Millions of Kazakhstani Tenge)

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Intangible assets	Total
Revalued/initial cost:							
31 December 2017	**112,393**	**2,994**	**26,746**	**118**	**17,119**	**21,622**	**180,992**
Additions	1,348	833	3,223	474	1,777	3,030	10,685
Revaluation	(5,424)	-	(47)	-	(106)	-	(5,577)
Disposals	(2,855)	(321)	(1,557)	(207)	(731)	(4,354)	(10,025)
Transfers	93	-	(2,386)	(322)	2,615	-	-
Translation differences	396	14	111	-	17	184	722
31 December 2018	**105,951**	**3,520**	**26,090**	**63**	**20,691**	**20,482**	**176,797**
Accumulated depreciation:							
31 December 2017	**1,766**	**1,554**	**12,137**	**-**	**6,229**	**13,371**	**35,057**
Charge	1,583	352	4,261	-	1,817	2,916	10,929
Disposals	(97)	(316)	(1,434)	-	(266)	(4,301)	(6,414)
Write-off at revaluation	(2,384)	-	-	-	-	-	(2,384)
Transfers	(28)	-	(1,110)		1,138	-	-
Translation differences	41	8	77	-	-	61	187
31 December 2018	**881**	**1,598**	**13,931**	**-**	**8,918**	**12,047**	**37,375**
Net book value:							
31 December 2018	**105,070**	**1,922**	**12,159**	**63**	**11,773**	**8,435**	**139,422**

(Millions of Kazakhstani Tenge)

The Group's revaluation policy requires the entire asset class of buildings and construction to be revalued every three years. In the event of significant changes in specific market or property indicators, the Group may opt to perform revaluations more regularly.

The Group had its buildings and properties revalued during 2020 by independent appraisers. The independent appraisers used three approaches to identify the fair value of the property and equipment - the income approach with the income capitalisation method, the comparative approach, using market information to identify the fair value of buildings and structures under active market conditions, and the cost approach when no active market existed for items subject to revaluation.

As at 31 December 2020, the fair value measurements of the Group's buildings and construction, are categorised into Level 2 and Level 3, in the amount of KZT 102,385 million and KZT 11,528 million, respectively (31 December 2019: KZT 88,695 million and KZT 12,014 million, respectively, 31 December 2018: KZT 92,427 million and KZT 12,643 million, respectively). A description of the measurement hierarchy is disclosed in Note 36.

As at 31 December 2020, the total fair value of buildings and construction was KZT 113,913 million (31 December 2019: KZT 100,709 million, 31 December 2018: KZT 105,070 million).
As at 31 December 2020, the carrying amount of property and equipment that would have been recognised had the assets been carried under the cost model is KZT 110,564 million (31 December 2019: KZT 97,881 million, 31 December 2018: KZT 95,634 million).

15. Assets classified as held for sale

After the default of some counterparties on loans to customers, the Group recognised the property pledged as collateral for those loans as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less disposal costs or the carrying value, as the Group's management of the appropriate level committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan was initiated.

Assets held for sale comprised the following:

	31 December 2020	31 December 2019	31 December 2018
Real estate	25,455	22,139	34,541
Land plots	16,653	23,613	21,429
Movable property	136	14	159
Total assets classified as held for sale	**42,244**	**45,766**	**56,129**

In November 2020, the Group performed an independent valuation of its assets held for sale and based on the results recognised an impairment loss of KZT 1,690 million, included to the Loss from impairment of non-financial assets in the consolidated statement of profit or loss.

In June 2018, the Group performed an independent valuation of its assets held for sale and based on the results recognised an impairment loss of KZT 23,240 million.

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Despite the Group actively marketing these assets for sale, the majority have not been sold within a short timeframe. However, the management remains committed to the sale of these assets. As the assets are carried at a price not exceeding the current fair value less costs to sell, they continued to be classified as held for sale at the end of 2020, 2019 and 2018.

The fair value of the Group's non-current assets held for sale was determined by independent appraisers. Income approach, comparative approach and cost-based approach were used to estimate the fair value of those non-current assets. To estimate the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Group's assets held for sale and information about the fair value hierarchy as at 31 December 2020, 2019 and 2018 are as follows:

	Level 2	Level 3	Total
31 December 2018			
Real estate	14,516	20,025	34,541
Land plots	-	21,429	21,429
Movable property	-	159	159
31 December 2019			
Real estate	12,806	9,333	22,139
Land plots	-	23,613	23,613
Movable property	-	14	14
31 December 2020			
Real estate	12,469	12,986	25,455
Land plots	-	16,653	16,653
Movable property	-	136	136

16. Insurance assets and liabilities

Insurance assets comprised the following:

	31 December 2020	31 December 2019	31 December 2018
Unearned reinsurance premium premium reserve	12,364	19,818	17,224
Reinsurers' share of reserves for claims	16,898	42,234	34,270
	29,262	62,052	51,494
Premiums receivable	10,667	19,957	14,157
Insurance assets	**39,929**	**82,009**	**65,651**

Insurance liabilities comprised the following:

	31 December 2020	31 December 2019	31 December 2018
Reserves for insurance claims	148,085	173,052	134,802
Gross unearned insurance premium reserve	32,819	36,349	32,952
	180,904	209,401	167,754
Payables to reinsurers and agents	10,342	14,301	14,687
Insurance liabilities	**191,246**	**223,702**	**182,441**

Insurance risk

The Group establishes underwriting guidelines and limits, which stipulate the approval process for risks and their limits. These limits are being continuously monitored. The Group’s direct insurance business is spread throughout the Republic of Kazakhstan. The Group’s reinsurance portfolio is diversified in terms of geographical spread and in terms of lines of business.

Claims management risk

The risk that claims are handled or paid inappropriately is managed using a range of IT system controls and manual processes conducted by experienced staff. These, together with a range of detailed policies and procedures, ensure that all claims are handled in a timely, appropriate and accurate manner.

Reinsurance risk

Reinsurance is used to protect against the impact of major catastrophic events or unforeseen volumes of, or adverse trends in, large individual claims and to transfer risk that is outside the Group’s current risk appetite.

Reinsurance of risk above the Group’s appetite is only effective if the reinsurance premium is economic and the counterparty is financially secure.

The Group evaluates the financial strengths of its reinsurers and monitors the concentration of credit risks arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimise its exposure to significant losses from reinsurer insolvencies.

Insurance reserve risk

There is a risk that reserves are assessed incorrectly and there are not enough funds to pay or handle claims as they fall due. To estimate insurance and reinsurance liabilities, the Group uses actuarial methods and assumptions set by NBRK.

Credit risk in respect to insurance

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one debtor, or groups of debtors and geographical segments. Limits on the level of credit risk by a debtor and reinsurer are approved by NBRK on a regular basis. Such risks are monitored continuously and are subject to an annual or more frequent reassessment.

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The movements on claims reserves for the years ended 31 December 2020, 2019 and 2018, were as follows:

	2020	2019	2018
Reserves for claims, beginning of the year	173,052	134,802	99,597
Reserves for claims, reinsurance share, beginning of the year	(42,234)	(34,270)	(8,987)
Net reserves for claims, beginning of the year	130,818	100,532	90,610
Plus claims incurred	63,366	88,925	61,656
Less claims paid	(62,997)	(58,639)	(51,734)
Net reserves for claims, end of the year	131,187	130,818	100,532
Reserves for claims, reinsurance share, end of the year	16,898	42,234	34,270
Reserves for claims, end of the year	**148,085**	**173,052**	**134,802**

The movements on unearned insurance premium reserve for the years ended 31 December 2020, 2019 and 2018, were as follows:

	2020	2019	2018
Gross unearned insurance premium reserve, beginning of the year	36,349	32,952	29,172
Unearned insurance premium reserve, reinsurance share, beginning of the year	(19,818)	(17,224)	(17,893)
Net unearned insurance premium reserve, beginning of the year	16,531	15,728	11,279
Change in unearned insurance premium reserve	(3,530)	3,397	3,780
Change in unearned insurance premium reserve, reinsurance share	7,454	(2,594)	669
Net change in unearned insurance premium reserve	3,924	803	4,449
Net unearned insurance premium reserve, end of the year	20,455	16,531	15,728
Unearned insurance premium reserve, reinsurance share, end of the year	12,364	19,818	17,224
Gross unearned insurance premium reserve, end of the year	**32,819**	**36,349**	**32,952**

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17. Other assets

Other assets comprise:

	31 December 2020	31 December 2019	31 December 2018
Other financial assets:			
Debtors on banking activities	84,296	70,541	61,321
Finance lease receivables	19,013	21,514	13,193
Debtors on non-banking activities	16,849	29,006	12,380
Accrued commission income	6,078	5,168	5,116
Other	48	71	33
	126,284	**126,300**	**92,043**
Less – Allowance for expected credit losses	(30,636)	(23,876)	(16,325)
	95,648	**102,424**	**75,718**
Other non-financial assets:			
Investments in associates	32,797	26,732	20,437
Precious metals	21,551	9,248	3,496
Prepayments for investment property	7,126	5,813	6,317
Prepayments for property and equipment	6,259	1,286	193
Advances for taxes other than income tax	6,123	6,256	3,164
Inventory	4,089	2,268	2,332
Goodwill	3,085	3,085	3,085
Other investments	838	884	683
Other	2,794	2,682	2,741
	84,662	58,254	42,448
	180,310	**160,678**	**118,166**

The movements in accumulated allowances for expected credit losses of other financial assets were as follows:

				31 December 2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the year	**(809)**	**(2,502)**	**(20,565)**	**(23,876)**
Changes in risk parameters*	(135)	(684)	(6,912)	(7,731)
Recoveries of allowances on previously written-off assets	-	-	(192)	(192)
Write-offs	4	-	1,107	1,111
Foreign exchange differences and other movements	5	25	22	52
At the end of the year	**(935)**	**(3,161)**	**(26,540)**	**(30,636)**

(Millions of Kazakhstani Tenge)

				31 December 2019
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**(1,046)**	**(1,696)**	**(13,583)**	**(16,325)**
Changes in risk parameters*	51	(806)	(1,312)	(2,067)
Recoveries of allowances on previously written-off assets	-	-	(7,857)	(7,857)
Write-offs	187	-	2,537	2,724
Foreign exchange differences and other movements	(1)	-	(350)	(351)
At the end of the year	**(809)**	**(2,502)**	**(20,565)**	**(23,876)**

				31 December 2018
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**(952)**	**(3,056)**	**(3,738)**	**(7,746)**
Transfer to Stage 1	(2)	2	-	-
Transfer to Stage 2	25	(132)	107	-
Transfer to Stage 3	-	376	(376)	-
Changes in risk parameters*	(224)	281	(14,600)	(14,543)
Write-offs	9	-	3,866	3,875
Foreign exchange differences and other movements	98	833	1,158	2,089
At the end of the year	**(1,046)**	**(1,696)**	**(13,583)**	**(16,325)**

* FS line “Credit loss expense” in the consolidated statement of profit or loss is comprised from “Changes in risk parameters”, “New originations or purchases of financial assets” and “Derecognition of financial assets”.

18. Amounts due to customers

Amounts due to customers include the following:

	31 December 2020	31 December 2019	31 December 2018
Recorded at amortised cost:			
Term deposits:			
Individuals	3,073,187	2,743,019	2,918,070
Legal entities	1,825,513	1,441,930	1,374,592
	4,898,700	**4,184,949**	**4,292,662**
Current accounts:			
Legal entities	1,932,096	1,713,267	1,756,748
Individuals	625,181	508,197	477,520
	2,557,277	**2,221,464**	**2,234,268**
	7,455,977	**6,406,413**	**6,526,930**

As at 31 December 2020, the Group’s ten largest groups of related customers accounted for approximately 23% of the total amounts due to customers (31 December 2019 – 27%; 31 December 2018 – 27%), where each group of related customers represents customers related to each other within that group.

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As at 31 December 2020, amounts due to customers included amounts held as collateral of KZT 83,610 million (31 December 2019 – KZT 72,779 million, 31 December 2018 – KZT 67,515 million).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realise its liquid assets to enable repayment.

An analysis of customer accounts by sector is as follows:

	31 December 2020	%	31 December 2019	%	31 December 2018	%
Individuals and entrepreneurs	3,698,368	50%	3,251,216	51%	3,395,590	52%
Financial sector	660,328	9%	420,979	7%	425,352	7%
Other consumer services	569,342	8%	423,489	7%	322,783	5%
Oil and gas	407,114	5%	581,486	9%	669,608	10%
Wholesale trade	398,752	5%	345,563	5%	254,518	4%
Transportation	294,612	4%	215,466	3%	179,522	3%
Construction	259,903	3%	234,289	4%	275,939	4%
Healthcare and social services	227,031	3%	211,418	3%	211,571	3%
Government	216,925	3%	171,331	3%	101,789	2%
Communication	87,411	1%	61,178	1%	55,201	1%
Insurance and pension funds activity	75,631	1%	76,594	1%	88,377	1%
Metallurgy	71,531	1%	70,805	1%	67,572	1%
Education	66,096	1%	44,694	0%	47,449	1%
Energy	55,187	1%	40,753	1%	64,731	1%
Other	367,746	5%	257,152	4%	366,928	6%
	7,455,977	**100%**	**6,406,413**	**100%**	**6,526,930**	**100%**

As at 31 December 2020, term deposits of legal entities included short-term deposits from JSC Kazakhstan Sustainability Fund of KZT 119,450 million (31 December 2019 – KZT Nil, 31 December 2019 – KZT Nil) at 5% interest rate. These deposits were placed under the program of concessional lending to small and medium-sized enterprises. According to this program, the Bank is responsible to extend loans for working capital replenishment to SME and individual entrepreneurs, who suffered as a result of the emergency regime, for up to 12 months at a rate of no more than 8% per annum (Note 11).

(Millions of Kazakhstani Tenge)

19. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2020	31 December 2019	31 December 2018
Recorded at amortised cost:			
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	124,927	127,237	10,964
Loans from JSC Entrepreneurship Development Fund DAMU	89,005	91,001	86,390
Loans from JSC Development Bank of Kazakhstan	47,251	45,245	38,491
Correspondent accounts	20,405	14,917	23,990
Loans and deposits from non-OECD based banks	9,532	6,005	2,329
Loans and deposits from OECD based banks	7,401	18,946	295
Loans from other financial institutions	2,075	2,417	2,813
Loans from JSC National Managing Holding KazAgro	131	197	3,107
	300,727	**305,965**	**168,379**

As at 31 December 2020, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 88,478 million at a 1.0% - 4.5% interest rate maturing in 2021 - 2035 with an early recall option (31 December 2019 – KZT 90,558 million, 31 December 2018 – KZT 85,956 million). These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreements between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate.

As at 31 December 2020, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 30,921 million (31 December 2019 – KZT 30,921 million, 31 December 2018 – KZT 31,171 million) at a 2.0% interest rate maturing in 2029 - 2037, to finance corporate enterprises operating in manufacturing industries, as well as a long-term loan of KZT 16,175 million (31 December 2019 – KZT 14,175 million, 31 December 2018 – KZT 7,175 million) at a 1.0% interest rate maturing in 2035, to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate, and to retail borrowers – up to 5 years at a 4.0% interest rate.

The management of the Group believes that there are no other similar financial instruments and due to their specific nature, the loans from DAMU, KazAgro and DBK represent separate segments in corporate, SME and retail lending. As a result, the loans from DAMU, KazAgro and DBK were received in an orderly transaction and as such have been recorded at fair value at the recognition date, which was determined to be the cash consideration transferred to the customers.

(Millions of Kazakhstani Tenge)

Interest rates and maturities of amounts due to credit institutions are as follows:

	31 December 2020		31 December 2019		31 December 2018	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, Year	Interest rate, %	Maturity, year
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	8.0%-10.4%	2021	9.0%-10.0%	2020	8.0%-9.0%	2019
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-4.5%	2021-2035	1.0%-4.5%	2021-2035	1.0%-5.5%	2019-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2029-2037	1.0%-2.0%	2029-2037	1.0%-7.9%	2019-2037
Loans and deposits from non-OECD based banks	1.0%-16.0%	2021-2025	1.0%-8.0%	2020-2024	1.0%-8.0%	2019-2023
Loans and deposits from OECD based banks	7.0%	2021	3.6%	2020	4.2%	2019
Loans from other financial institutions	4.0%-10.0%	2023-2026	4.0%-10.0%	2023-2026	4.0%-10.0%	2023-2026
Loans from JSC National Managing Holding KazAgro	3.0%	2022	3.0%	2022	3.0%	2022

The fair value of assets pledged (Note 9) and the carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 December 2020, 2019 and 2018, are as follows:

	31 December 2020		31 December 2019		31 December 2018	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Treasury bills of the Ministry of Finance of Kazakhstan	119,654	121,740	108,203	105,524	465	442
NBRK Notes	-	-	-	-	4,249	4,124
	119,654	**121,740**	**108,203**	**105,524**	**4,714**	**4,566**

Details of transferred financial assets that are not derecognised in their entirety as at 31 December 2020, 2019 and 2018 are disclosed below.

Loans under repurchase agreements are used by the Group to provide current cash flows in KZT within the Group’s operating activities. The Group regularly uses this type of instrument to attract short-term liquidity and plans to continue raising funds through loans under repurchase agreements when necessary.

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The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

	Financial assets at fair value through other comprehensive income (Note 9)
As at 31 December 2020:	
Carrying amount of transferred assets	119,654
Carrying amount of associated liabilities	121,740
As at 31 December 2019:	
Carrying amount of transferred assets	108,203
Carrying amount of associated liabilities	105,524
As at 31 December 2018:	
Carrying amount of transferred assets	4,714
Carrying amount of associated liabilities	4,566

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. Certain of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

The Group's management believes that as at 31 December 2020, 2019 and 2018, the Group was in compliance with the covenants of the agreements the Group has with the trustees and holders of the notes.

20. Debt securities issued

Debt securities issued comprise:

	31 December 2020	31 December 2019	31 December 2018
Recorded at amortised cost:			
Subordinated debt securities issued:			
KZT denominated bonds, fixed rate	84,014	81,463	79,241
KZT denominated bonds, indexed to inflation	-	-	3,492
Total subordinated debt securities outstanding	**84,014**	**81,463**	**82,733**
Unsubordinated debt securities issued:			
USD denominated bonds	362,418	422,786	428,549
KZT denominated bonds	331,760	330,197	389,509
Total unsubordinated debt securities outstanding	**694,178**	**752,983**	**818,058**
Total debt securities outstanding	**778,192**	**834,446**	**900,791**

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On 14 November 2018, the Group repaid subordinated bonds issued in November 2008 with an initial placement amount of KZT 10,000 million. The repayment was made out of the Group's own funds.

On 1 March 2019, the Group made a partial prepayment on its USD 750,000,000 Eurobond issue bearing 5.5% coupon rate due 2022. The partial prepayment was made for USD 200,000,000 together with the interest accrued, but unpaid.

In April 2019, the Group placed senior unsecured coupon bonds through the Astana International Financial Center with a nominal value of USD 180,500,000 for a period of 36 months and at a rate of 3% per annum.

On 26 April 2019, the Group redeemed subordinated bonds issued in April 2009, with an initial placement amount of KZT 3,530 million. The repayment was made from the Group’s own funds.

On 14 November 2019, the Group redeemed coupon bonds issued in November 2014 with an initial placement amount of KZT 59,889 million. The repayment was made from the Group’s own funds.

On 31 December 2020, the Group made a partial prepayment on its USD 750,000,000 Eurobond issue bearing 5.5% coupon rate due 2022. The partial prepayment was made for USD 300,000,000 together with the interest accrued, but unpaid.

The coupon rates and maturities of these debt securities issued are as follows:

	31 December 2020		31 December 2019		31 December 2018	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:						
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025	9.5%	2025
KZT denominated bonds, indexed to inflation	-	-	-	-	1%+Inflation rate	2019
Unsubordinated debt securities issued:						
USD denominated bonds	3.0%-7.3%	2021-2022	3.0%-7.3%	2021-2022	5.5%-12.0%	2021-2022
KZT denominated bonds	7.5%-8.8%	2022-2025	7.5%-8.8%	2022-2025	7.5%-8.8%	2019-2025

As at 31 December 2020, accrued interest on debt securities issued was KZT 21,090 million (as at 31 December 2019 – KZT 20,354 million, as at 31 December 2018 – KZT 20,624 million).

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Coupon payments on debt securities issued are payable on a semi-annual and an annual basis.

(Millions of Kazakhstani Tenge)

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants, particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 31 December 2020, 2019 and 2018, the Group was in compliance with the covenants of the agreements the Group has with trustees and holders of the notes.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1 January 2020	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2020
Debt securities issued	834,446	(126,213)	52,439	17,520	778,192

			Non-cash changes		
	1 January 2019	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2019
Debt securities issued	900,791	(82,261)	(1,573)	17,489	834,446

			Non-cash changes		
	1 January 2018	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2018
Debt securities issued	962,396	(167,463)	77,462	28,396	900,791

21. Taxation

The Bank and its subsidiaries, other than OJSC Halyk Bank Kyrgyzstan, JSC Halyk Bank Georgia, CJSC Halyk Bank Tajikistan, JSCB Tenge Bank and JSC Commercial Bank Moskommertsbank are subject to taxation in Kazakhstan. JSC Commercial Bank Moskommertsbank is subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Republic of Kyrgyzstan. JSC Halyk Bank Georgia is subject to income tax in Georgia. CJSC Halyk Bank Tajikistan is subject to income tax in the Republic of Tajikistan. JSCB Tenge Bank is subject to income tax in the Republic of Uzbekistan.

The income tax expense comprises:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Current tax charge	33,282	56,484	24,937
Deferred income tax expense/(benefit)	5,596	(20,510)	57,537
Income tax expense	**36,878**	**35,974**	**82,474**

(Millions of Kazakhstani Tenge)

Deferred income tax expense/(benefit) relating to temporary differences is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Fair value of derivatives and financial assets at fair value through other comprehensive income	2,727	(19,330)	17,708
Property and equipment, accrued depreciation	3,689	240	(2,984)
Loans to customers, allowance for expected credit losses	311	(37)	(3,513)
Unused tax losses of the prior year recognised in the current year (2018: due to the legal merger)	-	-	45,271
Other	(1,053)	(1,365)	1,111
Deferred income tax expense/(benefit) recognized in profit or loss and other comprehensive income	**5,674**	**(20,492)**	**57,593**

The tax rate for Kazakhstan companies was 20% during the years ended 31 December 2020, 2019 and 2018. Income on state and other qualifying securities is tax exempt.

During the years ended 31 December 2020, 2019 and 2018 the tax rates in the Russian Federation, the Republic of Kyrgyzstan, Georgia, the Republic of Tajikistan and the Republic of Uzbekistan are 20%, 10%, 15%, 23% and 20% respectively.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on the Kazakhstan statutory rate of 20% with the reported income tax expense is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Income before income tax expense	389,532	370,485	325,931
Statutory tax rate	20%	20%	20%
Income tax expense at the statutory rate	77,906	74,097	65,186
Tax-exempt interest income and other related income on state and other qualifying securities and derivatives	(40,890)	(40,956)	(39,238)
Income of subsidiaries taxed at different rates	(489)	(174)	(117)
Non-deductible expenditures:			
- derecognition of unused tax losses	-	-	45,271
- other provisions	943	331	1,334
- general and administrative expenses	269	614	298
Disposal of a subsidiary	-	-	2,856
Other	(862)	(2,062)	6,884
Income tax expense	**36,878**	**35,974**	**82,474**

(Millions of Kazakhstani Tenge)

Deferred tax assets and liabilities comprise:

	31 December 2020	31 December 2019	31 December 2018
Tax effect of deductible temporary differences:			
Bonuses accrued	3,298	3,083	2,908
Fair value of derivatives	1,115	3,424	2,781
Vacation pay accrual	619	609	554
Other	25	67	97
Deferred tax asset	5,058	7,183	6,340
Tax effect of taxable temporary differences:			
Fair value adjustment on customer accounts	(41,342)	(42,191)	(42,951)
Property and equipment, accrued depreciation	(13,687)	(9,997)	(9,756)
Allowance for loans to customers	(681)	(370)	(406)
Fair value of derivatives and financial assets at fair value through other comprehensive income	(398)	-	(19,089)
Other	5	2	(3)
Deferred tax liability	(56,104)	(52,556)	(72,205)
Net deferred tax liability	**(51,047)**	**(45,373)**	**(65,865)**

Current income tax assets and liabilities comprise:

	31 December 2020	31 December 2019	31 December 2018
Current income tax refund receivable	782	1,704	34,478
Current income tax payable	(2,758)	(10,029)	(126)
Current income tax (liability)/ asset	**(1,976)**	**(8,325)**	**34,352**

The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right of offset existed. The amounts presented after offset comprise:

	31 December 2020	31 December 2019	31 December 2018
Deferred tax asset	234	197	323
Deferred tax liability	(51,281)	(45,570)	(66,188)
Net deferred tax liability	**(51,047)**	**(45,373)**	**(65,865)**

Kazakhstan and other countries where the Group operates currently have a number of laws related to various taxes imposed by both state and regional government authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implemented regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create substantially more significant tax risks in Kazakhstan than typically found in countries with more developed tax systems.

(Millions of Kazakhstani Tenge)

Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally, such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit.

In Kazakhstan, tax years remain open for review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk that relevant authorities could take differing positions with regard to interpretive issues remains.

Movements in net deferred tax liability:

	2020	2019	2018
Net deferred tax liability at the beginning of the year	45,373	65,865	8,272
Deferred tax expense/(benefit) recognized in profit or loss	3,596	(20,510)	57,537
Deferred tax expense recognized in other comprehensive income	2,078	18	56
Net deferred tax liability at the end of the year	**51,047**	**45,373**	**65,865**

22. Other liabilities

Other liabilities comprise:

	31 December 2020	31 December 2019	31 December 2018
Liability arising from continuing involvement	46,933	26,167	952
Salary, bonuses and vacation accrual	20,270	19,243	17,256
Other prepayments received	9,415	8,144	3,767
Creditors on non-banking activities	8,187	4,421	3,942
Taxes payable other than income tax	5,961	5,394	5,218
Lease liabilities	5,930	4,871	-
Payable for general and administrative expenses	2,424	2,083	1,183
Advances received related to commercial property	2,305	5,252	2,958
Creditors on bank activities	1,142	1,266	1,617
Settlements on card transactions	-	-	1,119
Others	45	201	943
Total other liabilities	**102,612**	**77,042**	**38,955**

(Millions of Kazakhstani Tenge)

Liability arising from continuing involvement represents obligations to JSC Kazakhstan Sustainability Fund ("Operator") related to the state mortgage program "7-20-25" and other programs. In accordance with the conditions of this program, the Bank provides mortgage loans to borrowers and transfers rights of claim on loans to the Program Operator. In accordance with the program and trust management agreement, the Bank carries out trust management of transferred mortgage loans. The Bank is obliged to repurchase the rights of claims on transferred mortgage loans, when the loan principal amount and interest has an overdue of 90 days. Reverse repurchase is performed at the loan nominal value.

The Bank has determined that it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset transferred; however, the Bank has determined that it retains control over the assets transferred and continues recognizing thereof to the extent of continuing involvement in the assets transferred. The extent of the Bank's continuing involvement is limited to maximum amount of the consideration received, that the Bank has to return as the Bank's continuing involvement takes a form of the guarantee on the asset transferred. As the Bank continues to recognize the asset to the extent of its continuing involvement in loans to customers, the Bank also recognizes the associated liability. As at 31 December 2020, 2019 and 2018, principal amount of these loans were KZT 46,933 million, KZT 26,167 million and KZT 952 million, respectively.

23. Equity

The number of shares authorised, issued and fully paid as at 31 December 2020, 2019 and 2018, were as follows:

	Share capital authorised	Share capital authorised and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
31 December 2020:					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,763,204,067)	11,684,340,715
31 December 2019:					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,790,959,592)	11,656,585,190
31 December 2018:					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,767,788,353)	11,679,756,429

All shares are KZT denominated. Movements of shares outstanding are as follows:

	Number of shares Common	Nominal (placement) amount (millions of KZT) Common
31 December 2017	**10,993,816,819**	**39,461**
Issue of common shares	758,687,723	65,332
Purchases of treasury shares	(12,486,522)	(935)
Sale of treasury shares	6,721,311	1,119
Purchases of treasury shares due to the legal merger	(66,982,902)	(7,391)
31 December 2018	**11,679,756,429**	**97,586**
Purchases of treasury shares	(46,726,224)	(16,304)
Sale of treasury shares	23,554,985	13,111
31 December 2019	**11,656,585,190**	**94,393**
Purchases of treasury shares	(63,622,022)	(6,697)
Sale of treasury shares	91,377,547	10,304
31 December 2020	**11,684,340,715**	**98,000**

Common shares

As at 31 December 2020, 2019 and 2018, share capital comprised KZT 209,027 million.
As at 31 December 2020, the Group held 1,763,204,067 shares of the Group's common shares as treasury shares for KZT 111,027 million (31 December 2019 – 1,790,959,592 for KZT 114,634 million, 31 December 2018 – 1,767,788,353 for KZT 111,441 million).

Each common share outstanding is entitled to one vote and dividends. Treasury shares are not entitled to any vote or dividends.

Dividends paid for the previous financial years were as follows:

	Paid in 2020 for the year ended 31 December 2019	Paid in 2019 for the year ended 31 December 2018	Paid in 2018 for the year ended 31 December 2017
Dividends declared during the period	199,778	125,923	69,363
Dividend paid per one common share	17.08	10.78	6.31

Share premium reserve

Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

(Millions of Kazakhstani Tenge)

24. Financial commitments and contingencies

The Group's financial commitments and contingencies comprise the following:

	31 December 2020	31 December 2019	31 December 2018
Guarantees issued	422,672	408,027	415,531
Commitments to extend credit	45,647	53,151	49,022
Commercial letters of credit	38,306	68,312	66,502
Financial commitments and contingencies	506,625	529,490	531,055
Less: cash collateral against letters of credit	(16,922)	(33,453)	(31,015)
Less: provisions	(9,287)	(3,924)	(2,546)
Financial commitments and contingencies, net	**480,416**	**492,113**	**497,494**

Guarantees issued represent bank guarantees issued by the Group by order of its clients, and which are in effect as at the reporting date. As at 31 December 2020, uncovered guarantees issued for the ten largest groups of customers/groups of customers accounted for 52% of the Group's total financial guarantees (31 December 2019 – 59%, 31 December 2018 – 67%) and represented 15% of the Group's total equity (31 December 2019 – 18%, 31 December 2018 – 26%).

Commercial letters of credit represent letters of credit issued by the Group by order of its clients, and under which, as at the reporting date, the payment has not yet been made. As at 31 December 2020, the ten largest unsecured letters of credit accounted for 60% of the Group's total commercial letters of credit (31 December 2019 – 52%, 31 December 2018 – 55%) and represented 2% of the Group's total equity (31 December 2019 – 3%, 31 December 2018 – 3%).

The Group requires collateral to support credit-related financial instruments, when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through a review of the credit risk of the borrower or an analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held with banks, government securities and other assets.

Provision represents other credit loss expenses against letters of credit and guarantees issued. The movements in provisions were as follows:

				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	(365)	(838)	(2,721)	(3,924)
Transfer to Stage 1	(33)	-	33	-
Transfer to Stage 3	3,550	276	(3,826)	-
Additional provisions recognised	(3,798)	(759)	(468)	(5,025)
Foreign exchange differences	6	(22)	(322)	(338)
At the end of the year	**(640)**	**(1,343)**	**(7,304)**	**(9,287)**

(Millions of Kazakhstani Tenge)

				31 December 2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the year	(152)	(1,061)	(1,333)	(2,546)
Transfer to Stage 3	-	38	(38)	-
(Additional provisions recognised)/recoveries	(208)	194	(1,294)	(1,308)
Foreign exchange differences	(5)	(9)	(56)	(70)
At the end of the year	**(365)**	**(838)**	**(2,721)**	**(3,924)**

				31 December 2018
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the year	(129)	(13,539)	(4,783)	(18,451)
Transfer to Stage 1	(400)	397	3	-
Transfer to Stage 2	-	(629)	629	-
Transfer to Stage 3	-	11,598	(11,598)	-
Recoveries	380	1,121	14,450	15,951
Foreign exchange differences	(3)	(9)	(34)	(46)
At the end of the year	**(152)**	**(1,061)**	**(1,333)**	**(2,546)**

Capital commitments

As at 31 December 2020, the Group had capital expenditures commitments in respect of construction in progress for KZT 12,210 million (31 December 2019 – KZT 38 million; 31 December 2018 – KZT 736 million).

Operating lease commitments

There were no material operating lease commitments under irrevocable operating leases outstanding as at 31 December 2020, 2019 and 2018.

(Millions of Kazakhstani Tenge)

25. Net interest income

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Interest income:			
Loans to customers	508,537	449,120	433,270
- Corporate business	*228,044*	*206,137*	*192,208*
- Retail business	*206,938*	*182,640*	*177,482*
- SME business	*73,555*	*60,343*	*63,580*
Debt securities at amortised cost, net of allowance for expected credit losses	98,949	94,951	94,336
Financial assets at fair value through other comprehensive income	80,871	109,171	103,383
Amounts due from credit institutions and cash and cash equivalents	20,464	37,890	36,535
Other financial assets	8,867	10,218	8,175
Interest income calculated using effective interest method	**717,688**	**701,350**	**675,699**
Financial assets at fair value through profit or loss	15,546	8,954	6,342
Other interest income	**15,546**	**8,954**	**6,342**
Total interest income	**733,234**	**710,304**	**682,041**
Interest expense:			
Amounts due to customers	(232,823)	(216,588)	(246,223)
- Individuals	*(135,175)*	*(131,958)*	*(159,676)*
- Legal entities	*(97,648)*	*(84,630)*	*(86,547)*
Debt securities issued	(80,578)	(82,800)	(84,126)
Other interest and similar expense	(10,269)	(7,784)	-
Amounts due to credit institutions	(9,572)	(4,760)	(3,423)
Other financial liabilities	(499)	(394)	-
Total interest expense	**(333,741)**	**(312,326)**	**(333,772)**
Net interest income before credit loss expense	**399,493**	**397,978**	**348,269**

Other interest and similar expense includes loss on initial recognition of long-term financial accounts receivable.

The total interest income calculated using the EIR method for financial assets measured at amortised cost is KZT 636,817 million for the year ended 31 December 2020 (31 December 2019: KZT 592,179 million; 31 December 2018: KZT 572,316 million).

(Millions of Kazakhstani Tenge)

26. Fees and commissions

Fee and commission income is derived from the following sources:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Plastic card operations	69,228	63,147	53,866
Bank transfers - settlements	18,625	15,878	16,456
Cash operations	10,376	11,335	12,010
Letters of credit and guarantees issued	10,131	9,718	7,019
Servicing customers' pension payments	8,599	8,131	8,037
Bank transfers – salary projects	6,045	6,925	7,200
Maintenance of customer accounts	3,129	3,310	4,049
Other	5,266	4,812	4,604
Total fee and commission income	**131,399**	**123,256**	**113,241**

Fee and commission expense is derived from the following sources:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Payment cards	(48,746)	(37,231)	(22,512)
Deposit insurance	(8,635)	(12,121)	(12,293)
Bank transfers	(1,634)	(1,327)	(1,219)
Cash operations	(1,130)	(1,106)	(1,074)
Commission paid to collectors	(326)	(314)	(482)
Other	(2,713)	(2,547)	(1,426)
Total fee and commission expense	**(63,184)**	**(54,646)**	**(39,006)**

27. Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss

Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:			
Unrealized net gain/(loss) on derivative operations	4,517	(20,055)	96,346
Realized net (loss)/gain on derivative operations	(2,106)	2,736	12,655
Net gain/(loss) on trading operations	790	(1,415)	5,157
Total net gain/(loss) on operations with financial assets and liabilities classified as held for trading	**3,201**	**(18,734)**	**114,158**

(Millions of Kazakhstani Tenge)

28. Net foreign exchange gain/ (loss)

Net foreign exchange gain/ (loss) comprises:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Dealing, net	51,273	37,212	32,985
Translation differences, net	(10,333)	8,167	(97,562)
Total net foreign exchange gain/(loss)	**40,940**	**45,379**	**(64,577)**

29. Insurance underwriting income and expenses

Insurance underwriting income and expenses comprises:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Insurance premiums written, gross	147,214	132,329	108,789
Ceded reinsurance share	(61,976)	(37,173)	(37,407)
Change in unearned insurance premiums, net	610	(2,173)	(4,067)
Total insurance underwriting income	**85,848**	**92,983**	**67,315**
Commissions to agents	(26,542)	(42,531)	(29,876)
Insurance payments	(25,147)	(22,193)	(18,476)
Insurance reserves	(11,677)	(24,201)	(13,304)
Total insurance claims incurred, net of reinsurance	**(63,366)**	**(88,925)**	**(61,656)**
Net insurance income	**22,482**	**4,058**	**5,659**

(Millions of Kazakhstani Tenge)

30. Operating expenses

Operating expenses comprises:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Salaries and other employee benefits	85,286	79,231	77,563
Depreciation and amortisation expenses	13,027	11,596	10,929
Advertisement and loyalty program expenses	9,086	4,157	1,683
Taxes other than income tax	8,281	7,786	8,432
Information services	5,593	4,515	5,584
Communication	5,455	4,243	3,982
Security	4,885	4,459	4,214
Repair and maintenance	4,263	3,875	4,702
Utilities	3,868	4,248	3,549
Rent	2,762	3,476	5,064
Charity	2,719	2,004	1,011
Stationery and office supplies	1,756	1,555	1,792
Professional services	1,091	1,495	1,521
Transportation	665	766	853
Business trip expenses	491	1,324	1,104
Other	3,864	3,208	3,570
Total operating expenses	**153,092**	**137,938**	**135,553**

31. Income on non-banking activities

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Net gain on sale of commercial property	18,828	22,845	7,105
Net gain/(loss) on sale of assets classified as held for sale	3,980	1,851	(99)
Other income on non-banking activities	3,688	3,703	4,571
Net gain on sale of investment property	749	2,902	216
Income on non-banking activities	**27,245**	**31,301**	**11,793**

32. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year.

According to Kazakhstan legislation on Joint Stock Companies, dividend payments on common shares may not exceed dividend payments on preferred shares for the same year. Therefore, net profit for the year is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

(Millions of Kazakhstani Tenge)

The following table presents basic and diluted earnings per share:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Basic and diluted earnings per share			
Net profit for the year attributable to equity holders of the parent	352,653	334,511	254,238
Earnings attributable to common shareholders	352,653	334,511	254,238
Earnings for the year from continuing operations	352,653	334,511	244,264
Earnings for the year from discontinuing operations	-	-	9,974
Weighted average number of common shares for the purposes of basic earnings per share	11,693,073,338	11,678,815,976	11,173,948,398
Basic and diluted earnings per share (in Tenge)	**30.16**	**28.64**	**22.75**
Basic and diluted earnings per share from continuing operations (in Tenge)	**30.16**	**28.64**	**21.86**
Basic and diluted earnings per share from discontinued operations (in Tenge)	**-**	**-**	**0.89**

As required by KASE rules for listed companies, the book value of one common share as at 31 December 2020, 2019 and 2018 is disclosed as follows:

			31 December 2020
Class of shares	**Outstanding shares**	**Equity (as calculated per KASE rules)**	**Book value of one share, in KZT**
Common	11,684,340,715	1,481,060	126.76
		1,481,060	

			31 December 2019
Class of shares	**Outstanding shares**	**Equity (as calculated per KASE rules)**	**Book value of one share, in KZT**
Common	11,656,585,190	1,297,502	111.31
		1,297,502	

			31 December 2018
Class of shares	**Outstanding shares**	**Equity (as calculated per KASE rules)**	**Book value of one share, in KZT**
Common	11,679,756,429	1,057,211	90.52
		1,057,211	

Equity attributable to common shares is calculated as the difference between the total equity and total net book value of intangible assets.

The management of the Group believes that it fully complies with the requirement of KASE as at the reporting dates.

33. Financial risk management

Risk management is fundamental to the Group’s banking business and is an essential element of the Group’s operations. The main risks inherent to the Group’s operations are those related to:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Group recognises that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks.

Risk appetite management

Risk appetite is the aggregate level and types of risks that the Bank is ready to accept when achieving strategic objectives and business plan.

In order to build an effective system for managing the Bank's risk appetite, the risk appetite strategy of JSC Halyk Bank was developed and approved.

The risk appetite strategy defines clear boundaries of the volume of accepted significant risks in which the Bank operates as part of the implementation of the overall development strategy of Halyk Group, and also determines the risk profile of the Bank's activities in order to prevent the implementation of risks or minimize their negative impact on the financial position of the Bank.

As part of the development and implementation of the risk appetite strategy for each significant level of risk, the Board of Directors approved the levels of risk appetite (for credit risk, market risk, liquidity risk, operational risk), taking into account the adopted business model, scale of activities, types and complexity of the Bank's operations.

Internal process for assessing capital adequacy

In accordance with the requirements of the rules for the formation of a risk management and internal control system for second-tier banks, the Group developed and implemented an internal process for assessing capital adequacy, which was approved by the Board of Directors. The internal capital adequacy assessment process (the “ICAAP”) is a set of processes for managing significant risks, taking into account the volume of assets, the nature and level of complexity of the activity, the organizational structure, strategic plans, risk profile, regulatory framework, assessment and aggregation of such risks in order to determine target level of the Group's capital adequacy to maintain a stable financial position and solvency.

The purpose of the ICAAP development is to identify, assess, aggregate and control significant types of risks inherent in the Group's activities in order to determine the required level of capital sufficient to cover them, including: credit risk, market risk, liquidity risk and operational risk. The Group assesses the adequacy of its equity capital, taking into account the current level of risk appetite and development strategy, based on the approved budget. Equity capital adequacy is assessed taking into account the results of stress testing of the Group's risks. The internal process for assessing capital adequacy is subject to continuous review of both quantitative and qualitative indicators, including the application of its results, approaches to stress testing, risk identification and information collection process, validation of risk assessment models.

Credit risk

Credit risk is the risk of loss arising for the Group when a borrower/counterparty is unable to meet its contractual obligations on time or in full.

The risk management department plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification, evaluation and implementation of control and monitoring measures. As part of the credit risk management system, the Group maintains a sufficient level of allowances for expected credit losses, controls the credit risk assessment process, takes the necessary measures to ensure the completeness and reliability of information in order to make decisions, adhere to internal policies and procedures, and maintain a credit assessment procedures independent of the business units risks.

The risk management department directly participates in credit decision - making processes and the development process of internal rules, regulations and loan programs. In addition, the department provides independent recommendations concerning credit exposure minimisation measures, controls limits and monitors credit risks, the level of risk appetite for credit risk, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (the “ALMC”). The Group sets the levels of risk appetite for the concentration of the loan portfolio by types of lending: corporate business, small and medium business, retail business to the Bank's loan portfolio, portfolio concentration by 10 large borrowers of the Bank, the concentration of the portfolio on foreign currency loans, the concentration of the loan portfolio by the acceptable rating level, PD level and NPL level in small and retail business in the loan portfolio by lending segment. Limits on credit risk exposure with respect to credit programmes (SME and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures, which are reviewed by the Credit Committees and the ALMC. Actual exposures against limits are monitored daily.

The risk that the counterparty will not meet its obligations is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the consolidated statement of financial position (i.e. the policy based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring). The Group monitors the term to maturity of off-balance sheet contingencies, as longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Structure and authorities of credit committees

Credit committees, the ALMC, the Management Board, Risk Committee and the Board of Directors are credit authorities responsible for the implementation of the Bank's Credit Policy and credit decision making process.

Head Office Credit Committee ("CC")

The primary goal of the CC is the implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers.

Branch Credit Committee and Branch Network Credit Committee ("BCC", "BNCC")

The primary goal of the BCC and the BNCC is the implementation of the Bank's Credit Policy in terms of granting financial instruments via branches to SME customers.

Delegated credit authority limits for the BCC and the BNCC are established by the Management Board. The BCC makes credit decisions within its limits. If the loan application exceeds the relevant credit limit or the authorities of the BCC, the final decision has to be taken by the BNCC. The procedure of the decision-making by the BNCC involves consideration of a package of documents, including complex analysis and assessments of the potential borrowers conducted by the Bank's experts.

Retail Branch Credit Committee of the Head Office ("RCCHO") and Decision Making Center ("DMC")

The primary goal of the RCCHO and the DMC, which are credit authorities, is the implementation of the Bank's Credit Policy in terms of granting retail financial instruments via branches.

The DMC is comprised of credit underwriters with delegated credit authorities based on a four eyes principle. The DMC makes credit decisions within their authorities and limits established by the Management Board and the RCCHO. The RCCHO is authorised to consider loan applications that exceed relevant credit limits or the authorities of the DMC, as well as other matters within the authorities established by the Management Board.

Along with the functioning of the DMC and RCCHO, there is an automated approach for making decisions when lending to individuals. Automation of decision making is based on a risk-based approach, including Risk Based Pricing and the use of additional parameters when assessing customer solvency. Based on the results of consideration of applications, loan proposals are formed both according to the requested conditions and by offering alternative solutions for all segments of applicants for individuals (participants / non-participants of the salary project, pensioners, etc.). This approach takes into account the risk profile of the potential borrower and allows minimising the credit risk exposure in the decision making process.

Decision Making Center for Small Business ("DMC for SB")

The DMC for SB was established in 2018, the main task of which is to consider loan applications in the small business sector in an amount not exceeding KZT 150 million.

The DMC for SB consists of credit underwriters with delegated decision-making powers based on the four-eye principle. The Decision Making Center takes decisions within the framework of the authority approved by the Board of the Bank and the limits approved by the BNCC.

Problem loans committee of the Head Office, branches

The primary goal of the problem loans committee of the Head Office, branches is the implementation of the Bank's Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

Authorised credit authorities of the Bank's subsidiaries

Consideration and approval of the loan applications in the subsidiaries are performed by the authorised credit authorities in accordance with the internal rules and regulations of the subsidiary. Loan applications exceeding the established limits and authorities have to be approved by the Board of Directors of the subsidiaries with the preliminary consideration by the relevant credit committee, according to the Bank's internal rules and regulations.

ALMC

The primary goal of the ALMC is profit maximisation and to limit the risks of banking activities related to raising and allocating funds and the establishment of a medium-term policy for the management of assets and liabilities. The main tasks of the ALMC are: liquidity management, interest rate risk management, price risk and other banking risk management.

The ALMC is also responsible for establishing country and counterparty-bank limits. The ALMC reports to the Board of Directors.

The Management Board

For loan applications exceeding the authorities of the Head Office Credit Committee, the BNCC and the RCCHO, or exceeding the relevant limits of the BNCC and the RCCHO, have to be considered by the Management Board.

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Risk Committee

The Risk Committee was established in May 2020. The Committee is a collegial body under the Board of Directors and assists in the implementation of functions related to the formation of an effective risk management and internal control system in the Bank, ensuring its functioning and informing the Board of Directors about the level of risks assumed by the Bank.

The Board of Directors

If the loan application exceeds 5% of the Bank's equity capital or the potential borrower is a related party, such applications have to be considered by the Board of Directors.

Maximum Exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets, the maximum exposure equals the carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on, or in the case of commitments, if the loan amount was called on (Note 24). The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

	31 December 2020	
	Maximum exposure and net exposure after offset	**Collateral pledged**
Cash equivalents*	1,542,784	194,467
Obligatory reserves	170,128	-
Financial assets at fair value through profit or loss (less equity securities)	224,532	-
Amounts due from credit institutions	709,310	-
Financial assets at fair value through other comprehensive income (less equity securities)	1,250,182	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,229,539	-
Loans to customers	4,446,275	3,789,113
Other financial assets	95,648	-
Commitments and contingencies	497,338	16,922

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	31 December 2019	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,483,784	58,331
Obligatory reserves	141,006	-
Financial assets at fair value through profit or loss (less equity securities)	155,531	-
Amounts due from credit institutions	53,161	-
Financial assets at fair value through other comprehensive income (less equity securities)	1,628,406	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,212,981	-
Loans to customers	3,752,445	3,277,632
Other financial assets	102,424	-
Commitments and contingencies	525,566	33,453

	31 December 2018	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,558,872	65,036
Obligatory reserves	115,741	-
Financial assets at fair value through profit or loss (less equity securities)	168,298	-
Amounts due from credit institutions	55,035	-
Financial assets at fair value through other comprehensive income (less equity securities)	1,763,478	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,055,907	-
Loans to customers	3,481,079	3,093,206
Other financial assets	75,718	-
Commitments and contingencies	528,509	31,015

*Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

As at 31 December 2020, 2019 and 2018, there is no any difference between maximum exposure and net exposure after offset.

Significant increase in credit risk

As explained in Note 4, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

For treasury operations (interbank transactions, securities, reverse repurchase agreements), a significant increase in credit risk is determined individually for each financial asset on the basis of quantitative indicators (rating downgrades by 3 or more steps since initial recognition, overdue by 1 day or more since initial recognition) and qualitative indicators (negative information relating to the issuer/counterparty, including deterioration of financial condition, change of shareholders, the realization of the risk of loss of reputation, the systematic violation of prudential standards) since initial recognition.

For bank loans assessed on a collective basis, a significant increase in credit risk is determined on the basis of increase in lifetime probability of default since initial recognition over defined thresholds for segmented homogeneous portfolios and for loans with an overdue more than 30 days since initial recognition, for loans assessed on an individual basis - additionally in case of the decrease of internal credit rating and increase in lifetime PD on 10 percentage points in accordance with the internal rating model (the presence of restructuring during deterioration of the financial position for classification to Stage 3), expert opinions of the Bank's specialists based on the changes in the qualitative and quantitative indicators of the borrower, a significant deterioration of collateral and other objective evidence of significant financial difficulties since initial recognition.

Stage 3 is determined for loans that are assessed on a collective basis with an overdue of over 60 - 90 days, for loans assessed on an individual basis - over 60 days past due, restructuring related to the deterioration of financial condition, deterioration of the internal credit rating and expert opinion of the Bank's specialists.

The Group considers that certain financial instruments with low credit risk at the reporting date have not experienced a significant increase in credit risk. The Group applies this policy to financial instruments issued to sovereign and financial institutions only. The Group considers a financial instrument to have low credit risk when their external credit risk rating is equivalent to definition of 'investment grade' by international rating agencies.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The incorporation of forward-looking elements reflects the expectations of the Group and involves the creation of two scenarios ("base case" and "downside" scenarios), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The "base case" scenario enters with a probability of 75% and the "downside" scenario with a probability of 25%.

Development of forecasting was carried out by JSC Halyk Finance using internal and external information for creating "base case" and "downside" scenarios of future forecasting of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

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The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

In relation to the sensitivity, within the implementation of specified stress factors, the results of the stress testing performed in December 2020 demonstrate the deterioration of the Group's financial indicators (growth of allowances for expected credit losses, decrease of net profit and outflow of amounts due to customers).

At the same time, given that, the Group has a sufficient amount of equity and liquid assets, significant deterioration in the financial position of the Group and violation of regulatory requirements and norms are not predicted.

In general, a worsening of forecasted macroeconomic variables for each scenario or an increase in the probability of the “downside” scenario occurring will both increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated allowances for expected credit losses. In contrast, an improvement in the outlook on forecasted macroeconomic variables or an increase in the probability of the “base case” scenario occurring will have a positive impact. It is not possible to meaningfully isolate the impact of changes in the various macroeconomic variables for a particular scenario due to the interrelationship between the variables as well as the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring.

The table below summarizes the forecasts for the following year for the principal macroeconomic indicators included in economic scenarios as at 31 December 2020, 2019 and 2018 for Kazakhstan, which is the country where the Group operates and therefore is the country that has a material impact in ECLs.

	31 December 2020		31 December 2019		31 December 2018	
List of macro variables used	**Definition**	**Range**	**Definition**	**Range**	**Definition**	**Range**
Real GDP growth	% change	Between 2.0% and 3.0%	% change	Between 2.4% and 3.6%	% change	Between 1.1% and 3.3%
Inflation	Inflation %	Between 6.5% and 8.0%	Inflation %	Between 5.8% and 10.4%	Inflation %	Between 6.5% and 9.0%
Oil price (USD/bbl)	Price per barrel	Between USD 35 and USD 45	Price per barrel	Between USD 45 and USD 55	Price per barrel	Between USD 45 and USD 60

The main risk factor for the Kazakh economy is the deterioration in the terms of trade associated with the high volatility of oil prices. The baseline scenario is based on forecasted Brent crude oil futures prices.

According to the forecasts of the baseline scenario, the economy of Kazakhstan in 2021 will demonstrate a recovery growth of 3%, taking into account the forecast for the cost of Brent crude of 45 USD/bbl. The economy will be supported by the recovery of investment activity in the oil and gas industry, which accounts for about 40% of all investments in the country. Given that the service sector suffers the most from isolation measures, and almost 70% of the entire employed population is concentrated in it, the expected easing of quarantine measures should lead to a gradual improvement in the situation in this area by the end of 2021.

(Millions of Kazakhstani Tenge)

The stress scenario (25% probability of occurrence), applied by the Group, considers the shock from a drop in oil prices to 35 USD/bbl, which corresponds to the standard deviation in accordance with the historical volatility of real oil prices.

According to the Group's management, global oil demand will continue to recover in 2021. At the same time, the oil market is still subject to the influence of geopolitical factors. Thus, taking into account the risks of repeated lockdowns and taking into account the fragility of the equilibrium in the oil market, the further waves of the pandemic may again lead oil prices to drop below 40 USD/bbl, while the epidemiological situation will be unstable until the end of next year. A decrease in hydrocarbon prices may lead to a deterioration in the macroeconomic indicators of Kazakhstan, including a slowdown in GDP dynamics, an increase in inflation, and an increase in unemployment.

Based on the factual results of 2020 year, Kazakhstan's GDP decreased by 2.6%, inflation was 7.5%, and the average price of Brent crude was 45.59 USD / bbl.

Financial assets are graded according to the current credit rating they have been issued by an international rating agency or in accordance with the Group's internal rating system. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

The following table details the credit ratings of financial assets held by the Group (except for loans to customers, which are disclosed in details below), before any allowances for expected credit losses:

	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2020 Total
Cash equivalents*	85,871	21,315	16,871	1,362,247	43,927	12,599	1,542,830
Obligatory reserves	-	-	-	170,128	-	-	170,128
Financial assets at fair value through profit or loss	8,241	148	6,889	175,273	15,678	36,096	242,326
Amounts due from credit institutions	6,949	5,130	207,854	464,553	6,408	18,677	709,571
Financial assets at fair value through other comprehensive income	55,370	10,553	110,284	922,213	139,968	19,481	1,257,868
Debt securities at amortised cost	-	-	-	1,050,974	4,805	174,334	1,230,113
Other financial assets	-	-	-	-	-	126,284	126,284
Commitments and contingencies	-	-	-	-	-	506,625	506,625

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	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2019 Total
Cash equivalents*	333,315	150,360	192,281	746,969	52,473	8,406	1,483,804
Obligatory reserves	-	-	-	133,033	7,973	-	141,006
Financial assets at fair value through profit or loss	8,360	332	1,167	19,616	114,002	41,554	185,031
Amounts due from credit institutions	2,557	6,700	5,151	9,009	16,741	13,170	53,328
Financial assets at fair value through other comprehensive income	342,889	15,289	47,820	1,073,913	111,244	39,766	1,630,921
Debt securities at amortised cost	-	-	-	1,046,755	13,752	153,036	1,213,543
Other financial assets	-	-	-	-	-	126,300	126,300
Commitments and contingencies	-	-	-	-	-	529,490	529,490

	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2018 Total
Cash equivalents*	154,798	78,873	18,155	1,225,899	49,562	31,594	1,558,881
Obligatory reserves	-	-	-	105,856	9,885	-	115,741
Financial assets at fair value through profit or loss	1,067	2,395	-	111,470	49,674	22,230	186,836
Amounts due from credit institutions	-	10,200	50	3,344	35,828	5,845	55,267
Financial assets at fair value through other comprehensive income	258,777	-	-	1,286,964	185,272	34,920	1,765,933
Debt securities at amortised cost	-	-	-	1,045,358	-	10,990	1,056,348
Other financial assets	-	-	-	-	-	92,043	92,043
Commitments and contingencies	-	-	-	-	-	531,055	531,055

*Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

(Millions of Kazakhstani Tenge)

The following table details the carrying value of assets that are impaired and for those that are past due but not impaired:

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	31 December 2020 Total
Amounts due from credit institutions	709,460	(261)	-	-	111	-	**709,310**
Financial assets at fair value through other comprehensive income	1,257,868	(1,710)	-	-	-	-	**1,256,158**
Debt securities at amortised cost	1,215,276	(545)	7,781	(6)	7,056	(23)	**1,229,539**
Loans to customers	2,797,451	(46,904)	391,770	(198,577)	1,635,095	(132,560)	**4,446,275**
Other financial assets	-	-	103,069	(26,541)	23,215	(4,095)	**95,648**

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	31 December 2019 Total
Amounts due from credit institutions	44,005	(166)	9,323	(1)	-	-	**53,161**
Financial assets at fair value through other comprehensive income	1,631,244	(990)	1,335	(668)	-	-	**1,630,921**
Debt securities at amortised cost	1,205,377	(554)	6,258	(6)	1,908	(2)	**1,212,981**
Loans to customers	2,386,392	(52,096)	451,307	(235,340)	1,323,464	(121,282)	**3,752,445**
Other financial assets	-	-	107,975	(20,566)	18,325	(3,310)	**102,424**

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	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	31 December 2018 Total
Amounts due from credit institutions	55,267	(232)	-	-	-	-	**55,035**
Financial assets at fair value through other comprehensive income	1,766,045	(2,559)	2,464	(17)	-	-	**1,765,933**
Debt securities at amortised cost	1,048,211	(426)	5,699	(12)	2,438	(3)	**1,055,907**
Loans to customers	2,189,196	(34,406)	444,918	(192,023)	1,256,758	(183,364)	**3,481,079**
Other financial assets	-	-	46,729	(16,325)	45,314	-	**75,718**

As at 31 December 2020, the carrying amount of unimpaired overdue loans was KZT 36,466 million (31 December 2019 – 23,463 million; 31 December 2018 – 35,640 million). Maturities of these overdue loans are not greater than 90 days.

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Group to provide funds for repayment of its obligations in due time. The Group's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

In accordance with the requirements of the Rules for the formation of a risk management and internal control system for second-tier banks, the Group has developed and implemented an internal process for assessing liquidity adequacy ("IPALA"), which was approved by the Board of Directors. IPALA is a set of liquidity risk management processes in order to maintain an adequate level of liquidity and implement an appropriate liquidity risk management system at different time intervals depending on the type of activity, currency. IPALA was developed in accordance with the risk appetite strategy, taking into account the current market and economic situation, the risk profile and the requirements of the legislation of the Republic of Kazakhstan in terms of the formation of a risk management and internal control system for second-tier banks, as well as the internal needs of the Bank in determining the main approaches and principles of the process assessing the adequacy of liquidity. In order to determine the risk appetite, the Board of Directors approves the levels of risk appetite for liquidity risk, and also uses a quantitative internal indicator of liquidity adequacy within the IPALA, which limits the risks of current, short-term, medium-term and long-term liquidity. In order to identify weaknesses, the IPALA is subject to continuous review at least once a year, which is submitted for approval by the Board of Directors.

Short-term liquidity needs are managed by the Group's treasury function collecting daily cash inflow/outflow forecasts. Long-term liquidity management is performed by the ALMC by analysing longer term liquidity positions and making decisions on managing significant gaps through various available means.

(Millions of Kazakhstani Tenge)

In order to manage liquidity risk, the Group analyses the financial assets and liabilities, and obligatory reserves taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the earliest of the contractual maturity date or available maturity date, except for financial assets at fair value through profit or loss in the form of securities which are included in the column "Less than 1 month" as they are available to meet the Group's short-term liquidity needs.

						31 December 2020
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	1,745,718	11,759	-	-	-	1,757,477
Obligatory reserves	97,353	20,780	41,490	10,120	385	170,128
Financial assets at fair value through profit or loss	238,742	-	3,548	5	31	242,326
Amounts due from credit institutions	152,028	7,514	549,029	737	2	709,310
Financial assets at fair value through other comprehensive income	75,531	2,686	95,143	908,867	173,931	1,256,158
Debt securities at amortised cost, net of allowance for expected credit losses	16,303	2,292	35,118	675,152	500,674	1,229,539
Loans to customers*	233,521	399,590	2,437,184	1,200,408	175,572	4,446,275
Other financial assets	31,524	8,724	12,608	30,550	12,242	95,648
	2,590,720	**453,345**	**3,174,120**	**2,825,839**	**862,837**	**9,906,861**
FINANCIAL LIABILITIES:						
Amounts due to customers	3,616,311	859,205	1,785,064	775,042	420,355	7,455,977
Amounts due to credit institutions	162,608	191	2,586	17,675	117,667	300,727
Financial liabilities at fair value through profit or loss	1,725	-	206	104	449	2,484
Debt securities issued	211,145	3,785	3,265	559,264	733	778,192
Other financial liabilities	56,219	582	7,631	229	-	64,661
	4,048,008	**863,763**	**1,798,752**	**1,352,314**	**539,204**	**8,602,041**
Net position	**(1,457,288)**	**(410,418)**	**1,375,368**	**1,473,525**	**323,633**	**1,304,820**
Accumulated gap	**(1,457,288)**	**(1,867,706)**	**(492,338)**	**981,187**	**1,304,820**	**2,609,640**

(Millions of Kazakhstani Tenge)

	31 December 2019					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,660,923	3,414	-	-	-	1,664,337
Obligatory reserves	88,664	8,084	39,259	3,990	1,009	141,006
Financial assets at fair value through profit or loss	67,151	124	18,798	43,555	55,403	185,031
Amounts due from credit institutions	26,543	266	21,346	4,729	277	53,161
Financial assets at fair value through other comprehensive income	90,815	218,030	659,083	356,391	306,602	1,630,921
Debt securities at amortised cost, net of allowance for expected credit losses	13,668	2,375	38,939	657,225	500,774	1,212,981
Loans to customers*	261,581	383,551	2,042,671	975,196	89,446	3,752,445
Other financial assets	14,901	3,314	44,528	24,238	15,443	102,424
	2,224,246	**619,158**	**2,864,624**	**2,065,324**	**968,954**	**8,742,306**
FINANCIAL LIABILITIES:						
Amounts due to customers	3,033,841	382,085	2,030,783	553,693	406,011	6,406,413
Amounts due to credit institutions	167,723	183	1,810	15,817	120,432	305,965
Financial liabilities at fair value through profit or loss	20,218	-	-	226	-	20,444
Debt securities issued	13,481	3,785	3,108	607,153	206,919	834,446
Other financial liabilities	33,710	1,687	487	3,125	-	39,009
	3,268,973	**387,740**	**2,036,188**	**1,180,014**	**733,362**	**7,606,277**
Net position	**(1,044,727)**	**231,418**	**828,436**	**885,310**	**235,592**	**1,136,029**
Accumulated gap	**(1,044,727)**	**(813,309)**	**15,127**	**900,437**	**1,136,029**	**2,272,058**

	31 December 2018					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,755,138	-	-	-	-	1,755,138
Obligatory reserves	72,066	7,396	21,505	11,296	3,478	115,741
Financial assets at fair value through profit or loss	89,418	-	91,252	6,166	-	186,836
Amounts due from credit institutions	21,195	4,187	26,766	2,398	489	55,035
Financial assets at fair value through other comprehensive income	678,181	270,338	173,678	313,840	329,896	1,765,933
Debt securities at amortised cost, net of allowance for expected credit losses	11,814	1,298	36,170	504,704	501,921	1,055,907
Loans to customers*	243,746	355,008	2,026,943	677,369	178,013	3,481,079
Other financial assets	40,610	4,244	1,324	15,250	14,290	75,718
	2,912,168	**642,471**	**2,377,638**	**1,531,023**	**1,028,087**	**8,491,387**
FINANCIAL LIABILITIES:						
Amounts due to customers	3,889,116	376,688	1,419,536	589,345	252,245	6,526,930
Amounts due to credit institutions	35,645	372	3,913	15,196	113,253	168,379
Financial liabilities at fair value through profit or loss	2,473	16	4,330	203	-	7,022
Debt securities issued	13,751	3,785	66,768	493,465	323,022	900,791
Other financial liabilities	21,005	2,475	2,654	864	14	27,012
	3,961,990	**383,336**	**1,497,201**	**1,099,073**	**688,534**	**7,630,134**
Net position	**(1,049,822)**	**259,135**	**880,437**	**431,950**	**339,553**	**861,253**
Accumulated gap	**(1,049,822)**	**(790,687)**	**89,750**	**521,700**	**861,253**	**1,722,506**

*Loans to customers in the column “3 months to 1 year” include loans with non-standard repayment schedule.

(Millions of Kazakhstani Tenge)

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. The Group possesses a right to unilaterally call back part of long-term loans provided to customers for a ten-month period after proper notification would be issued by the Group.

A significant portion of the Group's liabilities are represented by customer term deposits, current accounts of corporate and retail customers and bonds.

Management believes that although a substantial portion of current accounts and customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group, indicate that these deposits provide a long-term and stable source of funding for the Group. Therefore, an essential part of the Group's current accounts is considered to be stable resources for the purposes of liquidity analysis and management. Additionally, the accumulated gap can be sufficiently covered by refinancing with the repurchase agreements and sale of liquid government and other high-quality rated securities or attracting long-term debt funding on capital markets when necessary.

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position, as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

FINANCIAL AND CONTINGENT LIABILITIES	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 Total
Amounts due to customers	3,617,782	866,879	1,838,288	875,927	492,500	7,691,376
Amounts due to credit institutions	162,769	191	2,605	19,487	146,915	331,967
Debt securities issued	212,652	4,937	24,312	674,855	733	917,489
Other financial liabilities	56,219	582	7,631	229	-	64,661
Guarantees issued	422,672	-	-	-	-	422,672
Commercial letters of credit	38,306	-	-	-	-	38,306
Commitments to extend credit	45,647	-	-	-	-	45,647
	4,556,047	**872,589**	**1,872,836**	**1,570,498**	**640,148**	**9,512,118**
Derivative financial assets	182,821	15,497	32,583	13,890	38,372	283,163
Derivative financial liabilities	185,299	15,504	28,306	14,827	38,946	282,882

FINANCIAL AND CONTINGENT LIABILITIES	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2019 Total
Amounts due to customers	3,034,894	385,011	2,083,036	622,705	470,520	6,596,166
Amounts due to credit institutions	167,908	184	1,820	18,117	152,115	340,144
Debt securities issued	14,879	4,937	37,641	764,510	226,401	1,048,368
Other financial liabilities	33,710	1,687	487	3,125	-	39,009
Guarantees issued	408,027	-	-	-	-	408,027
Commercial letters of credit	68,312	-	-	-	-	68,312
Commitments to extend credit	53,151	-	-	-	-	53,151
	3,780,881	**391,819**	**2,122,984**	**1,408,457**	**849,036**	**8,553,177**
Derivative financial assets	583,536	-	364,096	29,617	-	977,249
Derivative financial liabilities	605,388	-	388,938	31,202	-	1,025,528

(Millions of Kazakhstani Tenge)

FINANCIAL AND CONTINGENT LIABILITIES	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2018 Total
Amounts due to customers	3,891,254	380,202	1,468,256	630,267	368,142	6,738,121
Amounts due to credit institutions	36,383	442	4,157	21,268	147,161	209,411
Debt securities issued	28,655	8,722	116,457	720,380	337,567	1,211,781
Other financial liabilities	31,448	2,475	2,654	864	15	37,456
Guarantees issued	415,531	-	-	-	-	415,531
Commercial letters of credit	66,502	-	-	-	-	66,502
Commitments to extend credit	49,022	-	-	-	-	49,022
	4,518,795	**391,841**	**1,591,524**	**1,372,779**	**852,885**	**8,727,824**
Derivative financial assets	412,482	700	770,178	44,978	-	1,228,338
Derivative financial liabilities	414,520	716	683,459	38,812	-	1,137,507

Market risk

Market risk is the risk that the Group's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables, such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Group is exposed to market risks, which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimise risk/return, minimise losses in case of adverse events and decrease deviation of factual financial results from expected financial results.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes, the ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review on at least an annual basis and should be monitored continuously.

Interest rate risk

The Group is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decreases, interest expense increases or a negative impact on equity resulting from adverse changes in market interest rates.

The Group determines two types of interest rate risk:

- Interest rate risk related to changes in fair values of securities portfolios, which are reflected through other comprehensive income;
- Interest rate risk resulting from assets and liabilities maturity dates (dates of interest rate repricing) mismatch that are sensitive to interest rate changes (risk of interest rate changes).

(Millions of Kazakhstani Tenge)

The ALMC manages interest rate risks and market risks through the management of the Group's position on interest rates to reach positive interest margins.

The Group manages interest rates by determining the Group's exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Group's exposure to interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities.

Sensitivity analysis of interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The Group assesses the reasonably possible changes in interest rates in tenge and foreign currencies separately, in which financial assets and liabilities are denominated due to the different volatility of interest rates. Particularly, a scenario of interest rate changes in tenge takes into account the dynamics of market interest rates (loans/deposits, NBRK base rate etc.).

The impact on profit before tax is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2020, 2019 and 2018 and the effect of revaluing instruments with fixed rates accounted for at fair value. The management of the Group believes income tax not to have a substantial effect for the purpose of interest rate risk management.

The impact on income before tax based on asset and liability values as at 31 December 2020, 2019 and 2018 is as follows:

	31 December 2020		31 December 2019		31 December 2018	
	Interest rate KZT +2% CCY +2%	**Interest rate KZT -2% CCY -2%**	**Interest rate KZT +2% CCY +2%**	**Interest rate KZT -2% CCY -2%**	**Interest rate KZT +2% CCY +2%**	**Interest rate KZT -2% CCY -2%**
FINANCIAL ASSETS:						
Financial assets at fair value through profit or loss	(3,671)	2,447	(5,592)	5,616	(3,649)	3,636
KZT	(13,691)	13,691	(3,226)	3,226	3,361	(3,529)
CCY	10,020	(11,245)	(2,366)	2,390	(7,010)	7,165
Amounts due from credit institutions	811	(811)	239	(239)	47	(47)
CCY	811	(811)	239	(239)	47	(47)
Financial assets at fair value through other comprehensive income	(57)	57	(65)	65	(206)	206
KZT	(57	57	(65)	65	(21)	21
CCY	-	-	-	-	(185)	185
Loans to customers	1,362	(1,362)	1,217	(1,217)	1,273	(1,273)
CCY	1,362	(1,362)	1,217	(1,217)	1,273	(1,273)
FINANCIAL LIABILITIES:						
Amounts due to credit institutions	-	-	3	(3)	6	(6)
CCY	-	-	3	(3)	6	(6)
Net impact on income before tax	**(1,441)**	**216**	**(4,074)**	**4,098**	**(2,541)**	**2,528**

(Millions of Kazakhstani Tenge)

The impact on equity is the effect of the assumed changes in interest rates due to changes in retained earnings and the effect of revaluation of financial assets at fair value through other comprehensive income with fixed rates.

The impact on equity based on asset and liability values as at 31 December 2020, 2019 and 2018 is as follows:

	31 December 2020		31 December 2019		31 December 2018	
	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%
FINANCIAL ASSETS:						
Financial assets at fair value through profit or loss	(10,134)	9,521	(5,592)	5,616	(3,649)	3,636
KZT	(13,691)	13,691	(3,226)	3,226	3,361	(3,529)
CCY	3,558	(4,170)	(2,366)	2,390	(7,010)	7,165
Amounts due from credit institutions	811	(811)	239	(239)	47	(47)
CCY	811	(811)	239	(239)	47	(47)
Financial assets at fair value through other comprehensive income	(91,421)	91,421	(61,335)	61,335	(56,718)	56,718
KZT	(34,334)	34,334	(19,534)	19,534	(18,726)	18,726
CCY	(57,087)	57,087	(41,801)	41,801	(37,993)	37,993
Loans to customers	1,362	(1,362)	1,217	(1,217)	1,273	(1,273)
CCY	1,362	(1,362)	1,217	(1,217)	1,273	(1,273)
FINANCIAL LIABILITIES:						
Amounts due to credit institutions	-	-	3	(3)	6	(6)
CCY	-	-	3	(3)	6	(6)
Net impact on equity	**(99,381)**	**98,769**	**(65,409)**	**65,433**	**(59,053)**	**59,040**

Currency Risk

The Group is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Group.

The ALMC controls currency risk by management of the open currency position based on the estimations of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimise losses from significant currency rate fluctuations of national and foreign currencies.

The treasury department performs daily monitoring of the Group's open currency positions, with the aim to comply with the requirements of the regulatory authority.

The Group is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial positions, results of operations and cash flows, which are monitored daily. The ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority.

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying value of the Group's USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the consolidated statement of financial position and off-balance sheet positions. Currently, the Group's sensitivity to fluctuations in exchange rates is acceptable, due to the fact that the off- balance sheet items significantly neutralise the consolidated statement of financial position.

(Millions of Kazakhstani Tenge)

The Group's exposure to foreign currency exchange rate risk is as follows:

							31 December 2020
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1,175,440	23,729	48,005	30,490	1,277,664	479,813	1,757,477
Obligatory reserves	88,902	7,292	2,017	3,452	101,663	68,465	170,128
Financial assets at fair value through profit or loss	19,804	-	38,728	1,511	60,043	182,283	242,326
Amounts due from credit institutions	564,826	16,218	2	459	581,505	127,805	709,310
Financial assets at fair value through other comprehensive income	646,942	130,942	4,409	-	782,293	473,865	1,256,158
Debt securities at amortised cost, net of allowance for expected credit losses	170,218	-	4,063	10,338	184,619	1,044,920	1,229,539
Loans to customers	831,807	50,489	79,545	55,273	1,017,114	3,429,161	4,446,275
Other financial assets	1,818	304	3,446	1,367	6,935	88,713	95,648
	3,499,757	**228,974**	**180,215**	**102,890**	**4,011,836**	**5,895,025**	**9,906,861**
FINANCIAL LIABILITIES							
Amounts due to customers	3,234,752	136,373	61,075	77,500	3,509,700	3,946,277	7,455,977
Amounts due to credit institutions	14,549	3,825	2,682	5,691	26,747	273,980	300,727
Financial liabilities at fair value through profit or loss	-	-	759	12	771	1,713	2,484
Debt securities issued	362,417	-	-	767	363,184	415,008	778,192
Other financial liabilities	1,593	13	1,671	874	4,151	60,510	64,661
	3,613,311	**140,211**	**66,187**	**84,844**	**3,904,553**	**4,697,488**	**8,602,041**
Net position – on-balance	**(113,554)**	**88,763**	**114,028**	**18,046**	**107,283**	**1,197,537**	**1,304,820**
Net position – off-balance	**163,673**	**(86,310)**	**(60,996)**	**(171)**	**16,196**	**(13,425)**	
Net position	**50,119**	**2,453**	**53,032**	**17,875**	**123,479**	**1,184,112**	

(Millions of Kazakhstani Tenge)

							31 December 2019
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	994,768	122,323	35,923	332,216	1,485,230	179,107	1,664,337
Obligatory reserves	81,791	5,128	1,748	2,677	91,344	49,662	141,006
Financial assets at fair value through profit or loss	35,268	1,923	32	2,409	39,632	145,399	185,031
Amounts due from credit institutions	22,256	8,681	5,479	-	36,416	16,745	53,161
Financial assets at fair value through other comprehensive income	760,141	34,905	4,828	-	799,874	831,047	1,630,921
Debt securities at amortised cost, net of allowance for expected credit losses	154,720	-	4,281	9,078	168,079	1,044,902	1,212,981
Loans to customers	991,248	17,487	27,000	33,551	1,069,286	2,683,159	3,752,445
Other financial assets	3,421	257	46	1,158	4,882	97,542	102,424
	3,043,613	**190,704**	**79,337**	**381,089**	**3,694,743**	**5,047,563**	**8,742,306**
FINANCIAL LIABILITIES							
Amounts due to customers	3,187,135	136,227	56,665	47,624	3,427,651	2,978,762	6,406,413
Amounts due to credit institutions	30,350	1,500	367	2,363	34,580	271,385	305,965
Financial liabilities at fair value through profit or loss	-	-	662	-	662	19,782	20,444
Debt securities issued	422,786	-	-	-	422,786	411,660	834,446
Other financial liabilities	768	218	1,978	790	3,754	35,255	39,009
	3,641,039	**137,945**	**59,672**	**50,777**	**3,889,433**	**3,716,844**	**7,606,277**
Net position – on-balance	**(597,426)**	**52,759**	**19,665**	**330,312**	**(194,690)**	**1,330,719**	**1,136,029**
Net position – off-balance	**627,245**	**(49,550)**	**(17,249)**	**(308,112)**	**252,334**	**(224,606)**	
Net position	**29,819**	**3,209**	**2,416**	**22,200**	**57,644**	**1,106,113**	

(Millions of Kazakhstani Tenge)

							31 December 2018
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1,031,248	136,251	35,083	216,857	1,419,439	335,699	1,755,138
Obligatory reserves	58,565	2,663	3,999	1,879	67,106	48,635	115,741
Financial assets at fair value through profit or loss	12,582	-	4,396	2,633	19,611	167,225	186,836
Amounts due from credit institutions	13,128	2,775	6,632	-	22,535	32,500	55,035
Financial assets at fair value through other comprehensive income	598,380	26,555	4,098	-	629,033	1,136,900	1,765,933
Debt securities at amortised cost, net of allowance for expected credit losses	375	-	4,567	6,026	10,968	1,044,939	1,055,907
Loans to customers	1,083,801	8,538	23,729	24,630	1,140,698	2,340,381	3,481,079
Other financial assets	7,371	805	502	763	9,441	66,277	75,718
	2,805,450	**177,587**	**83,006**	**252,788**	**3,318,831**	**5,172,556**	**8,491,387**
FINANCIAL LIABILITIES							
Amounts due to customers	3,388,503	131,505	66,443	32,970	3,619,421	2,907,509	6,526,930
Amounts due to credit institutions	26,892	1,628	555	1,101	30,176	138,203	168,379
Financial liabilities at fair value through profit or loss	-	-	209	-	209	6,813	7,022
Debt securities issued	405,537	-	352	-	405,889	494,902	900,791
Other financial liabilities	1,389	501	449	811	3,150	23,862	27,012
	3,822,321	**133,634**	**68,008**	**34,882**	**4,058,845**	**3,571,289**	**7,630,134**
Net position – on-balance	**(1,016,871)**	**43,953**	**14,998**	**217,906**	**(740,014)**	**1,601,267**	**861,253**
Net position – off-balance	**1,058,084**	**(45,694)**	**(16,437)**	**(197,675)**	**798,278**	**(700,861)**	
Net position	**41,213**	**(1,741)**	**(1,439)**	**20,231**	**58,264**	**900,406**	

(Millions of Kazakhstani Tenge)

Sensitivity analysis of currency risk

The table below indicates the currencies in which the Group had significant exposure at 31 December 2020, 2019 and 2018 and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate, with all other variables held constant on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss, while a positive amount reflects a net potential increase. Sensitivity of currency risk is assessed based on balance sheet and off-balance sheet open currency positions. The management of the Group believes income tax not to have a substantial effect for the purpose of currency risk management.

The impact on income before tax and equity, based on asset values was calculated using the currency rate fluctuation analysis. As at 31 December 2020, 2019 and 2018, the Management of the Group believes that 15% is the possible movement of the currency rate.

The impact on income before tax and equity, based on asset values as at 31 December 2020, 2019 and 2018 was calculated using the annual analysis of the exchange rate volatility based on historical data of the exchange rate dynamics over the last two years; see the details in the following table:

	31 December 2020		31 December 2019		31 December 2018	
	+15% KZT/USD	-15% KZT/USD	+15% KZT/USD	-15% KZT/USD	+15% KZT/USD	-15% KZT/USD
Impact on financial result/equity	7,518	(7,518)	4,473	(4,473)	6,182	(6,182)

	31 December 2020		31 December 2019		31 December 2018	
	+15% KZT/EURO	-15% KZT/EURO	+15% KZT/EURO	-15% KZT/EURO	+15% KZT/EURO	-15% KZT/EURO
Impact on financial result/equity	368	(368)	481	(481)	(261)	261

	31 December 2020		31 December 2019		31 December 2018	
	+15% KZT/RUR	-15% KZT/RUR	+15% KZT/RUR	-15% KZT/RUR	+15% KZT/RUR	-15% KZT/RUR
Impact on financial result/equity	7,955	(7,955)	362	(362)	(216)	216

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption, while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocations and taking other protective actions. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Group is exposed to price risks of its products, which are subject to general and specific market fluctuations.

To limit price risk, the Group determines limits for maximum losses (stop-loss) on securities from the trade portfolio to minimise potential losses of the trade portfolio.

Price risk assessment is also performed on the basis of the Value At Risk ("VaR") method, through the establishment of Expected Shortfall ("ES") limits on the level of expected losses, which the Bank is able to undertake within one day in a situation when factual losses may exceed the level of VaR.

Calculation of VaR is based on the following parameters:

- Reporting period – 252 working days;
- Confidence interval – 99%;
- The method of measurement – historical and parametric simulation.

The Group estimates the price risk at 31 December 2020, 2019 and 2018 to be not material and therefore quantitative information is not disclosed.

34. Capital risk management

The Group's capital management objectives, which are a broader concept than the "equity" on the face of the consolidated statement of financial position, are as follows:

- To comply with the capital requirements set by NBRK;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The required level of capital is determined during the annual budgeting process, taking into account the above objectives, and is approved by the Management Board and the Board of Directors. As of the current date the capital adequacy of the Group is calculated according to prudential norms set for banks by the Kazakhstan regulatory authority, applying Basel Committee principles and methods.

Currently, regulatory capital is represented by:

- Tier 1 capital, which is required to maintain the normal operating activity of the Group and absorb losses as they arise. It consists of Common Equity Tier 1 capital ("CET 1 capital") and Additional Tier 1 capital, which includes common shares issued by the Group, share premium, retained earnings, other accrued comprehensive income and disclosed reserves and regulatory adjustments (deductions);
- Tier 2 capital, which is required to absorb losses in case of the Group's liquidation. This part of capital consists of instruments issued by the Group and deductions.

Risk-weighted assets are split into five different groups, based on the risk level of the investment and its possible impairment, and weighted according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments made to reflect the more contingent nature of the potential losses.

(Millions of Kazakhstani Tenge)

The below table summarises the regulatory capital composition and capital adequacy ratios of the Group for the years ended 31 December 2020, 2019, and 2018. During these three years, individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2020	31 December 2019	31 December 2018
Composition of regulatory capital			
CET 1			
Common shares, net of treasury shares	98,000	94,393	97,586
Share premium	5,741	3,867	1,839
Retained earnings of prior years	897,775	762,131	632,981
Net income for the current year	352,653	334,511	254,238
Accumulated disclosed reserves*	53,578	53,170	53,173
Non-controlling interest	7	6	6
Property and financial assets at fair value through other comprehensive income revaluation reserves	75,587	44,679	9,902
Less: goodwill and intangible assets	(15,293)	(12,806)	(11,520)
Less: cumulative translation reserve	(4,516)	(9,105)	(9,657)
Common Equity Tier 1 (CET 1) Capital	**1,463,532**	**1,270,846**	**1,028,548**
Additional tier 1			
Tier 2			
Subordinated debt	67,211	81,463	82,733
Total qualifying for Tier 2 capital	**67,211**	**81,463**	**82,733**
Total regulatory capital	**1,530,743**	**1,352,309**	**1,111,281**
Risk weighted assets	5,993,301	6,163,775	5,549,906
CET 1 capital adequacy ratio	**24.42%**	**20.6%**	**18.5%**
Tier 1 capital adequacy ratio	**24.42%**	**20.6%**	**18.5%**
Total capital adequacy ratio	**25.54%**	**21.9%**	**19.9%**

*As at 31 December 2020, accumulated disclosed reserves comprised from KZT 53,578 million capital reserve (31 December 2019: 53,170 million capital reserve; 31 December 2018: 53,173 million capital reserve).

Starting from 1 January 2017, prudential norms on the NBRK, which apply certain principles and methods prescribed by Basel III committee, set minimum CET 1 capital, Additional Tier 1 capital and total capital adequacy ratios at 9.5%,10.5% and 12.0%, respectively.

As at 31 December 2020, 2019 and 2018, the Group had complied with NBRK's capital requirements.

35. Segment analysis

The Group is managed and reported on the basis of four main operating segments – corporate banking, SME banking, retail banking and investment banking. These segments are strategic business units that offer different products and services and are managed separately.

Retail banking represents private banking services to individuals, including private customer current accounts, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, cash and foreign currency related services to individuals.

Corporate banking represents banking services to corporate clients and financial organisations including current accounts and correspondent accounts, deposits, custody, overdrafts, loans and other credit facilities, documentary operations, including guarantees and letters of credit, trade finance products, interbank operations, as well as cash services and foreign exchange transactions.

SME banking represents banking services to SME clients and individual entrepreneurs, including current accounts, deposits, overdrafts, loans and other credit facilities, documentary operations and guarantees, foreign exchange transactions and trade finance products.

Investment banking represents services on sale and purchase of securities on the market.

Unallocated amounts are account balances and classes of transactions which are not allocated to a particular segment, not initiated by any business function and relate to the current activity of the Group. Unallocated assets include fixed assets, intangible assets, non-current assets held for sale, cash on hand and other unallocated assets. Unallocated liabilities include deferred tax liabilities and other unallocated liabilities. Unallocated income includes other income from main and nonoperating activities and insurance income. Unallocated expenses include the allowances for expected credit losses on accounts receivable, operating overhead expenses, insurance expenses and income tax.

The segment information below is based on financial information used for performance evaluation by the Bank's Chairperson of the Management Board, the Group's chief operating decision maker, in accordance with IFRS 8. The Group's management reviews discrete financial information for each segment, including the evaluation of operating segment results, assets and liabilities. Segment result is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(Millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 31 December 2020, 2019 and 2018 and for the years then ended, is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2020 and for the year then ended						
External revenues	313,030	279,711	114,949	198,406	133,907	1,040,003
Total revenues	**313,030**	**279,711**	**114,949**	**198,406**	**133,907**	**1,040,003**
Total revenues comprise:						
- Interest income	206,938	255,041	75,889	195,366	-	733,234
- Fee and commission income, including:	92,465	13,678	22,354	-	2,902	131,399
Plastic card operations	67,644	73	1,357	-	154	69,228
Bank transfers - settlements	8,121	2,809	7,603	-	92	18,625
Cash operations	1,098	1,537	7,692	-	49	10,376
Letters of credit and guarantees issued	17	7,902	2,183	-	29	10,131
Servicing customers' pension payments	8,599	-	-	-	-	8,599
Bank transfers – salary projects	6,045	-	-	-	-	6,045
Maintenance of customer accounts	306	151	2,672	-	-	3,129
Other	635	1,206	847	-	2,578	5,266
- Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	-	4,018	-	(817)	-	3,201
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	3,424	-	3,424
- Net foreign exchange gain	13,627	6,974	16,706	433	3,200	40,940
- Share in profit of associate	-	-	-	-	6,321	6,321
- Insurance underwriting income, income on non-banking activities and other income	-	-	-	-	121,484	121,484
Total revenues	**313,030**	**279,711**	**114,949**	**198,406**	**133,907**	**1,040,003**
- Interest expense	(135,176)	(101,424)	(16,187)	(80,578)	(376)	(333,741)
- Recovery of credit loss expense/(credit loss expense)	(33,542)	18,772	(7,436)	(600)	(4,112)	(26,918)
- Fee and commission expense	(57,939)	(3,955)	(557)	(203)	(530)	(63,184)
- Operating expenses	(96,179)	(6,667)	(13,931)	(975)	(35,340)	(153,092)
- Recoveries of other credit loss expense/(other credit loss expense)	12	(4,922)	(30)	-	(85)	(5,025)
- Loss from impairment of non-financial assets	-	-	-	-	(5,145)	(5,145)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(63,366)	(63,366)
Total expenses	**(322,824)**	**(98,196)**	**(38,141)**	**(82,356)**	**(108,954)**	**(650,471)**
Segment result	**(9,794)**	**181,515**	**76,808**	**116,050**	**24,953**	**389,532**
Income before income tax expense						389,532
Income tax expense					(36,878)	(36,878)
Net income						**352,654**
Total segment assets	1,223,143	4,958,055	739,910	2,721,756	744,968	10,387,832
Total segment liabilities	3,733,588	2,773,618	1,271,071	784,346	331,941	8,894,564
Other segment items:						
Capital expenditures					(31,703)	(31,703)
Depreciation and amortisation					(13,027)	(13,027)
Investment in associate					32,797	32,797

(Millions of Kazakhstani Tenge)

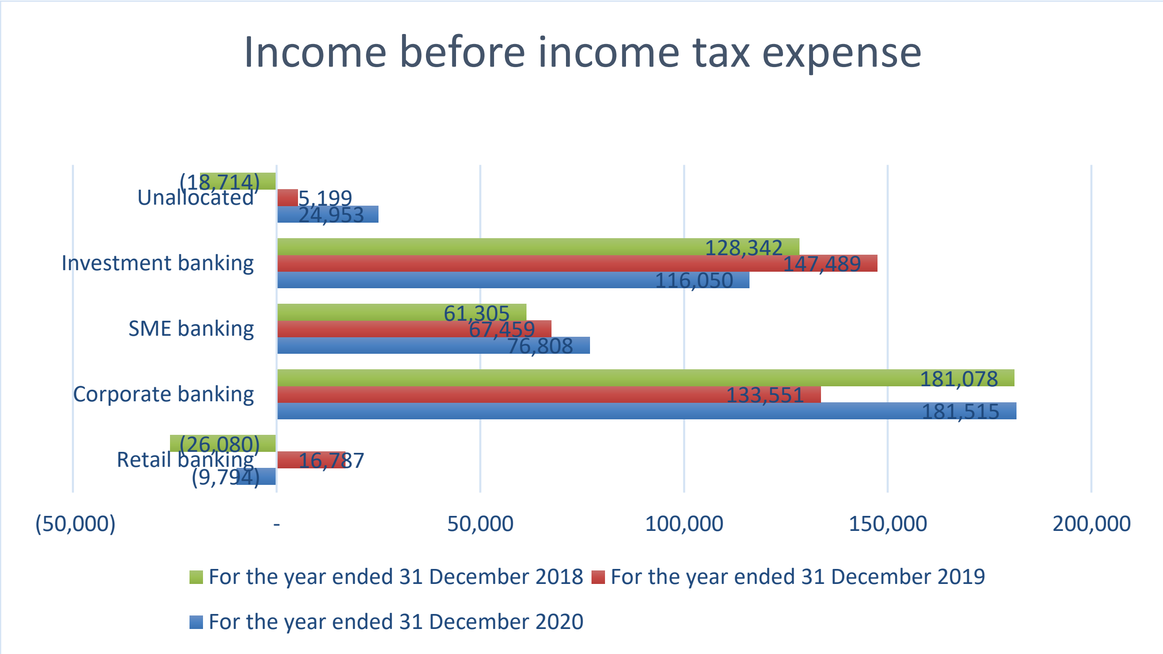
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2019 and for the year then ended						
External revenues	275,784	276,271	108,966	221,252	139,572	1,021,845
Total revenues	**275,784**	**276,271**	**108,966**	**221,252**	**139,572**	**1,021,845**
Total revenues comprise:						
- Interest income	182,640	244,006	70,561	213,076	21	710,304
- Fee and commission income, including:	84,495	14,169	24,059	-	533	123,256
Plastic card operations	61,896	118	973	-	160	63,147
Bank transfers - settlements	5,264	3,272	7,279	-	63	15,878
Cash operations	1,503	1,666	8,137	-	29	11,335
Letters of credit and guarantees issued	3	7,831	1,845	-	39	9,718
Servicing customers' pension payments	8,128	-	3	-	-	8,131
Bank transfers – salary projects	6,925	-	-	-	-	6,925
Maintenance of customer accounts	337	132	2,841	-	-	3,310
Other	439	1,150	2,981	-	242	4,812
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	8,138	-	8,138
- Net foreign exchange gain	8,649	18,096	14,346	38	4,250	45,379
- Share in profit of associate	-	-	-	-	5,742	5,742
- Insurance underwriting income, income on non-banking activities and other income	-	-	-	-	129,026	129,026
Total revenues	**275,784**	**276,271**	**108,966**	**221,252**	**139,572**	**1,021,845**
- Interest expense	(132,067)	(78,111)	(19,062)	(82,800)	(286)	(312,326)
- Recovery of credit loss expense/(credit loss expense)	3,480	(25,171)	(7,436)	159	(1,086)	(30,054)
- Fee and commission expense	(48,538)	(3,290)	(560)	(165)	(2,093)	(54,646)
- Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	-	(28,575)	-	9,841	-	(18,734)
- Operating expenses	(81,827)	(6,056)	(14,294)	(798)	(34,963)	(137,938)
- (Other credit loss expense)/recoveries of other credit loss expense	(45)	(1,517)	(155)	-	409	(1,308)
- Loss from impairment of non-financial assets	-	-	-	-	(7,429)	(7,429)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(88,925)	(88,925)
Total expenses	**(258,997)**	**(142,720)**	**(41,507)**	**(73,763)**	**(134,373)**	**(651,360)**
Segment result	**16,787**	**133,551**	**67,459**	**147,489**	**5,199**	**370,485**
Income before income tax expense						370,485
Income tax expense					(35,974)	(35,974)
Net income						**334,511**
Total segment assets	966,284	3,912,525	595,918	3,021,001	739,030	9,234,758
Total segment liabilities	3,295,854	2,689,734	874,569	834,881	232,497	7,927,535
Other segment items:						
Capital expenditures					(16,887)	(16,887)
Depreciation and amortisation					(11,596)	(11,596)
Investment in associate					26,732	26,732

Retail banking **Corporate banking** **SME banking** **Investment banking** **Unallocated** **Total**

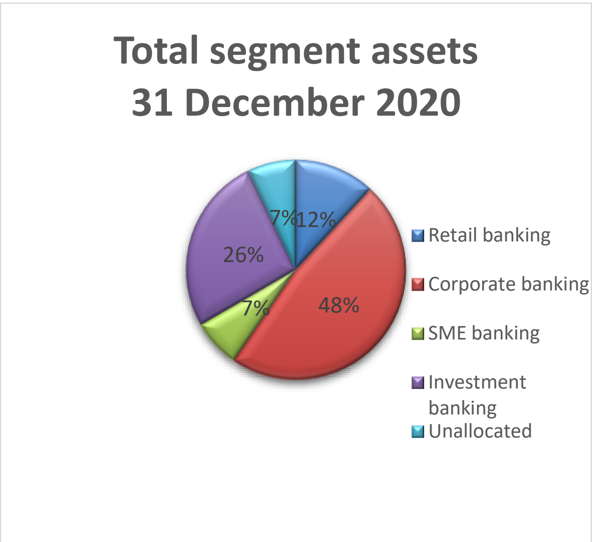
(Millions of Kazakhstani Tenge)

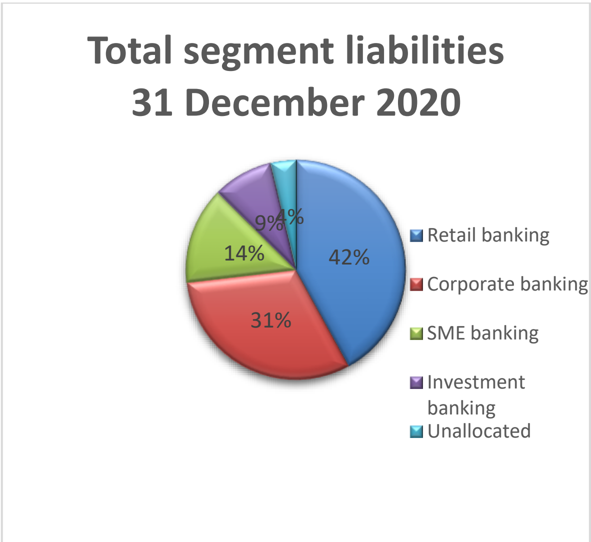
As at 31 December 2018 and for the year then ended						
External revenues	255,977	371,897	85,068	211,456	95,400	1,019,798
Total revenues	**255,977**	**371,897**	**85,068**	**211,456**	**95,400**	**1,019,798**
Total revenues comprise:						
- Interest income	177,483	237,433	63,064	204,061	-	682,041
- Fee and commission income	78,150	10,559	21,389	114	3,029	113,241
- Net gain from financial assets and liabilities at fair value through profit or loss	-	108,684	-	4,853	621	114,158
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	2,428	-	2,428
- Recovery of other credit loss expense/(other credit loss expense)	344	15,221	615	-	(229)	15,951
- Share in profit of associate	-	-	-	-	2,899	2,899
- Insurance underwriting income, income on non-banking activities and other income	-	-	-	-	89,080	89,080
Total revenues	**255,977**	**371,897**	**85,068**	**211,456**	**95,400**	**1,019,798**
- Interest expense	(159,676)	(79,308)	(10,662)	(84,126)	-	(333,772)
- (Credit loss expense)/recovery of credit loss expense	(28,400)	7,579	(5,422)	(10)	(5,742)	(31,995)
- Fee and commission expense	(32,231)	(2,450)	(2,610)	(98)	(1,617)	(39,006)
- Operating expenses	(73,595)	(7,530)	(19,124)	(974)	(34,330)	(135,553)
- Loss from impairment of non-financial assets	-	-	-	-	(27,308)	(27,308)
- Net foreign exchange gain/(loss)	11,845	(109,110)	14,055	2,094	16,539	(64,577)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(61,656)	(61,656)
Total expenses	**(282,057)**	**(190,819)**	**(23,763)**	**(83,114)**	**(114,114)**	**(693,867)**
Segment result	**(26,080)**	**181,078**	**61,305**	**128,342**	**(18,714)**	**325,931**
Income before income tax expense						325,931
Income tax expense					(82,474)	(82,474)
Profit from discontinued operation						9,974
Net income						**253,431**
Total segment assets	852,537	3,886,875	570,144	2,910,825	738,643	8,959,024
Total segment liabilities	3,342,535	2,409,386	907,574	900,790	333,093	7,893,378
Other segment items:						
Capital expenditures					(9,199)	(9,199)
Depreciation and amortisation					(10,929)	(10,929)
Investment in associate					20,437	20,437

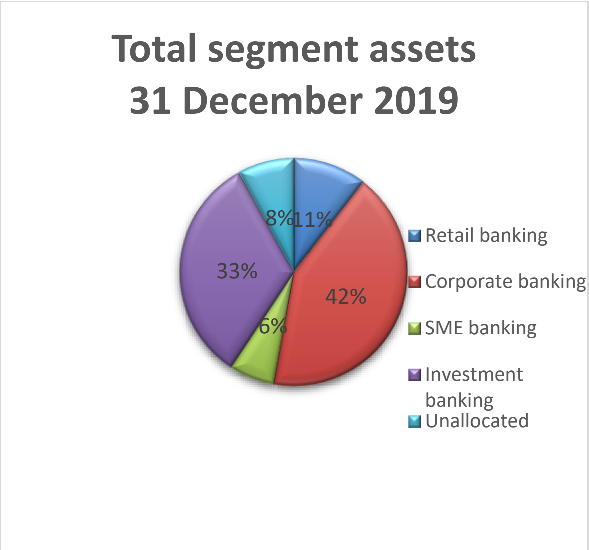
Income before income tax expense by segments were as follows:

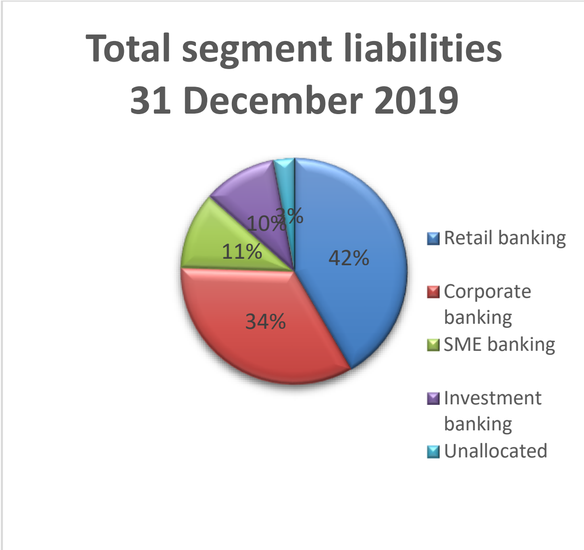


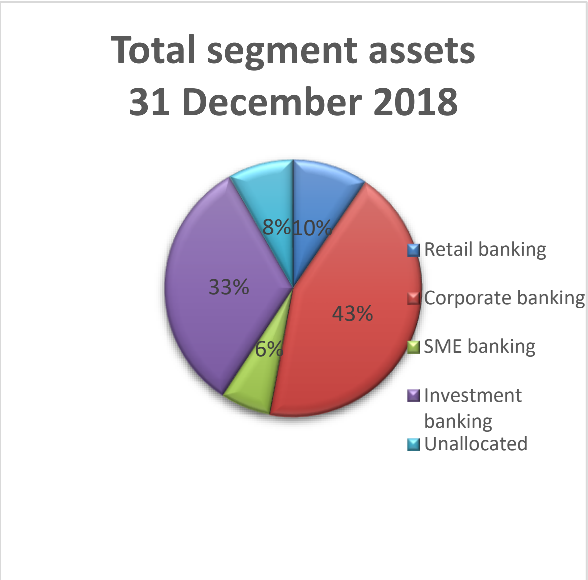
Share of segment assets and liabilities as at 31 December 2020, 2019 and 2018 presented as follows:

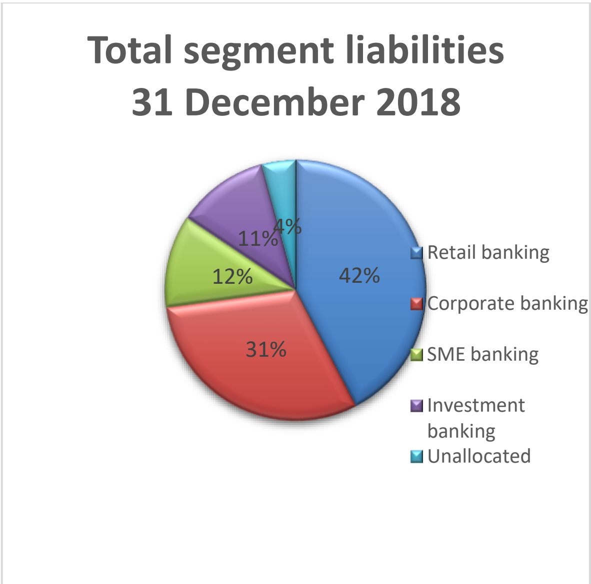





Total segment assets
31 December 2019
11%
42%
6%
33%
8%
Retail banking
Corporate banking
SME banking
Investment banking
Unallocated


Total segment liabilities
31 December 2019
42%
34%
11%
10%
Retail banking
Corporate banking
SME banking
Investment banking
Unallocated


Total segment assets
31 December 2018
10%
43%
6%
33%
8%
Retail banking
Corporate banking
SME banking
Investment banking
Unallocated


Total segment liabilities
31 December 2018
42%
31%
12%
11%
4%
Retail banking
Corporate banking
SME banking
Investment banking
Unallocated

(Millions of Kazakhstani Tenge)

Geographical information

Information for the main geographical areas of the Group is set out below as at 31 December 2020, 2019 and 2018 and for the years then ended.

	Kazakhstan	OECD	Non-OECD	Total
2020				
Total assets	9,416,469	447,932	523,431	10,387,832
External revenues	987,869	13,897	38,237	1,040,003
Capital expenditure	(31,703)	-	-	(31,703)
2019				
Total assets	7,730,579	1,268,411	235,768	9,234,758
External revenues	946,985	46,035	28,825	1,021,845
Capital expenditure	(16,887)	-	-	(16,887)
2018				
Total assets	8,060,035	686,565	212,424	8,959,024
External revenues	961,788	28,566	29,444	1,019,798
Capital expenditure	(9,199)	-	-	(9,199)

External revenues, assets and credit related commitments have generally been allocated based on the domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

36. Fair values of financial instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

The fair values of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related profit or loss reported on the consolidated statement of profit or loss, could be material.

(Millions of Kazakhstani Tenge)

The table below summarises the Group's financial assets and liabilities held at fair value by valuation methodology at 31 December 2020, 2019 and 2018:

Financial Assets/Liabilities	Fair value 31 December 2020	Fair value 31 December 2019	Fair value 31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Non-derivative financial assets at fair value through profit or loss (Note 7)	54,291	98,337	88,825	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 7)	184,363	81,462	-	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 7)	-	144	158	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	22	11	-	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	3,650	730	2,582	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	-	4,347	95,271	Level 3	Future cash flows in USD discounted using the LIBOR rate obtained from available sources. Future cash flows in KZT discounted using the internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to nil at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
Total financial assets at fair value through profit or loss	**242,326**	**185,031**	**186,836**				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 7)	12	25	-	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 7)	2,472	20,419	7,022	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year).	Not applicable	Not applicable
Total financial liabilities at fair value through profit or loss	**2,484**	**20,444**	**7,022**				
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	822,112	804,075	1,763,715	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 9)	433,983	826,846	2,165	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 9)	63	-	53	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Financial assets at fair value through other comprehensive income	**1,256,158**	**1,630,921**	**1,765,933**				

(Millions of Kazakhstani Tenge)

There were no transfers between Levels 1 and 2, nor between Levels 2 and 3, during the years ended 31 December 2020, 2019 and 2018.

	Derivative financial assets at fair value through profit or loss (Level 3)	Financial assets at fair value through other comprehensive income Unquoted equity securities (Level 3)	Derivative financial liabilities at fair value through profit or loss (Level 3)
31 December 2017	**39,576**	**18**	**492**
Additions on acquisition of a subsidiary	30,986	46	-
Gain to profit or loss	96,584	-	508
Settlements*	(71,875)	(11)	(1,000)
31 December 2018	**95,271**	**53**	**-**
Loss to profit or loss	(8,403)	-	-
Settlements*	(82,521)	-	-
31 December 2019	**4,347**	**53**	**-**
Gain to profit or loss	1,348	10	-
Settlements*	(5,695)	-	-
31 December 2020	**-**	**63**	**-**

*As at 31 December 2020, 2019 and 2018, the settlements include interest and repayment of NBRK swaps.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

Amounts due to and from credit institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of the estimated future cash flows, discounted at the appropriate year-end market rates.

Loans to customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Amounts due to customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

(Millions of Kazakhstani Tenge)

Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows, discounted at the year-end market rates.

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 December 2020		31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Amounts due from credit institutions	709,310	700,406	53,161	55,495	55,035	54,966
Loans to customers	4,446,275	4,488,611	3,752,445	3,725,629	3,481,079	3,474,191
Debt securities at amortised cost, net of allowance for expected credit losses	1,229,539	1,206,654	1,212,981	1,218,432	1,055,907	1,088,278
Financial liabilities						
Amounts due to customers	7,455,977	7,392,606	6,406,413	6,177,010	6,526,930	6,692,308
Amounts due to credit institutions	300,727	308,574	305,965	315,415	168,379	153,758
Debt securities issued	778,192	778,825	834,446	831,153	900,791	968,989

				31 December 2020
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Amounts due from credit institutions	-	700,406	-	700,406
Loans to customers	-	-	4,448,611	4,448,611
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,206,654	-	1,206,654
Financial liabilities				
Amounts due to customers	-	7,392,606	-	7,392,606
Amounts due to credit institutions	-	308,574	-	308,574
Debt securities issued	-	778,825	-	778,825

				31 December 2019
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Amounts due from credit institutions	-	55,495	-	55,495
Loans to customers	-	-	3,725,629	3,725,629
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,218,432	-	1,218,432
Financial liabilities				
Amounts due to customers	-	6,177,010	-	6,177,010
Amounts due to credit institutions	-	315,415	-	315,415
Debt securities issued	-	831,153	-	831,153

(Millions of Kazakhstani Tenge)

	31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Amounts due from credit institutions	-	54,966	-	54,966
Loans to customers	-	-	3,474,191	3,474,191
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,088,278	-	1,088,278
Financial liabilities				
Amounts due to customers	-	6,692,308	-	6,692,308
Amounts due to credit institutions	-	153,758	-	153,758
Debt securities issued	-	968,989	-	968,989

The carrying amounts of cash and cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

37. Related party transactions

Related parties or transactions with related parties are assessed in accordance with IAS 24 “Related Party Disclosures”. Related parties may enter into transactions which unrelated parties might not. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Transactions with related parties are settled on an arm’s-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties.

(Millions of Kazakhstani Tenge)

As at 31 December 2020, 2019 and 2018, the Group had the following transactions outstanding with related parties:

	31 December 2020		31 December 2019		31 December 2018	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers before allowance for expected credit losses	1,431	4,824,316	21	4,161,163	1,746	3,890,872
- entities with joint control or significant influence over the entity	1,418		-		1,640	
- key management personnel of the entity or its parent	1		6		86	
- other related parties	12		15		20	
Allowance for expected credit losses	(1)	(378,041)	(2)	(408,718)	(18)	(409,793)
- entities with joint control or significant influence over the entity	-		-		(16)	
- key management personnel of the entity and its parent	-		(1)		(1)	
- other related parties	(1)		(1)		(1)	
Investments in associates	32,797	32,797	26,732	26,732	20,437	20,437
Amounts due to customers	263,125	7,455,977	377,204	6,406,413	252,136	6,526,930
- the parent	194,582		230,663		69,882	
- entities with joint control or significant influence over the entity	15,329		4,469		9,480	
- key management personnel of the entity or its parent	11,299		9,871		11,076	
- other related parties	41,915		132,201		161,698	

(Millions of Kazakhstani Tenge)

Included in the consolidated statement of profit or loss for the years ended 31 December 2020, 2019 and 2018, are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2020		Year ended 31 December 2019		Year ended 31 December 2018	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income calculated using effective interest method	104	717,688	53	701,350	318	675,699
- entities with joint control or significant influence over the entity	101		51		127	
- key management personnel of the entity or its parent	-		-		13	
- other related parties	3		2		178	
Interest expense	(2,726)	(333,741)	(4,226)	(312,326)	(4,217)	(333,772)
- the parent	(1,240)		(1,694)		(2,479)	
- entities with joint control or significant influence over the entity	(510)		(144)		(22)	
- key management personnel of the entity or its parent	(225)		(115)		(213)	
- other related parties	(751)		(2,273)		(1,503)	
Share in profit of associate	6,321	6,321	5,742	5,742	2,899	2,899

	Year ended 31 December 2020		Year ended 31 December 2019		Year ended 31 December 2018	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	3,065	85,286	2,496	79,231	3,672	77,563
- Salaries and other employee benefits	3,065		2,496		3,672	

38. Subsequent events

On 28 January 2021, the Bank redeemed its USD 500,000,000 Eurobond issue bearing 7.25% coupon rate due 2021. The repayment was made from the Bank's own funds.

On 1 March 2021, the Bank fully prepaid its USD 750,000,000 Eurobond issue bearing 5.5% coupon rate due 2022. The prepayment amount was USD 248,012,457 and was made from the Bank's own funds.