

**Associated Bank Kazakhstan – Ziraat  
International Bank Joint Stock Company  
and its subsidiaries**

**Consolidated Financial Statements**

*For the year ended 31 December 2021*

**CONTENTS**

---

**INDEPENDENT AUDITOR’S REPORT**

**CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Statement of Financial Position .....	1
Consolidated Statement of Comprehensive Income .....	2
Consolidated Statement of Changes in Equity .....	3
Consolidated Statement of Cash Flows .....	4

**NOTES TO THE CONSOLIDATES FINANCIAL STATEMENTS**

1. ORGANIZATIONAL STRUCTURE AND PRINCIPAL ACTIVIES .....	5
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS.....	6
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	6
4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES .....	20
5. SEGMENT INFORMATION .....	21
6. CASH AND CASH EQUIVALENTS.....	24
7. AMOUNTS DUE FROM OTHER BANKS .....	24
8. LOANS TO CUSTOMERS.....	25
9. PROPERTY AND EQUIPMENT .....	32
10. INVESTMENT PROPERTY .....	32
11. INTANGIBLE ASSETS.....	33
12. OTHER ASSETS .....	33
13. AMOUNTS DUE TO CREDIT INSTITUTIONS .....	34
14. AMOUNTS DUE TO CUSTOMERS .....	34
15. TAXATION .....	35
16. OTHER LIABILITIES.....	36
17. EQUITY .....	36
18. INTEREST INCOME AND INTEREST EXPENSE.....	37
19. EXPECTED CREDIT LOSSES EXPENSE.....	38
20. NET COMMISSION INCOME .....	38
21. ADMINISTRATIVE AND OTHER OPERATING EXPENSES .....	39
22. COMMITMENTS AND CONTINGENCIES .....	39
23. RISK MANAGEMENT .....	40
24. FAIR VALUE MEASUREMENT .....	49
25. OFFSETTING OF FINANCIAL INSTRUMENTS .....	52
27. RELATED PARTIES DISCLOSURE .....	53
28. CAPITAL ADEQUACY .....	54
29. EVENTS AFTER THE REPORTING DATE.....	55

# ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES

## STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

---

Management of Kazakhstan – Ziraat International Bank Joint-Stock Company (the “Bank”) and its subsidiaries (together referred to as the “Group”) is responsible for the preparation of the consolidated financial statements, that fairly present, in all material respects, consolidated financial position of the Group as at 31 December 2021, and the consolidated results of its operations, consolidated cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (hereinafter – “IFRS”).

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

- selecting of proper accounting principles and its consistent application;
- presenting information, including accounting policies, in a manner that provides relevance, reliability, comparability and understandability of such information;
- using of reasonable and appropriate estimates and assumptions;
- providing additional disclosures when compliance with the requirements of IFRS is insufficient for users of the consolidated financial statements to understand the impact of particular transactions, as well as other events and conditions on the financial position and financial results of the Group’s operation; and
- assessment of the Group’s ability to continue as a going concern in the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining the effective and reliable functionality of the internal control system of the Group;
- maintaining adequate accounting system, allowing the preparation of information about the Group’s financial position at any time with reasonable accuracy, and to ensure compliance of the consolidated financial statements with IFRS;
- maintaining accounting records in accordance with the legislation of the Republic of Kazakhstan;
- adopting measures within its competence to safeguard assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by management on 16 March 2022.

**Signed and authorized for issue on behalf of the Management Board of the Group:**

Murat Alkan



Chairman of the Management Board

Altynbekova Kuralay Bolatovna

A blue ink signature of the Chief accountant.

Chief accountant

16 March 2022

---

**Grant Thornton LLP**

Office 2103  
4V BC Nurlıy Tau, n.p. 21V  
15 Al-Farabi ave.  
Almaty  
050059/A15E2P5

**T** +7 (727) 311 13 40

[almaty@kz.gt.com](mailto:almaty@kz.gt.com)  
[www.grantthornton.kz](http://www.grantthornton.kz)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and management of Associated Bank “Kazakhstan-Ziraat International Bank” JSC

### Opinion

We have audited the consolidated financial statements of Associated Bank “Kazakhstan-Ziraat International Bank” JSC (hereinafter – the “Bank”), which comprise the statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and 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 statements, 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 Bank as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – “ISAs”). Our responsibilities under those standards are further described in the “*Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements*” section of our report. We are independent of the Bank in accordance 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and the Board of Directors for the 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 Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Associated Bank "Kazakhstan-Ziraat International Bank" JSC's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Bank's 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 of Associated Bank "Kazakhstan-Ziraat International Bank" JSC that we identify during our audit.

*Grant Thornton LLP*

  
Evgeny Zhemaletdinov

Auditor/Engagement partner



Certified Auditor of the Republic of Kazakhstan  
Qualification certificate  
№МФ-00000553 dated 20 December 2003

  
Yerzhan Dossymbekov

General Director  
Grant Thornton LLP



State license №18015053 for providing audit service on the territory of the Republic of Kazakhstan issued by the Internal Audit Committee of the Ministry of Finance of the Republic of Kazakhstan on 3 August 2018

16 March 2022  
Almaty, the Republic of Kazakhstan

© 2022 Grant Thornton. All rights reserved.

Grant Thornton LLP in Kazakhstan is a member firm within Grant Thornton International Ltd [Grant Thornton International].

Grant Thornton International and the member firms are not a worldwide partnership.

Services are delivered by the member firms independently.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

<i>In thousands of tenge</i>	<i>Notes</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>ASSETS</b>			
Cash and cash equivalents	6	37.742.168	52.774.882
Amounts due from other banks	7	1.076.701	1.050.771
Investments		7.001	7.001
Loans to customers	8	75.798.827	51.544.429
Property and equipment	9	10.882.122	10.733.296
Investment property	10	396.299	547.378
Intangible assets	11	279.078	264.305
Current corporate income tax assets		489	–
Other assets	12	6.299.528	5.319.705
<b>TOTAL ASSETS</b>		<b>132.482.213</b>	<b>122.241.767</b>
<b>LIABILITIES</b>			
Amounts due to credit institutions	13	5.102.162	2.554.498
Amounts due to customers	14	90.561.929	85.842.258
Current corporate income tax payable		110.010	1.695
Deferred corporate income tax liability	15	169.348	182.545
Other liabilities	16	739.901	608.376
<b>TOTAL LIABILITIES</b>		<b>96.683.350</b>	<b>89.189.372</b>
<b>EQUITY</b>			
Share capital	17	15.000.000	15.000.000
Retained earnings		18.926.651	16.178.686
Reserve funds	17	1.177.175	1.177.175
Revaluation reserve for property and equipment		695.037	696.534
<b>TOTAL EQUITY</b>		<b>35.798.863</b>	<b>33.052.395</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>132.482.213</b>	<b>122.241.767</b>

*The accompanying notes on pages 5 to 55 are an integral part of these consolidated financial statements.*

**Signed and authorized for issue on behalf of the Management Board of the Group:**

Murat Alkan



Chairman of the Management Board

Altynbekova Kuralay Bolatovna

Chief accountant

16 March 2022

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

<i>In thousands of tenge</i>	<i>Notes</i>	<b>2021</b>	<b>2020</b>
Interest income calculated using effective interest rate	18	8.388.012	6.956.529
Other interest income	18	–	964.834
		<b>8.388.012</b>	<b>7.921.363</b>
Interest expense	18	(2.211.269)	(1.822.552)
<b>Net interest income</b>		<b>6.176.743</b>	<b>6.098.811</b>
Expected credit losses expense	19	(2.311.322)	(1.904.946)
<b>Net interest income after expected credit losses expense</b>		<b>3.865.421</b>	<b>4.193.865</b>
Net fee and commission income	20	822.490	703.097
Net gains from transactions in foreign currencies:			
- dealing		955.075	690.485
- translation differences		2.141	44.069
Gain from derecognition of financial assets measured at amortized cost		13.164	8.554
Loss on initial recognition of financial assets measured at amortized cost		(10.302)	(2.376)
Income from recognition of financial assets measured at fair value through profit or loss		–	74.045
Other income		202.242	58.915
Administrative and other operating expenses	21	(2.273.567)	(1.801.177)
<b>Profit before corporate income tax expense</b>		<b>3.576.664</b>	<b>3.969.477</b>
Corporate income tax expense	15	(830.196)	(800.029)
<b>Profit for the year</b>		<b>2.746.468</b>	<b>3.169.448</b>
<b>Other comprehensive income</b>			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Revaluation and depreciation of land and property and equipment (net of deferred corporate income tax – 11,571 thousand tenge)		–	46.284
<b>Total items that will not be subsequently reclassified to profit or loss</b>		–	<b>46.284</b>
<b>Total other comprehensive income</b>		–	<b>46.284</b>
<b>Total comprehensive income for the year</b>		<b>2.746.468</b>	<b>3.215.732</b>
<b>Basic and diluted earnings per share (in tenge)</b>	<b>17</b>	<b>183,10</b>	<b>211,30</b>

*The accompanying notes on pages 5 to 55 are an integral part of these consolidated financial statements.*

Signed and authorized for issue on behalf of the Management Board of the Group:

Murat Alkan



Chairman of the Management Board

Altynbekova Kuralay Bolatovna

 Chief accountant

16 March 2022

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021**

<i>In thousands of tenge</i>	<i>Notes</i>	<b>Share capital</b>	<b>Reserve funds</b>	<b>Revaluation reserve for property and equipment</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>As at 31 December 2019</b>	17	<b>15.000.000</b>	<b>1.177.175</b>	<b>518.527</b>	<b>13.140.961</b>	<b>29.836.663</b>
Profit for the year		–	–	–	3.169.448	3.169.448
Other comprehensive income		–	–	46.284	–	46.284
<i>Total comprehensive income</i>		–	–	46.284	3.169.448	3.215.732
Transfer to revaluation reserve for property and equipment		–	–	131.723	(131.723)	–
<b>As at 31 December 2020</b>	17	<b>15.000.000</b>	<b>1.177.175</b>	<b>696.534</b>	<b>16.178.686</b>	<b>33.052.395</b>
Profit for the year		–	–	–	2.746.468	2.746.468
Other comprehensive income		–	–	–	–	–
<i>Total comprehensive income</i>		–	–	–	2.746.468	2.746.468
Transfer of depreciation from revaluation reserve for property and equipment		–	–	(1.497)	1.497	–
<b>As at 31 December 2021</b>		<b>15.000.000</b>	<b>1.177.175</b>	<b>695.037</b>	<b>18.926.651</b>	<b>35.798.863</b>

*The accompanying notes on pages 5 to 55 are an integral part of these consolidated financial statements.*

**Signed and authorized for issue on behalf of the Management Board of the Group:**

Murat Alkan



Chairman of the Management Board

Altynbekova Kuralay Bolatovna

 Chief accountant

16 March 2022

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

<i>In thousands of tenge</i>	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		7.196.416	6.377.020
Interest paid		(2.165.572)	(1.234.545)
Fees and commissions received		991.734	793.626
Fees and commissions paid		(167.381)	(103.993)
Net realized gains from dealing in foreign currencies		955.075	690.485
Other income received		177.615	58.915
Personnel expenses paid		(843.270)	(820.923)
Other administrative and operating expenses paid		(1.104.776)	(686.544)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>5.039.841</b>	<b>5.074.011</b>
<i>Net (increase) /decrease in operating assets</i>			
Amounts due from other banks		(69.807)	(878.251)
Loans to customers		(24.246.480)	(7.107.529)
Other assets		(1.194.973)	(973.409)
<i>Net increase/ (decrease) in operating liabilities</i>			
Receivables under reverse repurchase agreements		–	8.700.001
Amounts due to credit institutions		2.463.257	(4.354.411)
Amounts due to other banks		57.369	–
Amounts due to customers		3.233.385	41.076.754
Other liabilities		96.050	31.415
<b>Net (decrease)/ increase of cash flows from operating activities before corporate income tax</b>		<b>(14.621.358)</b>	<b>41.568.611</b>
Corporate income tax paid		(735.567)	(809.588)
<b>Net cash (used in)/ from operating activities</b>		<b>(15.356.925)</b>	<b>40.759.023</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment and intangible assets		(324.320)	(319.929)
Proceeds from sale of investment property		159.450	–
<b>Net cash flows used in investing activities</b>		<b>(164.870)</b>	<b>(319.929)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(166.030)	(159.879)
<b>Net cash flows used in financing activities</b>		<b>(166.030)</b>	<b>(159.879)</b>
Effect of expected credit losses on cash and cash equivalents	6	782	4.137
Effect of exchange rate changes on cash and cash equivalents		654.329	2.203.920
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(15.032.714)</b>	<b>42.487.272</b>
Cash and cash equivalents as at beginning of the year		52.774.882	10.287.610
<b>Cash and cash equivalents as at end of the year</b>	6	<b>37.742.168</b>	<b>52.774.882</b>

In 2021 and 2020, the Bank received building and land in the amount nil tenge and 9.129.415 thousand tenge as the repayment for the loan, respectively. In 2020, the Bank transferred the property to subsidiaries, as a contribution to the Charter Capital in the amount of 547.378 thousand tenge.

*The accompanying notes on pages 5 to 55 are an integral part of these consolidated financial statements.*

**Signed and authorized for issue on behalf of the Management Board of the Group:**

Murat Alkan



Chairman of the Management Board

Altynbekova Kuralay Bolatovna

Chief accountant

16 March 2022

# ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 1. ORGANIZATIONAL STRUCTURE AND PRINCIPAL ACTIVITIES

These consolidated financial statements include the financial statements of Kazakhstan – Ziraat International Bank Joint-Stock Company (the “Bank”) and its subsidiaries (together referred to as the “Group”).

Bank was registered in 1993 in accordance with the legislation of the Republic of Kazakhstan. The Bank conducts its activities under the general bank license No. 1.2.67/241 issued by the Agency of the Republic of Kazakhstan for regulation and development of financial market (the “Agency”) on 3 February 2020.

The Bank accepts deposits from the public and extends loans and performs transfers of cash in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The main activity of subsidiaries is management of doubtful and stressed assets of the Bank.

The Bank is a member of the obligatory deposit insurance system. The system operates under the Law of the Republic of Kazakhstan on “*Obligatory Insurance of Second Tier Banks Deposits*” dated 7 July 2006 and is governed by the National Bank of the Republic of Kazakhstan (hereinafter - NBRK). Insurance covers the Bank’s liabilities: up to 15 million tenge on qualifying deposit in national currency and up to 5 million tenge on qualifying deposit in foreign currency for each individual in the event of business failure and revocation of the NBRK banking license. Starting from 1993 the Bank is a member of Kazakhstan Stock Exchange (the “KASE”) and participates in foreign exchange market.

As at 31 December 2021, the Bank’s branch network comprises 7 branches and 1 central banking office located in the Republic of Kazakhstan (31 December 2020: 7 branches).

Registered address of the Bank’s head office: 132 Klochkov street, Almaty, A15K7B1, Republic of Kazakhstan.

Subsidiaries are represented as follows:

Name	The country of activity	Main activities	Ownership share, %	
			31 December 2021	31 December 2020
Stressed Assets Management Organization of Kazakhstan-Ziraat International-1 LLP	The Republic of Kazakhstan	Stressed assets management	100,00	100,00
Stressed Assets Management Organization of Kazakhstan-Ziraat International-2 LLP	The Republic of Kazakhstan	Stressed assets management	100,00	100,00

As at 31 December 2021 and 2020, the shareholders of the Bank were as follows:

Shareholder	31 December 2021, %	31 December 2020, %
T.C. Ziraat Bankasi A.S.	99,75	99,58
Emlak Pazarlama Insaat Proje Yonetimi ve Ticaret A.S.	0,25	0,25
T. Emlak Bankasi A.S. Munzam Sosyal Guvenlik Ve Yardim Vakfi	–	0,17
<b>Total</b>	<b>100,00</b>	<b>100,00</b>

As at 31 December 2021 and 2020, the controlling shareholder of the Group is T. S. Ziraat Bankasi A. S. (Turkey) (hereinafter referred to as the "Parent Organization" or "Controlling Shareholder").

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

---

**2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - “IFRS”).

The consolidated financial statements are prepared under the historical cost convention except as mentioned in Summary of significant accounting policies. For example, land and buildings within property and equipment were measured at the fair value.

These consolidated financial statements are presented in thousands of Kazakhstani tenge (hereinafter - “tenge”), unless otherwise is stated.

**Basis of consolidation**

*Subsidiaries*

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group controls only if the following conditions are met:

- ▶ the Group has authority over the investee (i.e., existing rights that provide the current ability do direct the significant activities of the investee);
- ▶ the Group’s exposure to the risk of changes in income from participation in the investee or the rights to receive such income;
- ▶ the ability of the Group to use its authority in relation to the investee to influence the amount of income.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

A change in ownership interest in a subsidiary without a loss of control is accounted for as an equity transaction. Losses of a subsidiary are charged to non-controlling interests even if this results in a deficit. If necessary, the accounting policies of subsidiaries are amended to bring them in line with those of the Group.

If the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary (including any related goodwill), the carrying amount of non-controlling interests, accumulated foreign exchange differences recognized in equity; recognizes the fair value of the consideration received, the fair value of the investment retained, the resulting surplus or deficit in profit or loss; reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Changes in accounting policies**

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods begun on or after 1 January 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Changes in accounting policies (continued)**

*"Base Interest Rate Reform - Stage 2" - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("IBOR Reform - Stage 2")*

The amendments provide temporary exemptions that are applied to eliminate financial reporting implications in cases where the interbank offered rate (IBOR) is replaced by an alternative virtually risk-free interest rate.

The amendments provide for the following:

- simplification of a practical nature, according to which changes in the contract or changes in cash flows directly required by the reform should be considered as changes in the floating interest rate equivalent to changes in the market interest rate;
- it is allowed to make changes required by the IBOR reform in the definition of hedging relationships and hedging documentation without terminating the hedging relationship;
- organizations are granted a temporary exemption from the need to comply with the requirement for separately identifiable components in cases where an instrument with a risk-free rate is determined at the discretion of the organization as a risky component within the framework of a hedging relationship.

The Group applied the practical simplifications provided for by these amendments. More detailed information is provided in Note 23.

*"Lease concessions related to the Covid-19 pandemic, effective after 30 June 2021" - Amendments to IFRS 16*

On 28 May 2020, The IASB has issued an amendment to IFRS 16 "Lease" – "Lease Assignments Related to the Covid-19 pandemic". This amendment provides for an exemption for tenants from applying the requirements of IFRS 16 in terms of accounting for lease modifications in the case of lease assignments that arise as a direct consequence of the Covid-19 pandemic. As a practical simplification, the lessee may decide not to analyze whether the lease assignment provided by the lessor in connection with the Covid-19 pandemic is a modification of the lease agreement. The lessee who makes such a decision must consider any change in lease payments due to a lease assignment related to the Covid-19 pandemic, in the same way as this change would be reflected in accounting under IFRS 16 if it were not a modification of the lease agreement.

It was assumed that this amendment would be applied until 30 June 2021, but due to the continuing impact of the Covid-19 pandemic on 31 March 2021, the IASB decided to extend the deadline for applying this practical simplification until 30 June 2022.

The new amendment applies to annual reporting periods beginning on or after 1 April 2021. The Group has not been granted any lease concessions related to the Covid-19 pandemic, but, if necessary, it plans to apply practical simplification for an acceptable period.

#### **Financial assets and liabilities**

##### ***Initial recognition***

##### ***Date of recognition***

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

##### ***Initial measurement***

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (hereinafter – "FVPL").

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial assets and liabilities (continued)**

*Initial measurement (continued)*

*Measurement categories of financial assets and liabilities*

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income (hereinafter – “FVOCI”);
- FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

*Amounts due from credit institutions, loans to customers measured at amortised cost*

The Group only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

*Business model assessment*

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors 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 those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

*Test "exclusively payments against the principal amount of debt and interest on the outstanding part of the principal amount of debt" (SPPI test)*

As part of the classification process, the Group assesses the contractual terms of a financial asset to determine whether the contractual cash flows on the asset are solely payments for the principal amount of debt and interest on the outstanding portion of the principal amount of debt (SPPI test).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial assets and liabilities (continued)

##### *Initial measurement (continued)*

*Test "exclusively payments against the principal amount of debt and interest on the outstanding part of the principal amount of debt" (SPPI test) (continued)*

For the purposes of this test, the "principal amount of debt" is the fair value of a financial asset at initial recognition, and it may change over the life of this financial asset (for example, if there are payments to repay the principal amount of debt or amortization of a premium/discount).

The most significant elements of interest under a loan agreement are usually compensation for the time value of money and compensation for credit risk. To conduct the SPI test, the Group applies judgment and analyzes local factors, for example, in which currency the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

##### *Financial guarantees, letters of credit and undrawn loan commitments*

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortisation recognised in consolidated statement of profit or loss, and – under IAS 37 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under IFRS 9 – an Expected credit losses (the "ECL").

Credit obligations and letters of credit are contractual obligations under the terms of which, during the term of the obligation, the Group is obliged to provide a loan to the client on pre-agreed terms.

##### *Reclassification of financial assets and liabilities*

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBRK (excluding required reserves) and amounts due from credit institutions including deposits and funds placed under reverse repurchase agreements that mature within ninety days of the date of origination and are free from contractual encumbrances.

#### Receivables under repurchase and reverse repurchase agreements and securities lending

Contracts for the sale and repurchase of securities ("repo" agreements) are recorded in the consolidated financial statements as secured financing transactions. Securities sold under repurchase agreements continue to be reflected in the consolidated statement of financial position and are transferred to the category of securities provided as collateral under repurchase agreements if the counterparty has the right to sell or re-pledge these securities arising from the terms of the agreement or generally accepted practice. The corresponding liabilities are included in the funds of other banks or customers. The purchase of securities under reverse sale agreements (reverse "repo") is reflected as part of funds in credit institutions or loans to customers, depending on the situation. The difference between the price and the repurchase price is treated as interest income and is accrued over the life of the repurchase agreements using the effective interest method.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Borrowings**

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to other banks and amounts due to customers. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

#### **Offsetting of financial instruments**

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. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

#### **Fair value measurement**

The Group measures financial instruments carried at FVPL and FVOCI and non-financial assets such as buildings and land, at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Restructured loans

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. The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- change in currency of the loan;
- change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, presented within loss from modification of financial assets measured at amortized cost in the consolidated statement of profit or loss that are presented as a part of interest revenue calculated using the effective interest rate in the consolidated statement of profit or loss before an impairment loss is recognised.

For modifications not resulting in derecognition, the Group also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 3-month probation period. In order for the restructured loan to be reclassified out of Stage 3, impairment indicators should be eliminated and at least three subsequent payments have been made in accordance with the modified payment schedule.

As part of the implementation of the IBOR reform, many financial instruments have already been changed or will be changed as we move from IBOR to a risk-free interest rate. In addition to a change in the interest rate of a financial instrument, such a transition may result in additional changes to the terms of the financial instrument. For financial instruments measured at amortized cost, the Bank first applies the practical expedient described in *Note 3* to reflect the change in base interest rate from IBOR to the risk-free rate. Then, for any changes to which the practical expedient does not apply, the Bank uses judgment to assess whether the changes are material. If these changes are material, the financial instrument is derecognised and a new financial instrument is recognized. If the changes are immaterial, the Bank adjusts the gross carrying amount of the financial instrument by the present value of the changes not subject to practical expedient, discounted using the revised effective interest rate.

#### Impairment assessment

The Group calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD            *The Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD           *The Exposure at Default* 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, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD           *The Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

---

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Impairment assessment (continued)**

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has developed a policy to assess at the end of each reporting period whether there has been a significant increase in the credit risk of a financial instrument since initial recognition, by considering changes in the risk of default over the remaining life of the financial instrument. Based on the process described above, the Group combines the loans granted to them into the following groups:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

*Definition of default and cure*

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers amounts due from banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- negotiation of the loan due to deterioration of consolidated financial position of the borrower;
- a material decrease in the underlying collateral value more than 50% during 6 month period;
- the borrower is deceased: loss or unsuitability of the underlying collateral during 6 month period.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. In order for the restructured loan to be reclassified out of Stage 3, impairment indicators should be eliminated and at least three subsequent payments have been made in accordance with the modified payment schedule.

**Taxation**

The current corporate income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred corporate 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Taxation (continued)**

A deferred corporate income 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. Deferred corporate income tax assets and liabilities are measured at tax rates that are expected to apply to the period 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.

The Republic of Kazakhstan also has various operating taxes that are assessed on the Group's activities. These taxes are recorded within administrative and other operating expenses in the consolidated statement of comprehensive income.

**Property and equipment**

Property and equipment, except for buildings and land, are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Following initial recognition at cost, buildings and land are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation (of buildings) and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised within profit or loss. In which case the increase is recognised in the profit or loss. A revaluation deficit is recognised within profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

The Group has also elected not to transfer the revaluation surplus to retained earnings in relation to actual use of respective asset.

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:

Buildings	50 years
Computers and office equipment	2,5 years
Vehicles	4 years
Other	4 – 6,7 years

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each reporting year-end.

Costs related to repairs and renewals are charged when incurred and included in administrative and other operating expenses, unless they qualify for capitalisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

*Group as a lessee*

The Group applies a unified approach to the recognition and valuation of all leases, except for short-term leases and leases of low-value assets. The Group recognises lease obligations in respect of lease payments and right-of-use assets that represent the right to use the underlying assets.

*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If the Group does not have sufficient confidence that it will acquire ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is amortized on a straight-line basis over the shorter of the following periods: the estimated useful life of the asset or the lease term. Assets in the form of a right of use are checked for impairment.

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments that will be made during the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any incentive payments on leases receivable, variable lease payments that depend on the index or rate, and amounts that are expected to be paid under liquidation value guarantees. Lease payments also include the exercise price of the purchase option, if there is sufficient confidence that the Group will exercise this option, and the payment of penalties for termination of the lease, if the lease term reflects the potential exercise of the Group's option to terminate the lease. Variable lease payments that do not depend on the index or the rate are recognized as expenses in the period in which the event or condition leading to the implementation of such payments occurs.

To calculate the present value of lease payments, the Group uses the rate of attraction of additional borrowed funds at the start date of the lease, if the interest rate stipulated in the lease agreement cannot be easily determined. After the start date of the lease, the amount of lease obligations increases to reflect the accrual of interest and decreases to reflect the lease payments made. In addition, in the event of a modification, change in the lease term, a change in substantially fixed lease payments or a change in the valuation of an option to purchase an underlying asset, the carrying amount of lease obligations is revalued.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value (up to 100 minimum calculated indicators). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and effects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Intangible assets**

Intangible assets comprise computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 6.7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

#### **Investment property**

Investment properties are objects used to obtain rent, capital increments, or in one case or another. Investment properties are initially accounted for at cost of acquisition, including acquisition costs. Subsequently, they are recorded at fair value. Changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is written off from the balance sheet upon disposal or final decommissioning, when it is no longer expected to receive the economic benefits associated with it. Any gain or loss on disposal of an item (the difference between the net proceeds from disposal and the carrying amount of the asset) is included in profit or loss for the period of disposal.

Transfers to or from the category of investment real estate are carried out if and only if there is a change in the nature of the use of real estate. When transferring from an investment property to an owner-occupied property, the notional initial cost for subsequent accounting purposes is the fair value at the time of the change in use purposes. In the event that an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the accounting policy of fixed assets until the change in the purpose of use.

#### **Assets classified as held for sale**

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Group's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. In the event of events or changes in circumstances indicating a possible impairment of the carrying amount of assets (or a disposal group), the Group reflects an impairment loss on the initial, as well as subsequent write-off of their value to fair value less costs to sell.

#### **Estimated liabilities**

Estimated liabilities are recognized if, as a result of a certain event in the past, the Group has legal or practical obligations, the settlement of which is likely to require an outflow of resources embodying future economic benefits, and which can be estimated with a sufficient degree of reliability.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Obligations on pension payments and other employee benefits**

The Group has no additional pension programs, except for participation in the state pension system of the Republic of Kazakhstan, which provides for the calculation of current employer contributions as a percentage of current total payments to employees. These expenses are reflected in the reporting period to which the corresponding salary relates. In addition, the Group does not pay significant remuneration to employees upon termination of employment.

#### **Share capital**

##### *Ordinary shares*

Ordinary shares are shown within equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional capital.

##### *Dividends*

Dividends are recognized as liabilities and deducted from the amount of equity at the reporting date only if they were declared before the reporting date inclusive. Information about dividends is disclosed in the financial statements if they were recommended before the reporting date, as well as recommended or announced after the reporting date, but before the date of approval of the financial statements for issue.

#### **Segment reporting**

The Group's segmental reporting is based on the following operating segments: Corporate banking and retail banking.

#### **Contingent assets and liabilities**

Contingent liabilities are not recognized in the consolidated statement of financial position, and they are disclosed in the consolidated financial statements, unless it is unlikely that an outflow of resources in connection with their repayment will occur. Contingent assets are not recognized in the consolidated statement of financial position, but are disclosed in the consolidated financial statements when it is probable that an economic benefit will flow from them.

#### **Recognition of income and expenses**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

##### *Interest and similar income and expenses*

The Group calculates interest income on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

When a financial asset becomes credit-impaired, the Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Recognition of income and expenses (continued)

##### *Interest and similar income and expenses (continued)*

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the asset. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

Interest income on all financial assets at FVPL is recognized using the contractual interest rate in “Other interest income” in the consolidated statement of comprehensive income.

##### *Fee and commission income*

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee income can be divided into the following two categories:

##### *Fee and commission income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

##### *Commission income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Group’s performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognized after fulfilling the corresponding criteria.

When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

#### Foreign currency translation

The consolidated financial statements are presented in tenge, which is the Group’s functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate established and published by KASE ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated statement of comprehensive income as net gains from foreign currencies – translation differences. 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 official exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the official KASE exchange rate on the date of the transaction are included in net gains from dealing in foreign currencies. The KASE market exchange rates at 31 December 2021 and 2020, were 431,8 tenge and 420,91 tenge per 1 US Dollar, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

---

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Standards issued but not yet effective**

The new standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

*IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. When IFRS 17 comes into force, it will replace IFRS 4 "Insurance Contracts", which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life insurance and insurance other than life insurance, direct insurance and reinsurance) regardless of the type of organization that issues them, as well as to certain guarantees and financial instruments with discretionary participation conditions. There are several exceptions to the scope of the standard. IFRS 17 introduces new accounting requirements for banking products with the characteristics of insurance contracts, which may affect the determination of which instruments or their components will fall within the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: Most issuers of such products will be able to continue to apply the existing accounting procedures and account for them as financial instruments in accordance with IFRS 9. IFRS 17 excludes from its scope credit card agreements (or similar agreements that fix credit agreements or payment service agreements) that meet the definition of an insurance contract, if and only if the organization does not reflect the assessment of the insurance risk associated with an individual customer when determining the price of the contract with that customer.

When insurance coverage is provided under the contractual terms of a credit card, the issuer must:

- ▶ Separate the insurance coverage component and apply IFRS 17 to it;
- ▶ Apply other standards (for example, IFRS 9, IFRS 15 "Revenue from Contracts with Customers" or IFRS (IAS) 37 "Estimated Liabilities, Contingent Liabilities and Contingent Assets") to other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g., a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently assessing the impact of the application of IFRS 17 on its consolidated financial statements.

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- the terms of the obligation will not affect its classification only if the derivative embedded in the convertible obligation is itself an equity instrument.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Standards issued but not yet effective (continued)**

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current (continued)*

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Reference to the Conceptual Framework – IFRS 3 Business Combinations*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

*IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. This amendment is not expected to have a material impact on the Group's consolidated financial statements.

*IAS 16 - "Fixed assets: Receipts before intended use"*

In May 2020, the IASB issued the document "Fixed Assets: Receipts before Intended use", which prohibits organizations from deducting from the initial cost of an item of fixed assets any proceeds from the sale of products produced during the delivery of this object to the location and bringing it into condition that are required for its operation in accordance with management's intentions. Instead, the organization recognizes the proceeds from the sale of such products, as well as the cost of production of these products in profit or loss.

These amendments are effective for annual reporting periods beginning on or after 1 January 2022 and should be applied retrospectively to those items of property, plant and equipment that became available for use on or after the start date of the earliest period presented in the financial statements in which the organization first applies these amendments. These amendments are not expected to have a material impact on the Group's consolidated financial statements.

*IAS 37 - "Onerous Contracts – Contract execution costs"*

In May 2020, the IASB issued amendments to IAS 37, which clarify what costs an organization should take into account when assessing whether a contract is burdensome or unprofitable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Standards issued but not yet effective (continued)**

*IAS 37 - "Onerous Contracts – Contract execution costs" (continued)*

The amendments provide for the application of an approach based on "costs directly related to the contract". The costs directly related to the contract for the provision of goods or services include both additional costs for the execution of this contract and distributed costs directly related to the execution of the contract. General and administrative costs are not directly related to the contract and, therefore, are excluded, except in cases where they are explicitly reimbursed by the counterparty under the contract.

These amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it applies these amendments for the first time.

*IAS 8 - "Definition of Accounting Estimates"*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

These amendments are not expected to have a material impact on the Group's consolidated financial statements.

*IAS 1 and Practical Recommendations No. 2 on the Application of IFRS - "Disclosure of Information on Accounting Policies"*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 "Making Materiality Judgments", which contain guidance and examples to help organizations apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of these amendments, which they may have on the disclosure of information about the Group's accounting policy disclosures.

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

**Estimation uncertainty**

In the process of applying the Group's accounting policies, management has used its judgement and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

#### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**

##### **Estimation uncertainty (continued)**

###### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in *Note 23*.

###### *Expected credit losses/losses from impairment on financial assets*

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- the segmentation of financial assets when their ECL is assessed on a collective basis;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

More details are provided in *Notes 8 and 23*.

#### **5. SEGMENT INFORMATION**

Operating segments are components of the Group that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. Management Board of the Group is the operating decision maker of the Group.

##### **Description of products and services from which each reportable segment derives its revenue**

The Group is established based on one major business segment – corporate banking, representing direct debit instruments, current accounts, deposits, overdrafts, loans and other credit instruments and foreign exchange products. The Group also conducts retail banking transactions that represent private banking services, private customer current accounts, savings, deposits, consumer loans.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**5. SEGMENT INFORMATION (CONTINUED)**

Segment information for the reportable segments as at 31 December 2021 and for the year ended on that date is set out below:

<b>31 December 2021</b>			
<i>In thousands of tenge</i>	<i>Corporate banking</i>	<i>Retail banking</i>	<i>Total</i>
<b>Assets</b>			
Cash and cash equivalents	37.742.168	–	<b>37.742.168</b>
Amounts due from other banks	1.076.701	–	<b>1.076.701</b>
Loans to customers	74.761.580	1.037.247	<b>75.798.827</b>
<b>Total assets of reportable segments</b>	<b>113.580.449</b>	<b>1.037.247</b>	<b>114.617.696</b>
Unallocated amounts			17.864.517
<b>Total assets</b>			<b>132.482.213</b>
<b>Liabilities</b>			
Amounts due to credit institutions	5.102.162	–	<b>5.102.162</b>
Amounts due to customers	77.641.423	12.920.506	<b>90.561.929</b>
<b>Total liabilities of reportable segments</b>	<b>82.743.585</b>	<b>12.920.506</b>	<b>95.664.091</b>
Unallocated amounts			1.019.259
<b>Total liabilities</b>			<b>96.683.350</b>
<b>2021</b>			
<i>In thousands of tenge</i>	<i>Corporate banking</i>	<i>Retail banking</i>	<i>Total</i>
Interest income calculated using effective interest rate	8.017.312	370.700	<b>8.388.012</b>
Interest expense	(1.881.335)	(329.934)	<b>(2.211.269)</b>
<b>Net interest income</b>	<b>6.135.977</b>	<b>40.766</b>	<b>6.179.743</b>
Expected credit losses expense	(2.417.688)	106.366	<b>(2.311.322)</b>
<b>Net interest income after expected credit losses expense</b>	<b>3.718.289</b>	<b>147.132</b>	<b>3.865.421</b>
Fee and commission income	751.445	238.426	<b>989.871</b>
Fee and commission expense	(167.381)	–	<b>(167.381)</b>
Net gains from transactions in foreign currencies:			
- dealing	955.075	–	<b>955.075</b>
- translation differences	2.141	–	<b>2.141</b>
Gain from derecognition of financial assets measured at amortized cost	13.164	–	<b>13.164</b>
Loss on initial recognition of financial assets measured at amortized cost	(2.618)	(7.684)	<b>(10.302)</b>
Other income	180.968	21.274	<b>202.242</b>
Administrative and other operating expenses	(2.273.116)	(451)	<b>(2.273.567)</b>
<b>Segment results</b>	<b>3.177.967</b>	<b>398.697</b>	<b>3.576.664</b>
Corporate income tax expense			(830.196)
<b>Profit for the year</b>			<b>2.746.468</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**5. SEGMENT INFORMATION (CONTINUED)**

**Description of products and services from which each reportable segment derives its revenue (continued)**

Segment information for the reportable segments as at 31 December 2020 and for the year ended on that date is set out below:

<b>31 December 2020</b>			
<i>In thousands of tenge</i>	<i>Corporate banking</i>	<i>Retail banking</i>	<i>Total</i>
<b>Assets</b>			
Cash and cash equivalents	52.774.882	–	52.774.882
Amounts due from other banks	1.050.771	–	1.050.771
Loans to customers	50.130.872	1.413.557	51.544.429
<b>Total assets of reportable segments</b>	<b>103.956.525</b>	<b>1.413.557</b>	<b>105.370.082</b>
Unallocated amounts			16.871.685
<b>Total assets</b>			<b>122.241.767</b>
<b>Liabilities</b>			
Amounts due to credit institutions	2.554.498	–	2.554.498
Amounts due to customers	76.917.945	8.927.313	85.842.258
<b>Total liabilities of reportable segments</b>	<b>79.472.443</b>	<b>8.927.313</b>	<b>88.396.756</b>
Unallocated amounts			792.616
<b>Total liabilities</b>			<b>89.189.372</b>
<b>2020</b>			
<i>In thousands of tenge</i>	<i>Corporate banking</i>	<i>Retail banking</i>	<i>Total</i>
Interest income calculated using effective interest rate	6.569.037	387.492	6.956.529
Other interest income	964.834	–	(964.834)
Interest expense	(1.740.435)	(82.117)	(1.822.552)
<b>Net interest income</b>	<b>5.793.436</b>	<b>305.375</b>	<b>6.098.811</b>
Expected credit losses expense	(1.897.249)	(7.697)	(1.904.946)
<b>Net interest income after expected credit losses expense</b>	<b>3.896.187</b>	<b>297.678</b>	<b>4.193.865</b>
Fee and commission income	615.346	191.744	807.090
Fee and commission expense	(103.993)	–	(103.993)
Net gains from transactions in foreign currencies:			
- dealing	690.485	–	690.485
- translation differences	44.069	–	44.069
Gain from derecognition of financial assets measured at amortized cost	8.554	–	8.554
Loss on initial recognition of financial assets measured at amortized cost	(2.376)	–	(2.376)
Income from financial assets measured at fair value through profit or loss	74.045	–	74.045
Other income	48.778	10.137	58.915
Administrative and other operating expenses	(1.794.807)	(6.370)	(1.801.177)
<b>Segment results</b>	<b>3.476.288</b>	<b>493.189</b>	<b>3.969.477</b>
Corporate income tax expense			(800.029)
<b>Profit for the year</b>			<b>3.169.448</b>

Income of the Group, other than interest income from deposits with other banks, is generated in the Republic of Kazakhstan. Geographic areas of the Group's activities are presented in *Note 23* to these consolidated financial statements on the basis of the actual location of the counterparty, i.e. on the basis of economic risk rather than legal risk of the counterparty. The Group has no customers, which would bring more than ten percent of the total income earned in 2021 and 2020.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following:

<i>In thousands of tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Current accounts with the NBRK	7.931.442	7.477.784
Current accounts with other banks	5.931.676	4.187.065
Time deposits with credit institutions up to 90 days	7.139.493	39.985.536
Cash on hand	1.714.163	1.126.126
Reverse repurchase agreements	15.026.141	–
<b>Total cash and cash equivalents</b>	<b>37.742.915</b>	<b>52.776.411</b>
Less ECL allowance	(747)	(1.529)
<b>Total cash and cash equivalents</b>	<b>37.742.168</b>	<b>52.774.882</b>

All balances of cash and cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is, as follows:

<i>In thousands of tenge</i>	<b>Stage 1</b>
<b>As at December 2019</b>	<b>(5.666)</b>
Change in ECL for the year (Note 19)	4.029
Foreign exchange differences	108
<b>As at 31 December 2020</b>	<b>(1.529)</b>
Change in ECL or the year (Note 19)	858
Foreign exchange differences	(76)
<b>As at 31 December 2021</b>	<b>(747)</b>

**Collateral**

As at 31 December 2021 and 2020, amounts receivable under reverse repurchase agreements were collateralised by the following securities:

<i>В тыс. тенге</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Notes of the National Bank of the Republic of Kazakhstan	8.435.200	–
Bonds of the Ministry of finance of the Republic of Kazakhstan	3.984.000	–
Bonds of the Eurasian Bank JSC	3.339.000	–
	<b>15.758.200</b>	<b>–</b>

**Minimum reserve requirements**

Under Kazakh legislation, the Group is required to maintain reserve assets, which are computed as a percentage of certain liabilities of the Group. Such reserves must be held on the current account with the NBRK or physical cash computed based on average monthly balances of the aggregate of cash balances on current account with the NBRK and/or physical cash in national currency during the period of reserve creation. As at 31 December 2021, obligatory reserves amounted to 2.648.455 thousand tenge (as at 31 December 2020: 2.256.699 thousand tenge).

**7. AMOUNTS DUE FROM OTHER BANKS**

<i>In thousand tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Amounts due from other banks	1.079.770	1.052.275
Less ECL allowance	(3.069)	(1.504)
<b>Cash and cash equivalents</b>	<b>1.076.701</b>	<b>1.050.771</b>

As at 31 December 2021, the Bank had a deposit in ZIRAAT Bank Uzbekistan JSC in the amount of 2.500.000 US dollar or equivalent amounted to 1.079.770 thousand tenge (as at 31 December 2020 the balance was 2.500.000 US dollar or 1.052.275 thousand tenge).

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**7. AMOUNTS DUE FROM OTHER BANKS (CONTINUED)**

<i>In thousand tenge</i>	<b>Stage 1</b>
<b>ECL allowance as at 31 December 2019</b>	–
Change in ECL during the year	(1.641)
Foreign exchange differences	137
<b>ECL allowance as at 31 December 2020</b>	<b>(1.504)</b>
Change in ECL during the year	(1.495)
Foreign exchange differences	(70)
<b>ECL allowance as at 31 December 2021</b>	<b>(3.069)</b>

**8. LOANS TO CUSTOMERS**

Loans to customers comprise of the following:

<i>In thousand tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Loans to small and medium businesses	<b>66.824.723</b>	43.614.812
Loans to major customers	<b>15.160.204</b>	11.461.124
Mortgage loans	<b>960.850</b>	1.205.198
Consumer loans	<b>211.351</b>	429.282
	<b>83.157.128</b>	<b>56.710.416</b>
Less ECL allowance	(7.358.301)	(5.165.987)
<b>Loans to customers at amortised cost</b>	<b>75.798.827</b>	<b>51.544.429</b>
<b>Loans to customers</b>	<b>75.798.827</b>	<b>51.544.429</b>

As at 31 December 2021 and 2020, the Group classifies loans to customers with an average annual number of employees of no more than two hundred and fifty people on the date of loan issuance and (or) an average annual revenue of no more than 3.000 monthly calculation index as “loans to small and medium businesses”. As at 31 December 2021, the monthly calculation index was equal to 2.917 tenge (31 December 2020: 2.778 tenge).

**ECL allowance on loans to customers measured at amortised cost**

An analysis of changes in the gross carrying value and corresponding ECL in relation to lending to major customers during the year ended 31 December 2021 is as follows:

<i>Loans to major customers</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying amount as at 1 January 2021</b>	<b>5.391.472</b>	<b>6.069.652</b>	–	<b>11.461.124</b>
New assets originated or purchased	6.826.196	–	–	6.826.196
Transfers from other categories	–	2.753.782	–	2.753.782
Assets repaid (excluding write-offs)	(4.319.235)	(3.001.618)	–	(7.320.853)
Transfers to Stage 1	439.830	(439.830)	–	–
Transfers to Stage 2	(2.678.766)	2.678.766	–	–
Transfers to Stage 3	(2.571.462)	(4.724.793)	7.296.255	–
Foreign exchange differences	9.205	7.419	104.840	121.464
Changes in accrued interest	534.915	376.088	407.488	1.318.491
<b>As at 31 December 2021</b>	<b>3.632.155</b>	<b>3.719.466</b>	<b>7.808.583</b>	<b>15.160.204</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**8. LOANS TO CUSTOMERS (CONTINUED)**

**ECL allowance on loans to customers measured at amortised cost (continued)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to lending to major customers during the year ended 31 December 2021 is as follows:

<i>Loans to major customers</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2021</b>	<b>(92.709)</b>	<b>(142.541)</b>	–	<b>(235.250)</b>
New assets originated or purchased	(32.133)	–	–	(32.133)
Transfers from other categories	–	(27.371)	–	(27.371)
Assets repaid (excluding write-offs)	4.894	282	–	5.176
Transfers to Stage 1	(4.581)	4.581	–	–
Transfers to Stage 2	4.024	(4.024)	–	–
Transfers to Stage 3	77.780	137.471	(215.251)	–
Impact on ECL due to transfers between stages or changes to inputs used	17.261	1.967	(1.136.032)	(1.116.804)
Foreign exchange differences	(38)	(27)	(49.032)	(49.097)
<b>As at 31 December 2021</b>	<b>(25.502)</b>	<b>(29.662)</b>	<b>(1.400.315)</b>	<b>(1.455.479)</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to lending to small and medium businesses during the year ended 31 December 2021 is as follows:

<i>Loans to small and medium businesses</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying amount as at 1 January 2021</b>	<b>14.223.790</b>	<b>15.085.497</b>	<b>14.305.525</b>	<b>43.614.812</b>
New assets originated or purchased	53.452.072	–	–	53.452.072
Transfers to other categories	–	(2.753.782)	–	(2.753.782)
Assets repaid (excluding write-offs)	(23.472.040)	(8.658.646)	(1.609.689)	(33.740.375)
Transfers to Stage 1	2.762.820	(2.762.820)	–	–
Transfers to Stage 2	(2.706.623)	4.272.669	(1.566.046)	–
Transfers to Stage 3	(887.300)	(132.232)	1.019.532	–
Foreign exchange differences	478.414	35.250	512.597	1.026.261
Changes in accrued interest	2.792.582	1.421.997	1.011.156	5.225.735
<b>As at 31 December 2021</b>	<b>46.643.715</b>	<b>6.507.933</b>	<b>13.673.075</b>	<b>66.824.723</b>

<i>Loans to small and medium businesses</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2021</b>	<b>(182.651)</b>	<b>(204.199)</b>	<b>(4.322.964)</b>	<b>(4.709.814)</b>
New assets originated or purchased	(539.503)	–	–	(539.503)
Transfers to other categories	–	27.371	–	27.371
Assets repaid (excluding write-offs)	32.709	47.937	182.845	263.491
Transfers to Stage 1	(26.994)	26.994	–	–
Transfers to Stage 2	10.397	(752.988)	742.591	–
Transfers to Stage 3	22.786	55.271	(78.057)	–
Impact on ECL due to transfers between stages or changes to inputs used	297.361	561.302	(1.586.331)	(727.668)
Foreign exchange differences	(3.294)	(13.715)	(64.736)	(81.745)
<b>As at 31 December 2021</b>	<b>(389.189)</b>	<b>(252.027)</b>	<b>(5.126.652)</b>	<b>(5.767.868)</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer lending during the year ended 31 December 2021 is as follows:

<i>Consumer loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying amount as at 1 January 2021</b>	<b>58.668</b>	<b>73.830</b>	<b>296.784</b>	<b>429.282</b>
New assets originated or purchased	95.121	–	–	95.121
Transfers to other categories	(68.594)	(97.383)	(143.149)	(309.126)
Assets repaid (excluding write-offs)	(133.621)	(22.006)	(7.791)	(163.418)
Transfers to Stage 1	591	(591)	–	–
Transfers to Stage 2	(13.915)	13.915	–	–
Transfers to Stage 3	(11.964)	–	11.964	–
Foreign exchange differences	362	166	20	548
Changes in accrued interest	133.665	39.775	(14.496)	158.944
<b>As at 31 December 2021</b>	<b>60.313</b>	<b>7.706</b>	<b>143.332</b>	<b>211.351</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**8. LOANS TO CUSTOMERS (CONTINUED)**

**ECL allowance on loans to customers measured at amortised cost (continued)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer lending during the year ended 31 December 2021 is as follows:

<i>Consumer loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2021</b>	<b>(460)</b>	<b>(391)</b>	<b>(128.183)</b>	<b>(129.034)</b>
New assets originated or purchased	(9.555)	–	–	(9.555)
Transfers to other categories	102	7.707	60.783	68.592
Assets repaid	344	77	4.708	5.129
Transfers to Stage 1	(9)	9	–	–
Transfers to Stage 2	75	(75)	–	–
Transfers to Stage 3	26.789	–	(26.789)	–
Impact on ECL due to transfers between stages or changes to inputs used	(17.787)	(7.396)	12.169	(13.014)
Foreign exchange differences	(3)	(1)	(45)	(49)
<b>As at 31 December 2021</b>	<b>(504)</b>	<b>(70)</b>	<b>(77.357)</b>	<b>(77.931)</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage lending during the year ended 31 December 2021 is as follows:

<i>Mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying amount as at 1 January 2021</b>	<b>574.279</b>	<b>399.416</b>	<b>231.503</b>	<b>1.205.198</b>
New assets originated or purchased	361.232	–	–	361.232
Transfers from other categories	68.594	97.383	143.149	309.126
Assets repaid (excluding write-offs)	(440.172)	(193.147)	(196.691)	(830.010)
Transfers to Stage 1	132.040	(126.688)	(5.352)	–
Transfers to Stage 2	(32.443)	124.673	(92.230)	–
Transfers to Stage 3	(15.333)	–	15.333	–
Foreign exchange differences	910	2.032	13.263	16.205
Changes in accrued interest	(98.295)	9.780	(12.386)	(100.901)
<b>As at 31 December 2021</b>	<b>550.812</b>	<b>313.449</b>	<b>96.589</b>	<b>960.850</b>

<i>Mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2021</b>	<b>(1.257)</b>	<b>(8.450)</b>	<b>(82.182)</b>	<b>(91.889)</b>
New assets originated or purchased	(2.911)	–	–	(2.911)
Transfers to other categories	(102)	(7.707)	(60.783)	(68.592)
Assets repaid (excluding write-offs)	195	39	104.043	104.277
Transfer to Stage 1	(1.743)	446	1.297	–
Transfer to Stage 2	41	(39.487)	39.446	–
Transfers to Stage 3	12.088	–	(12.088)	–
Impact on ECL due to transfers between stages or changes to inputs used	(9.179)	9.540	5.594	5.955
Foreign exchange differences	(241)	(947)	(2.675)	(3.863)
<b>As at 31 December 2021</b>	<b>(3.109)</b>	<b>(46.566)</b>	<b>(7.348)</b>	<b>(57.023)</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to lending to major customers during the year ended 31 December 2020 is as follows:

<i>Loans to major customers</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying amount as at 1 January 2020</b>	<b>4.671.183</b>	<b>19.057</b>	<b>–</b>	<b>4.690.240</b>
New assets originated or purchased	10.855.106	–	–	10.855.106
Transfers to other categories	542.437	2.400.031	–	2.942.468
Assets repaid (excluding write-offs)	(3.098.420)	(6.137.456)	–	(9.235.876)
Transfers to Stage 1	2.400.031	(2.400.031)	–	–
Transfers to Stage 2	(10.184.105)	10.184.105	–	–
Foreign exchange differences	270.726	2.006.907	–	2.277.633
Changes in accrued interest	(65.486)	(2.961)	–	(68.447)
<b>As at 31 December 2020</b>	<b>5.391.472</b>	<b>6.069.652</b>	<b>–</b>	<b>11.461.124</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**8. LOANS TO CUSTOMERS (CONTINUED)**

**ECL allowance on loans to customers measured at amortised cost (continued)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to lending to major customers during the year ended 31 December 2020 is as follows:

<i>Loans to major customers</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2020</b>	<b>(22.449)</b>	<b>(322)</b>	–	<b>(22.771)</b>
New assets originated or purchased	(105.024)	–	–	(105.024)
Transfers to other categories	(4.305)	(33.163)	–	(37.468)
Assets repaid (excluding write-offs)	10.793	945	–	11.738
Transfers to Stage 1	(33.163)	33.163	–	–
Transfers to Stage 2	19.953	(19.953)	–	–
Impact on ECL due to transfers between stages or changes to inputs used	42.703	(121.066)	–	(78.363)
Foreign exchange differences	(1.217)	(2.145)	–	(3.362)
<b>As at 31 December 2020</b>	<b>(92.709)</b>	<b>(142.541)</b>	–	<b>(235.250)</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to lending to small and medium businesses during the year ended 31 December 2020 is as follows:

<i>Loans to small and medium businesses</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying amount as at 1 January 2020</b>	<b>24.636.439</b>	<b>4.081.497</b>	<b>10.832.980</b>	<b>39.550.916</b>
New assets originated or purchased	35.151.016	197.357	–	35.348.373
Transfers to other categories	120.809	(2.239.073)	102.432	(2.015.832)
Assets repaid (excluding write-offs)	(29.932.862)	(548.137)	(1.257.779)	(31.738.778)
Transfers to Stage 1	3.196	(3.196)	–	–
Transfers to Stage 2	(14.736.419)	15.141.840	(405.421)	–
Transfers to Stage 3	(2.047.563)	(170.277)	2.217.840	–
Amounts written off	–	–	(383)	(383)
Foreign exchange differences	56.526	143.412	1.166.226	1.366.163
Compensations	–	–	4.935	4.935
Changes in accrued interest	972.648	(1.517.926)	1.644.695	1.099.419
<b>As at 31 December 2020</b>	<b>14.223.790</b>	<b>15.085.497</b>	<b>14.305.525</b>	<b>43.614.812</b>

<i>Loans to small and medium businesses</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2020</b>	<b>(619.863)</b>	<b>(82.857)</b>	<b>(2.101.931)</b>	<b>(2.804.651)</b>
New assets originated or purchased	(354.333)	–	–	(354.333)
Transfers to other categories	(1.363)	30.785	(27.443)	1.979
Assets repaid (excluding write-offs)	211.467	136.639	386.170	734.276
Transfers to Stage 1	(20)	20	–	–
Transfers to Stage 2	149.008	(221.291)	72.283	–
Transfers to Stage 3	821.233	1.893	(823.126)	–
Impact on ECL due to transfers between stages or changes to inputs used	(387.257)	(58.568)	(1.601.941)	(2.049.535)
Compensations	–	–	(4.935)	(4.935)
Amounts written off	–	–	383	383
Foreign exchange differences	(1.523)	(10.820)	(237.118)	(249.461)
<b>As at 31 December 2020</b>	<b>(182.651)</b>	<b>(204.199)</b>	<b>(4.322.964)</b>	<b>(4.709.814)</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**8. LOANS TO CUSTOMERS (CONTINUED)**

**ECL allowance on loans to customers measured at amortised cost (continued)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to lending to small and medium businesses during the year ended 31 December 2020 is as follows:

<i>Consumer loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying amount as at 1 January 2020</b>	<b>1.113.804</b>	<b>185.963</b>	<b>232.720</b>	<b>1.532.487</b>
New assets originated or purchased	240.316	–	–	240.316
Transfers to other categories	(669.868)	(197.965)	(91.023)	(958.856)
Assets repaid (excluding write-offs)	(385.877)	(30.387)	(122.876)	(539.140)
Transfers to Stage 1	4.923	(4.923)	–	–
Transfers to Stage 2	(83.045)	83.973	(928)	–
Transfers to Stage 3	(142.478)	(7.696)	150.174	–
Amounts written off	–	–	(109)	(109)
Foreign exchange differences	1.286	1.288	8.620	11.194
Changes in accrued interest	(20.393)	43.577	120.206	143.390
<b>As at 31 December 2020</b>	<b>58.668</b>	<b>73.830</b>	<b>296.784</b>	<b>429.282</b>

<i>Consumer loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2020</b>	<b>(33.892)</b>	<b>(3.680)</b>	<b>(49.260)</b>	<b>(86.632)</b>
New assets originated or purchased	(34.445)	–	–	(34.445)
Transfers to other categories	5.735	3.229	13.681	22.645
Assets repaid (excluding write-offs)	1.336	20	33.150	34.506
Transfers to Stage 1	(58)	58	–	–
Transfers to Stage 2	586	(775)	189	–
Transfers to Stage 3	65.558	15	(65.573)	–
Impact on ECL due to transfers between stages or changes to inputs used	(5.275)	749	(56.587)	(61.113)
Amounts written off	–	–	109	109
Foreign exchange differences	(5)	(7)	(3.892)	(3.904)
<b>ECL as at 1 January 2020</b>	<b>(460)</b>	<b>(391)</b>	<b>(128.183)</b>	<b>(129.034)</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage lending during the year ended 31 December 2020 is as follows:

<i>Mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying amount as at 1 January 2020</b>	<b>1.236.080</b>	<b>255.596</b>	<b>143.720</b>	<b>1.635.396</b>
New assets originated or purchased	16.892	–	–	16.892
Transfers to other categories	6.623	37.007	(11.409)	32.221
Assets repaid (excluding write-offs)	(260.655)	(42.600)	(17.325)	(320.580)
Transfers to Stage 1	28.846	(28.846)	–	–
Transfers to Stage 2	(363.946)	371.260	(7.314)	–
Transfers to Stage 3	64.392	(80.002)	15.610	–
Foreign exchange differences	5.856	–	–	5.856
Changes in accrued interest	(159.809)	(112.999)	108.221	(164.587)
<b>As at 31 December 2020</b>	<b>574.279</b>	<b>399.416</b>	<b>231.503</b>	<b>1.205.198</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**8. LOANS TO CUSTOMERS (CONTINUED)**

**ECL allowance on loans to customers measured at amortised cost (continued)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage lending during the year ended 31 December 2020 is as follows:

<i>Mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2020</b>	<b>(30.690)</b>	<b>(16.827)</b>	<b>(50.430)</b>	<b>(97.947)</b>
New assets originated or purchased	37.397	–	–	37.397
Transfers to other categories	(69)	(850)	13.762	12.843
Assets repaid (excluding write-offs)	–	–	794	794
Transfers to Stage 1	(324)	324	–	–
Transfers to Stage 2	2.667	(4.284)	1.617	–
Transfers to Stage 3	37.646	1.664	(39.310)	–
Impact on ECL due to transfers between stages or changes to inputs used	(47.653)	11.523	(8.615)	(44.745)
Foreign exchange differences	(231)	–	–	(231)
<b>As at 31 December 2020</b>	<b>(1.257)</b>	<b>(8.450)</b>	<b>(82.182)</b>	<b>(91.889)</b>

**Modified and restructured loans**

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes Stage 2 and 3 assets that were modified during the period, and as a result accounted as restructured loans, with the related modification loss suffered by the Group.

<i>In thousands of tenge</i>	<b>2021</b>	<b>2020</b>
Gross carrying amount of loans modified during the year	<b>13.895.404</b>	1.346.432
Amortised cost before modification	<b>8.872.647</b>	889.284
Net modification loss	<b>(5.362)</b>	(12.723)

**Collateral and other credit enhancements**

The amount and type of collateral required by the Group depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for commercial lending – charges over real estate properties, inventory and trade receivables;
- for retail lending – charges over residential properties.

The Group also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for impairment.

In the absence of collateral or other credit quality improvement mechanisms, the ECL on loans to Phase 3 customers as at 31 December 2021 and 2020 would have been higher by:

<i>In thousand tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Loans issued to small and medium-sized businesses	<b>8.546.423</b>	9.982.561
Consumer loans	<b>65.975</b>	168.601
Mortgage loans	<b>89.241</b>	149.321
	<b>8.701.639</b>	<b>10.300.483</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**8. LOANS TO CUSTOMERS (CONTINUED)**

**Collateral and other credit enhancements (continued)**

During the year, the Group acquired various assets in exchange for the debt owed by the respective borrowers. The Group is currently selling these assets. According to the Group's policy, the foreclosed property is sold in accordance with the established procedure. Proceeds from sales are used to reduce or settle existing debt. As a rule, the Group does not occupy such real estate for the purpose of carrying out its activities. Information on the carrying amounts of assets that have been foreclosed on and are held at the reporting date is provided below:

<i>In thousand tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Land	3.503.660	3.746.749
Buildings	787.222	839.245
<b>Total repossessed collateral</b>	<b>4.290.882</b>	<b>4.585.994</b>

During 2021 and 2020 the Group did not obtain any property by taking control of collateral for loans to customers.

**Concentration of loans to customers**

As at 31 December 2021, the Group had ten major borrowers, which accounted for 66% (31 December 2020: 69%) of the total amount of loan to customers before provision for expected credit losses. The total aggregate amount of these loans was 55.136.817 thousand tenge (on 31 December 2020: 38.762.913 thousand tenge).

Loans are made principally within the Republic of Kazakhstan in the following industry sectors:

<i>In thousands of tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Construction of commercial and residential property	<b>21.737.678</b>	9.946.389
Trade	<b>14.881.161</b>	13.861.750
Leases	<b>11.772.788</b>	9.594.635
Hotel and hospitality	<b>10.004.937</b>	3.317.745
Manufacturing	<b>9.586.785</b>	9.581.468
Construction of educational facilities	<b>4.526.502</b>	2.242.511
Individuals	<b>1.172.201</b>	1.634.480
Agriculture	<b>1.188.800</b>	1.640.586
Other	<b>8.286.276</b>	4.890.852
<b>Total loans to customers before allowance for ECL</b>	<b>83.157.128</b>	<b>56.710.416</b>

Loans to individuals represented by consumer and mortgage lending.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**9. PROPERTY AND EQUIPMENT**

The movements in property and equipment were as follows:

<i>In thousands of tenge</i>	<b>Land</b>	<b>Buildings and constructions</b>	<b>Computer equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>Right-of-use assets</b>	<b>Total</b>
<b>Cost</b>							
<b>As at 31 December 2019</b>	<b>558.716</b>	<b>578.819</b>	<b>24.745</b>	<b>1.525</b>	<b>226.802</b>	<b>488.070</b>	<b>1.878.677</b>
Additions	167.098	8.992.138	15.241	–	66.427	119.884	<b>9.360.788</b>
Disposals	–	–	(11.992)	–	(34.583)	(49.749)	(96.324)
Impact of revaluation	28.555	6.533	–	–	–	–	35.088
<b>As at 31 December 2020</b>	<b>754.369</b>	<b>9.577.490</b>	<b>27.994</b>	<b>1.525</b>	<b>258.646</b>	<b>558.205</b>	<b>11.178.229</b>
Additions	–	–	70.265	–	31.502	331.856	<b>433.623</b>
Disposals	–	(46.319)	(10.929)	–	(23.946)	(162.324)	<b>(243.517)</b>
<b>As at 31 December 2021</b>	<b>754.369</b>	<b>9.531.171</b>	<b>87.330</b>	<b>1.525</b>	<b>266.203</b>	<b>727.737</b>	<b>11.368.335</b>
<b>Accumulated depreciation</b>							
<b>As at 31 December 2019</b>	<b>–</b>	<b>(78.705)</b>	<b>(15.214)</b>	<b>–</b>	<b>(101.454)</b>	<b>(137.857)</b>	<b>(333.230)</b>
Depreciation charge for the year	–	(42.276)	(8.204)	–	(40.543)	(139.773)	(230.796)
Disposals	–	–	11.992	–	34.583	49.749	96.324
Impact of revaluation	–	22.769	–	–	–	–	22.769
<b>As at 31 December 2020</b>	<b>–</b>	<b>(98.212)</b>	<b>(11.426)</b>	<b>–</b>	<b>(107.414)</b>	<b>(227.881)</b>	<b>(444.933)</b>
Depreciation charge for the year	–	(34.317)	(29.886)	–	(51.996)	(141.514)	(257.713)
Disposals	–	46.320	10.929	–	16.660	142.524	216.432
<b>As at 31 December 2021</b>	<b>–</b>	<b>(86.209)</b>	<b>(30.383)</b>	<b>–</b>	<b>(142.750)</b>	<b>(226.871)</b>	<b>(486.214)</b>
<b>Net book value</b>							
As at 31 December 2019	558.716	500.114	9.531	1.525	125.348	350.213	1.545.447
As at 31 December 2020	<b>754.369</b>	<b>9.479.278</b>	<b>16.568</b>	<b>1.525</b>	<b>151.232</b>	<b>330.324</b>	<b>10.733.296</b>
<b>As at 31 December 2021</b>	<b>754.369</b>	<b>9.444.962</b>	<b>56.947</b>	<b>1.525</b>	<b>123.453</b>	<b>500.866</b>	<b>10.882.122</b>

Fair value of land and buildings is estimated based on the similar objects offered on the market. See *Note 24* for more details with respect to fair value of lands and buildings.

If the land and buildings were accounted for at historical cost less impairment and accumulated depreciation for buildings, their carrying amount as at 31 December 2021 would be 45.080 thousand tenge and 9.457.717 thousand tenge, respectively (as at 31 December 2020: 45.080 thousand tenge and 9.492.034 thousand tenge, respectively).

As at 31 December 2021, the cost of fully amortised property and equipment, including office and computer equipment, vehicles and other fixed assets that are in use by the Group amounted to 110.332 thousand tenge (as at 31 December 2020: 195.263 thousand tenge).

**10. INVESTMENT PROPERTY**

<i>In thousand tenge</i>	<b>2021</b>	<b>2020</b>
As at 1 January	<b>547.378</b>	–
Addition	–	547.378
Disposal	(151.079)	–
<b>As at 31 December</b>	<b>396.299</b>	<b>547.378</b>

In 2021 the Group realized investment property in the amount of 151.079 thousand tenge (2020: nil).

During 2021, the Group recognized income in the amount of 13.553 thousand tenge from the lease of investment property (2020: 10.158 thousand tenge).

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**11. INTANGIBLE ASSETS**

The movements in intangible assets are presented as follows:

<i>In thousands of tenge</i>	<b>Licenses and software</b>
<b>Cost</b>	
<b>As at 31 December 2019</b>	<b>327.099</b>
Additions	158.910
Disposals	(2.118)
<b>As at 31 December 2020</b>	<b>483.891</b>
Additions	87.328
Disposals	(36.481)
<b>As at 31 December 2021</b>	<b>534.738</b>
<b>Accumulated amortization</b>	
<b>As at 31 December 2019</b>	<b>(167.632)</b>
Depreciation charge for the year	(54.072)
Disposals	2.118
<b>As at 31 December 2020</b>	<b>(219.586)</b>
Depreciation charge for the year	(72.555)
Disposals	36.481
<b>As at 31 December 2021</b>	<b>(255.660)</b>
<b>Net book value</b>	
As at 31 December 2019	159.467
As at 31 December 2020	264.305
<b>As at 31 December 2021</b>	<b>279.078</b>

**12. OTHER ASSETS**

As at 31 December 2021 and 2020, other assets comprise of the following:

<i>In thousands of tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Restricted funds in the KASE accounts	272.008	150.000
Other debtors on banking activities	285.753	26.768
Fees and commissions receivable	25.403	18.085
	<b>583.164</b>	194.853
Less: allowance for ECL	(250.937)	–
<b>Other financial assets</b>	<b>332.227</b>	<b>194.853</b>
Reposessed collateral	4.290.882	4.585.994
Other prepayments on non-banking activities	1.018.777	243.847
Assets not used in banking activities	379.619	–
Prepaid taxes other than CIT	129.606	97.088
Other	148.417	197.923
<b>Other non-financial assets</b>	<b>5.967.301</b>	<b>5.124.852</b>
<b>Other assets</b>	<b>6.299.528</b>	<b>5.319.705</b>

As at 31 December 2021 and 2020, reposessed collaterals include properties received by the Group as settlement of loan obligations by borrowers. Although the Group is currently actively trying to sell these assets, most of them were not sold within a short period of time. The management still intends to sell these assets in the foreseeable future.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**12. OTHER ASSETS (CONTINUED)**

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2021 is as follows:

<i>In thousands of tenge</i>	<b>Stage 1</b>
<b>As at 31 December 2019</b>	<b>(663)</b>
Charge for the year	(13.390)
Write offs	14.053
<b>As at 31 December 2020</b>	<b>–</b>
Charge for the year	(252.065)
Write offs	1.128
<b>As at December 2021</b>	<b>(250.937)</b>

**13. AMOUNTS DUE TO CREDIT INSTITUTIONS**

As at 31 December 2021 and 2020, amounts due to credit institutions comprise:

<i>In thousands of tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Loans form DAMU Entrepreneurship Development Fund JSC	5.102.162	1.520.246
Deposits of other banks	–	1.034.252
<b>Amounts due to credit institutions</b>	<b>5.102.162</b>	<b>2.554.498</b>

As at 31 December 2021, the Group received 5.000.000 thousand tenge from DAMU Entrepreneurship Development Fund JSC under Damu Regions III, the Regional Priority Projects Financing Program for Small and Medium-sized Businesses (31 December 2020: 1.520.246 thousand tenge). The loan agreement was concluded for a period of 7 years with interest rate on the loan is 8,5% per annum. The principal amount is due on 1 October 2023, interest is payable semi-annually.

**14. AMOUNTS DUE TO CUSTOMERS**

As at 31 December 2021 and 2020, amounts due to customers comprise:

<i>In thousands of tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Time deposits	44.533.000	59.402.043
Current accounts	46.028.929	26.440.215
<b>Amounts due to customers</b>	<b>90.561.929</b>	<b>85.842.258</b>
Including amounts held as security against guarantees (Note 22)	<b>471.025</b>	<b>287.779</b>

As at 31 December 2021, the Group had ten major clients, which accounted for 57% of the gross balance of current accounts and deposits of clients (31 December 2020: 71%). The aggregate balance of amounts due to such customers as at 31 December 2021 was 51.689.145 thousand tenge (31 December 2020: 60.733.872 thousand tenge).

<i>In thousands of tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Time deposits</b>		
Legal entities	34.275.913	53.127.841
Individuals	7.785.921	4.495.245
State and public organizations	2.471.166	1.727.037
<b>Current accounts</b>		
Legal entities	40.492.926	21.751.326
Individuals	5.134.585	4.429.068
State and public organizations	401.418	311.741
<b>Amounts due to customers</b>	<b>90.561.929</b>	<b>85.842.258</b>

In accordance with the Civil Code of the Republic of Kazakhstan, the Group is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to its maturity, interest is not paid or paid at considerably at lower interest rate depending on the terms specified in the agreement.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**14. AMOUNTS DUE TO CUSTOMERS (CONTINUED)**

Below is the breakdown of due to customers by categories:

<i>In thousands of tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Legal entities:		
Construction	28.264.979	16.179.767
Trade and services	17.652.766	35.556.631
Manufacturing	16.318.785	15.174.451
Professional services	5.035.039	1.126.207
Transport and communications	4.830.648	2.826.890
Mining of metal ores	2.040.691	2.463.937
Other	3.498.515	3.916.729
Individuals	12.920.506	8.597.646
<b>Amounts due to customers</b>	<b>90.561.929</b>	<b>85.842.258</b>

**15. TAXATION**

The corporate income tax expense (CIT) comprises:

<i>In thousands of tenge</i>	<b>2021</b>	<b>2020</b>
Current CIT	843.393	800.756
Deferred CIT benefit – origination and reversal of temporary differences	(13.197)	(727)
<b>CIT expense</b>	<b>830.196</b>	<b>800.029</b>

The Republic of Kazakhstan was only one tax jurisdiction in which the Group's income is taxable. In accordance with tax legislation the applied CIT is 20% in 2021 and 2020.

The reconciliation between the corporate income tax expense in the accompanying consolidated financial statements and profit before corporate income tax multiplied by the statutory tax rate for 2021 and 2020 is as follows:

<i>In thousands of tenge</i>	<b>2021</b>	<b>2020</b>
<b>Profit before corporate income tax expense</b>	<b>3.576.664</b>	<b>3.969.477</b>
Statutory tax rate	20%	20%
<b>Theoretical corporate income tax expense at the statutory rate</b>	<b>715.333</b>	<b>793.895</b>
Non-taxable income from decrease of allowance for impairment	–	(6.056)
Non-deductible administrative and other operating expenses	17.496	20.461
Change in non-deductible/non-taxable allowance for tax purposes	7.360	(10.178)
Other permanent differences	90.007	1.907
<b>Corporate income tax expense</b>	<b>830.196</b>	<b>800.029</b>

ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

15. TAXATION (CONTINUED)

Deferred corporate income tax assets and liabilities as of 31 December 2021 and their movements for the respective years comprise:

<i>In thousands of tenge</i>	31 December 2019	Origination and decrease of temporary difference in profit and loss	Origination and decrease of temporary difference in other comprehensive income	31 December 2020	Origination and decrease of temporary difference in profit and loss	31 December 2021
<b>Tax effect of deductible temporary differences</b>						
Tax losses carried forward	–	9.384	–	9.384	4.579	13.963
Other liabilities	9.462	(9.462)	–	–	–	–
<b>Deferred CIT assets</b>	<b>9.462</b>	<b>(78)</b>	<b>–</b>	<b>9.384</b>	<b>4.579</b>	<b>13.963</b>
<b>Tax effect of taxable temporary differences</b>						
Property and equipment and intangible assets	(181.163)	24.808	(11.571)	(167.926)	13.604	(154.322)
Others	–	(13.917)	–	(13.917)	1.381	(12.536)
Investment property	–	(10.080)	–	(10.080)	(6.343)	(16.423)
Deferred expenses	–	(6)	–	(6)	(24)	(30)
<b>Deferred CIT liabilities</b>	<b>(181.163)</b>	<b>805</b>	<b>(11.571)</b>	<b>(191.929)</b>	<b>8.618</b>	<b>(183.311)</b>
<b>Net deferred CIT asset/(liability)</b>	<b>(171.701)</b>	<b>727</b>	<b>(11.571)</b>	<b>(182.545)</b>	<b>13.197</b>	<b>(169.348)</b>

16. OTHER LIABILITIES

As at 31 December 2021 and 2020, other liabilities comprise:

<i>In thousands of tenge</i>	31 December 2021	31 December 2020
Lease liabilities	534.769	361.024
Obligations on guarantees issued	39.795	23.920
Advance payments of interest on loans issued	30.358	96.089
Other accounts payable	–	38
<b>Other financial liabilities</b>	<b>604.922</b>	<b>481.071</b>
Taxes other than corporate income tax payable	57.023	55.633
Unused vacations reserve	38.466	43.560
Reserves for losses on contingent liabilities (Note 22)	20.400	19.253
Other liabilities	19.090	8.860
<b>Other non-financial liabilities</b>	<b>134.979</b>	<b>127.305</b>
<b>Other liabilities</b>	<b>739.901</b>	<b>608.376</b>

17. EQUITY

*Share capital*

As at 31 December 2021 and 2020, the total amount of authorised, issued and fully paid common shares of the Group comprised 15.000.000 pieces. The placement value was 1.000 tenge per share. Shareholders have the right to receive dividends and allocate capital in tenge.

In 2021 and 2020, the Group did not declare or pay dividends.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**17. EQUITY (CONTINUED)**

**Nature and purpose of other reserves**

*Reserve funds*

As at 31 December 2021, the Group has a general bank reserve for unforeseen expenses and future losses in the amount of 1.177.175 thousand tenge (as at 31 December 2020: 1.177.175 thousand tenge, respectively). The funds from the general banking reserve could be allocated only upon the Group's shareholders' official authorisation.

*Property and equipment revaluation reserve*

The revaluation reserve for property and equipment is used to record increases in the fair value of land and buildings owned by the Group and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

**Earnings per share**

Basic earnings per share is calculated by dividing the net profit for the period attributable to common shareholders by the weighted average number of participating shares outstanding during the period. The Group does not have any share options or convertible debt or equity instruments.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

<i>In thousands of tenge</i>	<b>2021</b>	<b>2020</b>
Net profit for the year attributable to the shareholder of the Group	2.746.468	3.169.448
Weighted average number of common shares for basic and diluted earnings per share computation	15.000.000	15.000.000
<b>Basic and diluted earnings per share (in tenge)</b>	<b>183,10</b>	<b>211,30</b>

As at 31 December 2021 and 2020, the Group did not have any financial instruments diluting earnings per share.

**18. INTEREST INCOME AND INTEREST EXPENSE**

Net interest income comprises the following:

<i>In thousands of tenge</i>	<b>2021</b>	<b>2020</b>
Loans to customers	7.111.178	5.950.384
Amounts due from other banks	943.490	547.146
Receivables under reverse repurchase agreements	333.344	458.999
<b>Interest income calculated using the effective interest rate</b>	<b>8.388.012</b>	<b>6.956.529</b>
Loans to customers measured at FVPL	–	934.560
Securities	–	30.274
<b>Other interest income</b>	<b>–</b>	<b>964.834</b>
<b>Interest income</b>	<b>8.388.012</b>	<b>7.921.363</b>
Amounts due to customers	(1.904.605)	(1.676.950)
Amounts due to credit institutions	(265.456)	(113.124)
Lease liabilities	(41.208)	(32.478)
<b>Interest expense</b>	<b>(2.211.269)</b>	<b>(1.822.552)</b>
<b>Net interest income</b>	<b>6.176.743</b>	<b>6.098.811</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**19. EXPECTED CREDIT LOSSES EXPENSE**

The table below shows the ECL expenses on financial instruments recorded in the consolidated statement of comprehensive income during the year ended 31 December 2021:

<i>In thousands of tenge</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash and cash equivalents	858	–	–	<b>858</b>
Amounts due from other banks	(1.495)	–	–	<b>(1.495)</b>
Loans to customers measured at amortized cost	(137.651)	41.946	(1.961.855)	<b>(2.057.560)</b>
Other financial assets	(757)	–	(251.308)	<b>(252.065)</b>
Financial guarantees	(1.060)	–	–	<b>(1.060)</b>
<b>Expected credit losses expense</b>	<b>(140.105)</b>	<b>41.946</b>	<b>(2.213.163)</b>	<b>(2.311.322)</b>

The table below shows the ECL expenses on financial instruments recorded in the consolidated statement of comprehensive income during the year ended 31 December 2020:

<i>In thousands of tenge</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash and cash equivalents	4.029	–	–	<b>4.029</b>
Amount due from other banks	(1.641)	–	–	<b>(1.641)</b>
Loans to customers measured at amortized cost	432.793	(238.923)	(2.090.698)	<b>(1.896.828)</b>
Other financial assets	(13.390)	–	–	<b>(13.390)</b>
Financial guarantees	2.884	–	–	<b>2.884</b>
<b>Expected credit losses expense</b>	<b>424.675</b>	<b>(238.923)</b>	<b>(2.090.698)</b>	<b>(1.904.946)</b>

**20. NET COMMISSION INCOME**

Net fee and commission income comprises:

<i>In thousands of tenge</i>	<b>2021</b>	<b>2020</b>
Settlement transactions	481.783	381.768
Guarantees and letters of credit	265.064	235.670
Cash transactions	177.440	143.219
Maintenance of bank accounts	35.925	31.269
Safe transactions	5.540	4.972
Other	24.119	10.192
<b>Fee and commission income</b>	<b>989.871</b>	<b>807.090</b>
Settlement operations	(82.764)	(80.233)
Payment system commission expenses	(57.227)	(13.804)
Other	(27.390)	(9.956)
<b>Fee and commission expense</b>	<b>(167.381)</b>	<b>(103.993)</b>
<b>Net fee and commission income</b>	<b>822.490</b>	<b>703.097</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**21. ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

Administrative and other operating expenses comprise:

<i>In thousands of tenge</i>	<b>2021</b>	<b>2020</b>
Salaries and bonuses	<b>763.448</b>	755.427
Taxes, other than corporate income tax	<b>292.872</b>	212.851
Depreciation of property and equipment ( <i>Note 9</i> )	<b>257.713</b>	230.796
Building maintenance expenses	<b>197.281</b>	–
Technical support and software	<b>196.287</b>	166.811
Professional services	<b>88.835</b>	34.862
Social security contributions	<b>74.977</b>	74.337
Amortisation of intangible assets ( <i>Note 11</i> )	<b>72.555</b>	54.072
Security	<b>69.474</b>	73.911
Deposit insurance	<b>42.564</b>	29.539
Communication and information services	<b>47.050</b>	39.633
Maintenance of buildings	<b>38.817</b>	41.977
Office supplies	<b>17.708</b>	7.706
Membership fees	<b>19.250</b>	15.320
Travel expenses	<b>11.375</b>	7.366
Insurance	<b>11.198</b>	2.197
Encashment	<b>8.100</b>	10.485
Vehicles	<b>5.492</b>	5.068
Advertising and marketing	<b>2.717</b>	1.822
Medical supplies	<b>1.767</b>	5.373
Other	<b>54.087</b>	31.624
<b>Administrative and other operating expenses</b>	<b>2.273.567</b>	<b>1.801.177</b>

**22. COMMITMENTS AND CONTINGENCIES**

**Political and economic environment**

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Republic of Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government of the Republic of Kazakhstan.

The volatility of crude oil prices and tenge’s exchange rate against major foreign currencies continue to have a negative impact on the Kazakhstan economy. Interest rates of attracted financing in tenge remain high. Combination of these factors resulted in a limited access to capital, high cost of capital, high inflation rate and uncertainty regarding further economic growth, which could negatively affect the Group’s future financial position, results of operations and business prospects. The management of the Group believes that it is taking appropriate measures to support the sustainability of the Group’s business in the current circumstances.

**Legal actions and claims**

The Group is a potential target of various legal proceedings related to business transactions. The Group does not believe that there is a possibility that unsatisfied or threatening claims of such types, individually or in combination, will have a material negative impact on the financial condition of the Group or the results of its activities.

The Group assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its consolidated financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these consolidated financial statements for any of the above-described contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

22. COMMITMENTS AND CONTINGENCIES (CONTINUED)

**Tax contingencies**

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstani laws, decrees and related regulations is severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Group believes that it has paid or accrued all taxes that are applicable. Where practice concerning tax application is unclear, the Group has accrued tax provisions based on management's best estimate. The Group's policy is to recognise provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and fines, if any, may be in excess of the amount expensed to date and accrued at 31 December 2021. Although such amounts are possible and may be material, it is the opinion of the Group's management that these amounts are either not probable, not reasonably determinable, or both.

**Commitments and contingencies**

At 31 December the Group's commitments and contingencies comprised the following:

<i>In thousands of tenge</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Credit related commitments</b>		
Undrawn loan facilities	16.667.687	11.720.292
Guarantees	13.352.831	7.110.803
Lettes of credit	89.062	2.091.337
	<b>30.109.580</b>	<b>20.922.432</b>
ECL allowance on credit related commitments ( <i>Note 16</i> )	(20.400)	(19.253)
Amounts due to customers held as security against guarantees ( <i>Note 14</i> )	(471.025)	(287.779)
<b>Total after ECL and security against guarantees</b>	<b>29.618.155</b>	<b>20.615.400</b>

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The undrawn loan commitments stipulate the right of the Group to unilaterally withdraw from the agreement should any conditions unfavourable to the arise. Therefore, allowance for ECL was not recognized on the undrawn loan commitments for the year ended 31 December 2021.

Below is an analysis of changes in allowance for ECL for the year ended 31 December 2021 and 2020:

<i>In thousand tenge</i>	<b>Stage 1</b>	<b>Total</b>
<b>Allowance for ECL as at 1 January 2020</b>	<b>(23.929)</b>	<b>(23.929)</b>
Change in ECL	2.884	2.884
Foreign exchange differences	1.792	1.792
<b>Allowance for ECL as at 31 December 2020</b>	<b>(19.253)</b>	<b>(19.253)</b>
Change in ECL	(1.060)	(1.060)
Foreign exchange differences	(87)	(87)
<b>Allowance for ECL as at 31 December 2021</b>	<b>(20.400)</b>	<b>(20.400)</b>

23. RISK MANAGEMENT

**Introduction**

Risk is inherent in the Group's activities. The Group manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, which, in turn, is subdivided into risk associated with trading operations and risk associated with non-trading activities. It is also subject to operating risks.

## **23. RISK MANAGEMENT (CONTINUED)**

### **Introduction (continued)**

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk management process comprises identification, measuring, control and limitation of risks that are carried out by the Group on a regular basis.

#### *Risk management structure*

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

#### *Board of Directors*

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

#### *Management Board*

The Management Board has the responsibility to monitor the overall risk process within the Group.

#### *Risk management*

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

The main purpose of the unit is generating and functioning of the Group's effective risk management system providing application of methods of risk detection and control, ensuring effective determination, evaluation and limitation of the Group's risks considering the type and scope of transactions conducted by the Group. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

#### *Group Treasury*

Group Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

#### *Internal audit*

Risk management processes throughout the Group are audited annually by the internal audit service that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit function discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

#### *Risk measurement and reporting systems*

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

---

**23. RISK MANAGEMENT (CONTINUED)**

**Introduction (continued)**

*Risk measurement and reporting systems (continued)*

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, Management Board, Asset and Liability Management Committee, Credit Committee, and the head of each business unit. The report includes aggregate credit exposure, forecast credit indicators, hold limit exceptions, liquidity ratios, interest rate risk ratios and risk profile changes.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A regular meeting is held with the Management Board and all other relevant departments of the Group on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments

*Risk mitigation*

The Group actively uses collateral to reduce its credit risks (see below for more detail).

*Excessive risk concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of risks are controlled and managed accordingly.

**Credit risk**

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and undertake corrective action.

*Credit-related commitments risks*

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to risks similar to loans and these are mitigated by the same control processes and policies.

The carrying amount of components of the consolidated statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

---

**23. RISK MANAGEMENT (CONTINUED)**

**Credit risk (continued)**

*Credit-related commitments risks (continued)*

Where financial instruments are recorded at fair value, their carrying amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 8 and Note 22.

*Treasury and interbank relationships*

The Group's treasury and interbank relationships and counterparties comprise financial services institutions, banks, brokerdealers, exchanges and clearing-houses. To assess such relationships the Group analyzes publicly available information, such as consolidated financial statements, and data from other external sources, such as external ratings.

*Commercial and small business lending*

In case of commercial lending, department of credit risks performs an assessment of borrowers. The credit risk assessment is based on a calculation model that takes into account various historical, current and forward-looking information such as:

- historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance;
- any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles;
- any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates;
- any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Group and the complexity and size of the customer. Some less complex loans to small businesses are rated by the Group using models for retail products.

*Consumer lending and mortgage lending*

Consumer lending includes secured and unsecured loans to individuals. The evaluation of these products together with mortgage loans is carried out using various criteria, the main indicator for which is the number of days overdue. Other basic input data used in the models are the following: the facts of write-offs on payment claims–orders from other banks and government agencies, the decrease in the market value of collateral based on the results of revaluation, the presence of default on other financial assets of the same borrower, as well as the ratio of the loan amount to the value of collateral.

*Amount at risk of default*

The amount at risk of default (EAD) is the gross carrying amount of financial instruments to be assessed for impairment and reflects both the customer's ability to increase its debt as it approaches default and the possibility of early repayment. To calculate the EAD for Stage 1 loans, the Group estimates the probability of default within 12 months to estimate the 12-month ECL. For Stage 2, Stage 3, and PSKOV financial assets, the EAD indicator is considered for events that may occur over the life of the instrument.

### **23. RISK MANAGEMENT (CONTINUED)**

#### **Credit risk (continued)**

##### *The level of losses in default*

In the case of commercial lending, the LGD indicator is evaluated at least once every three months, and is reviewed and approved by the Group's Budgeting, Performance Analysis and Risk Management Department.

Credit risk assessment is based on the standard LGD assessment model, as a result of which certain levels of LGD are established. These LGD levels take into account the expected EAD compared to the amounts that are expected to be recovered or realized as a result of the sale of the held collateral.

The Group has divided loans to customers into groups based on key characteristics relevant to the assessment of future cash flows. To do this, we use information about past losses and consider a wide range of characteristics inherent in transactions, as well as the characteristics of the borrower.

##### *Significant increase in credit risk*

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk if contractual payments are more than 30 days past due since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, for example, transfer of a client/loan to the watch list, or restructuring due to credit event.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

##### *Grouping financial assets measured on a collective basis*

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- all Stage 3 assets, regardless of the class of financial assets;
- financial assets with gross amount exceeding 0,2% of total equity.

Asset classes where the Group calculates ECL on a collective basis include:

- stage 1 and 2 retail mortgages and consumer lending and Stage 1 and 2 commercial lending portfolio;
- financial assets with gross amount exceeding 0,2% of total equity.

##### *Forward-looking information and multiple economic scenarios*

In its ECLs calculation models the Group uses as economic inputs:

- GDP growth;
- growth in nominal cash income;
- unemployment rate;
- inflation;
- nominal prices in the housing market.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. central banks, and international financial institutions).

Experts of the Credit Risk Department determine the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for “Subsequent years” represent a long-term average and so are the same for each scenario as at 31 December 2021.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**23. RISK MANAGEMENT (CONTINUED)**

**Credit risk (continued)**

*Forward-looking information and multiple economic scenarios (continued)*

<b>Key drivers</b>	<b>ECL scenario</b>	<b>Assigned probabilities, %</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Subsequent years</b>
<b>GDP growth, %</b>	Upside	10%	4,06%	5,64%	6,20%	6,20%
	Base case	80%	3,50%	4,90%	5,40%	5,40%
	Downside	10%	2,78%	3,69%	4,01%	4,01%
<b>Growth in nominal cash income, %</b>	Upside	10%	12,30%	7,05%	6,53%	6,63%
	Base case	80%	10,00%	5,00%	4,50%	4,60%
	Downside	10%	10,10%	6,85%	6,53%	6,59%
<b>Unemployment rate, %</b>	Upside	10%	3,99%	3,96%	4,13%	4,14%
	Base case	80%	4,50%	4,70%	4,90%	4,86%
	Downside	10%	5,26%	5,39%	5,62%	5,59%
<b>Inflation, %</b>	Upside	10%	7,27%	6,58%	6,18%	6,26%
	Base case	80%	8,50%	7,50%	7,20%	7,26%
	Downside	10%	9,80%	8,73%	8,31%	8,39%
<b>Nominal prices in the housing market, tenge thousand/sq.m.</b>	Upside	10%	374,83	417,46	444,72	491,15
	Base case	80%	379,98	406,99	449,00	497,90
	Downside	10%	347,93	387,48	414,54	457,43

Below is the geographical concentration of the Group's financial assets and liabilities as at 31 December 2021:

<i>In thousands of tenge</i>	<b>Kazakhstan</b>	<b>OECD countries</b>	<b>Non-OECD countries</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	31.240.461	6.044.355	457.352	<b>37.742.168</b>
Amounts due from other banks	–	–	1.076.701	<b>1.076.701</b>
Investment property	396.299	–	–	<b>396.299</b>
Investments	7.001	–	–	<b>7.001</b>
Loans to customers	61.519.423	12.061.332	2.218.072	<b>75.798.827</b>
Other financial assets	332.227	–	–	<b>332.227</b>
<b>Total financial assets</b>	<b>93.495.411</b>	<b>18.105.687</b>	<b>3.752.125</b>	<b>115.353.223</b>
<b>Liabilities</b>				
Amounts due to credit institutions	5.102.162	–	–	<b>5.102.162</b>
Amounts due to customers	87.700.736	2.766.502	94.691	<b>90.561.929</b>
Other financial liabilities	604.922	–	–	<b>604.922</b>
<b>Total financial liabilities</b>	<b>93.407.820</b>	<b>2.766.502</b>	<b>94.691</b>	<b>96.269.013</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**23. RISK MANAGEMENT (CONTINUED)**

**Credit risk (continued)**

Below is the geographical concentration of the Group's financial assets and liabilities as at 31 December 2020:

<i>In thousands of tenge</i>	<b>Kazakhstan</b>	<b>OECD countries</b>	<b>Non-OECD countries</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	46.560.398	4.212.066	2.002.418	<b>52.774.882</b>
Amounts due from other banks			1.050.771	<b>1.050.771</b>
Investment property	547.378	–	–	<b>547.378</b>
Investments	7.001	–	–	<b>7.001</b>
Loans to customers	44.405.393	4.659.559	2.479.477	<b>51.544.429</b>
Other financial assets	194.853	–	–	<b>194.853</b>
<b>Total financial assets</b>	<b>91.715.023</b>	<b>8.871.625</b>	<b>5.532.666</b>	<b>106.119.314</b>
<b>Liabilities</b>				
Amounts due to credit institutions	1.520.246	–	1.034.252	<b>2.554.498</b>
Amounts due to customers	83.726.404	1.903.162	212.692	<b>85.842.258</b>
Other financial liabilities	481.071	–	–	<b>481.071</b>
<b>Total financial liabilities</b>	<b>85.727.721</b>	<b>1.903.162</b>	<b>1.246.944</b>	<b>88.877.827</b>

**Liquidity risk and funding management**

Liquidity risk is the risk that the Group will not be able to meet its payment obligations when they mature under normal or unforeseen conditions. In order to limit this risk, management has ensured the availability of various sources of financing in addition to the existing minimum amount of bank deposits. Management also performs asset management, taking into account liquidity, and daily monitoring of future cash flows and liquidity. This process includes an assessment of the expected cash flows and the availability of high-quality collateral that can be used to obtain additional financing if necessary. The Group monitors a number of internal liquidity indicators on a daily basis. The Group's Treasury manages short-term liquidity on an ongoing basis using a cash position and a portfolio of highly liquid securities.

The Group is also obliged to comply with the liquidity requirements established by the NBRK in the form of mandatory standards. The Group owns a portfolio of diverse, highly sought-after assets that can be quickly sold for cash in the event of an unforeseen cessation of cash inflows. The Group has also entered into agreements on credit lines, which it can use to meet its cash needs.

*Analysis of financial liabilities by remaining contractual maturities*

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments, which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

<b>As at 31 December 2021</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial liabilities</b>						
Amounts due to credit institutions	–	–	–	–	8.097.049	<b>8.097.049</b>
Amounts due to customers	45.556.220	3.963.934	40.651.211	2.746.230	204.604	<b>93.122.199</b>
Other financial liabilities	544.728	17.452	22.572	17.249	2.921	<b>604.922</b>
<b>Total undiscounted financial liabilities</b>	<b>46.100.948</b>	<b>3.981.386</b>	<b>40.673.783</b>	<b>2.763.479</b>	<b>8.304.574</b>	<b>101.824.170</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**23. RISK MANAGEMENT (CONTINUED)**

**Liquidity risk and funding management (continued)**

*Analysis of financial liabilities by remaining contractual maturities (continued)*

<b>As at 31 December 2020</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial liabilities</b>						
Amounts due to credit institutions	–	–	1,040.305	–	2,624.412	<b>3,664.717</b>
Amounts due to customers	26,042.548	2,103.364	58,707.517	347.342	174.986	<b>87,375.757</b>
Other financial liabilities	437.898	8.081	28.347	6.745	–	<b>481.071</b>
<b>Total undiscounted financial liabilities</b>	<b>26,480.446</b>	<b>2,111.445</b>	<b>59,776.169</b>	<b>354.087</b>	<b>2,799.398</b>	<b>91,521.545</b>

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due on demand in the tables above.

The table below shows the contractual expiry by maturity of the Group's credit related commitments and contingencies. Each undrawn commitment on lending is included in the time band containing the earliest date it can be drawn down. In the case of financial guarantee contracts the maximum amount of guarantee applies to the earliest period in which this guarantee may be called.

<i>In thousands of tenge</i>	<b>Less than 3 months</b>	<b>From 3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>2021</b>	<b>307.007</b>	<b>6,087.218</b>	<b>16,531.602</b>	<b>7,183.752</b>	<b>30,109.579</b>
<b>2020</b>	<b>136.023</b>	<b>4,493.155</b>	<b>10,806.866</b>	<b>5,486.388</b>	<b>20,922.432</b>

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

**Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. Except for the concentrations within foreign currency, the Group has no significant concentration of market risk.

*Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group has no non-trading financial assets and financial liabilities with a floating interest rate available at 31 December 2021 and 2020.

*Currency risk*

Currency risk is the risk of losses due to changes in foreign exchange rates when the Group performs its ordinary activities. Risk of losses arises due to revaluation of Group's position in foreign currencies in monetary terms. The Group's management establishes limits with respect to minimum level of accepted risk by currencies and monitors the compliance with those limits on daily basis.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**23. RISK MANAGEMENT (CONTINUED)**

**Market risk (continued)**

*Currency risk (continued)*

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against tenge, with all other variables held constant on the consolidated income statement (due to the fair value of currency sensitive certain monetary assets and liabilities). All other parameters are held constant. A negative amount in the table reflects a potential net reduction in the consolidated statement of comprehensive income, while a positive amount reflects a net potential increase:

<i>In thousands of tenge</i>	2021		2020	
<i>Currency</i>	<i>Change in currency rate, in %</i>	<i>Effect on profit before tax</i>	<i>Change in currency rate, in %</i>	<i>Effect on profit before tax</i>
Russian rouble	1,34%	(269)	1,96%	(46)
	-1,31%	264	-2,04%	48
Euro	0,72%	(213)	1,63%	(127)
	-0,76%	227	-1,47%	115
US dollars	0,50%	3.019	1,35%	(7.934)
	-0,48%	(2.889)	-1,26%	7.405

During the year currency position had approximately equal values due to the fact that the Group set limits on open foreign exchange positions and the position was within the set limit.

The currency position of the Group as at 31 December 2021 is presented below:

<i>In thousands of tenge</i>	<i>Tenge</i>	<i>US Dollar</i>	<i>Russian Rouble</i>	<i>Euro</i>	<i>Other currency</i>	<i>Total</i>
<b>Assets</b>						
Cash and cash equivalents	23.790.347	12.586.223	30.939	1.324.573	10.086	<b>37.742.168</b>
Amounts due from other banks	–	1.076.701	–	–	–	<b>1.076.701</b>
Loans to customers	39.718.668	34.780.350	–	1.299.809	–	<b>75.798.827</b>
Investments	7.001	–	–	–	–	<b>7.001</b>
Investment property	396.299	–	–	–	–	<b>396.299</b>
Other financial assets	329.324	1.742	10	1.144	7	<b>332.227</b>
	<b>64.241.639</b>	<b>48.445.016</b>	<b>30.949</b>	<b>2.625.526</b>	<b>10.093</b>	<b>115.353.223</b>
<b>Liabilities</b>						
Amounts due to credit institutions	5.102.162	–	–	–	–	<b>5.102.162</b>
Amounts due to customers	39.766.183	48.083.247	51.105	2.655.066	6.328	<b>90.561.929</b>
Other financial liabilities	456.102	10.201	–	239	–	<b>604.922</b>
	<b>45.324.447</b>	<b>48.093.448</b>	<b>51.105</b>	<b>2.655.305</b>	<b>6.328</b>	<b>96.269.013</b>
<b>Net balance sheet position</b>	<b>18.917.192</b>	<b>602.444</b>	<b>(20.156)</b>	<b>(29.779)</b>	<b>3.765</b>	<b>19.084.210</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**23. RISK MANAGEMENT (CONTINUED)**

**Market risk (continued)**

*Currency risk (continued)*

The currency position of the Group as at 31 December 2020 is presented below:

<i>In thousands of tenge</i>	<i>Tenge</i>	<i>US Dollar</i>	<i>Russian Rouble</i>	<i>Euro</i>	<i>Other currency</i>	<i>Total</i>
<b>Assets</b>						
Cash and cash equivalents	25.101.899	26.106.736	1.101.477	430.127	34.643	<b>52.774.882</b>
Amounts due from other banks	–	1.050.771	–	–	–	<b>1.050.771</b>
Loans to customers	30.633.641	19.126.006	–	1.784.782	–	<b>51.544.429</b>
Investments	7.001	–	–	–	–	<b>7.001</b>
Other financial assets	194.853	–	–	–	–	<b>194.853</b>
	<b>55.937.394</b>	<b>46.283.513</b>	<b>1.101.477</b>	<b>2.214.909</b>	<b>34.643</b>	<b>105.571.936</b>
<b>Liabilities</b>						
Amounts due to credit institutions	1.520.918	–	–	1.033.580	–	<b>2.554.498</b>
Amounts due to customers	36.689.188	46.850.848	1.103.506	1.184.879	13.837	<b>85.842.258</b>
Other financial liabilities	456.102	20.389	318	4.262	–	<b>481.071</b>
	<b>38.666.208</b>	<b>46.871.237</b>	<b>1.103.824</b>	<b>2.222.721</b>	<b>13.837</b>	<b>88.877.827</b>
<b>Net balance sheet position</b>	<b>17.251.186</b>	<b>(587.724)</b>	<b>(2.347)</b>	<b>(7.812)</b>	<b>20.806</b>	<b>16.694.109</b>

**Operational risk**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

**24. FAIR VALUE MEASUREMENT**

**Fair value measurement procedures**

Board of the Group determines the policies and procedures for recurring measurement of the fair value of real estate owned by the Group.

External appraisers are engaged to evaluate buildings and land of the Group. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, management of the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management of the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Management of the Group, in conjunction with the external appraisers also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

As at 5 August 2020 and 29 September 2020, independent valuation of fair values of the office buildings and land, within property and equipment, was performed. The valuation was performed by Scot Holland LLP and Modern technologies of examination and assessment LLP, an accredited independent appraisers, that has professional qualification and professional experience of valuation of similar property based on place and category.

In accordance with the analysis carried out by the Group's management, during 2021 the fair value of office buildings and land did not significantly change, as such as at 31 December 2021 the Group did not record revaluation of property, plant and equipment in consolidated financial statements.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**24. FAIR VALUE MEASUREMENT (CONTINUED)**

**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of disclosing the fair values, the Group determined classes of assets and liabilities based on the assets and liabilities nature, characteristics and risks as well as the hierarchy of fair value sources.

<b>2021</b>	<b>Date of measurement</b>	<b>Fair value measurement with the use of</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value</b>					
Property and equipment – land and buildings	31 December 2021	–	–	10.882.122	<b>10.882.122</b>
Investments	31 December 2021	–	7.001	–	<b>7.001</b>
Investment property	31 December 2021	–	396.299	–	<b>396.299</b>
<b>Assets for which fair values are disclosed</b>					
Cash and cash equivalents	31 December 2021	37.742.168	–	–	<b>37.742.168</b>
Loans to customers	31 December 2021	–	76.117.986	–	<b>76.117.986</b>
Other financial assets	31 December 2021	–	332.227	–	<b>332.227</b>
<b>Liabilities for which fair values are disclosed</b>					
Amounts due to credit institutions	31 December 2021	–	5.396.252	–	<b>5.396.252</b>
Amounts due to customers	31 December 2021	–	91.570.842	–	<b>91.570.842</b>
Other financial liabilities	31 December 2021	–	604.922	–	<b>604.922</b>

<b>2020</b>	<b>Date of measurement</b>	<b>Fair value measurement with the use of</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value</b>					
Property and equipment – land and buildings	31 December 2020	–	–	10.210.879	<b>10.210.879</b>
Investments	31 December 2020	–	7.001	–	<b>7.001</b>
Investment property	31 December 2020	–	547.378	–	<b>547.378</b>
<b>Assets for which fair values are disclosed</b>					
Cash and cash equivalents	31 December 2020	52.774.882	–	–	<b>52.774.882</b>
Loans to customers	31 December 2020	–	51.917.668	–	<b>51.917.668</b>
Other financial assets	31 December 2020	–	194.853	–	<b>194.853</b>
<b>Liabilities for which fair values are disclosed</b>					
Amounts due to credit institutions	31 December 2020	–	2.673.785	–	<b>2.673.785</b>
Amounts due to customers	31 December 2020	–	86.127.901	–	<b>86.127.901</b>
Other financial liabilities	31 December 2020	–	481.071	–	<b>481.071</b>

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**24. FAIR VALUE MEASUREMENT (CONTINUED)**

**Financial instruments not carried at fair value in the consolidated statement of financial position(continued)**

The table below shows the fair values of non-financial assets and non-financial liabilities.

<i>In thousands of tenge</i>	2021			2020		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
<b>Financial assets</b>						
Cash and cash equivalents	37.742.168	37.742.168	–	52.774.882	52.774.882	–
Investments	7.001	7.001	–	7.001	7.001	–
Amounts due from other banks	1.076.701	1.079.487	2.786	1.050.771	1.064.039	13.268
Loans to customers	75.798.827	76.117.986	319.159	51.544.429	51.917.668	373.239
Other financial assets	332.227	332.227	–	194.853	194.853	–
<b>Financial liabilities</b>						
Amounts due to credit institutions	5.102.162	5.396.252	(294.090)	2.554.498	2.673.875	(119.377)
Amounts due to customers	90.561.929	91.570.842	(1.008.913)	85.842.258	86.127.901	(285.643)
Other financial liabilities	604.922	604.922	–	481.071	481.071	–
<b>Total unrecognised change in unrealised fair value</b>			<b>(981.058)</b>	<b>(18.513)</b>		

**Methods of measurement and assumptions**

The models and assumptions used to determine the fair value of assets and liabilities carried at fair value in the financial statements, as well as items that are not measured at fair value in the consolidated statement of financial position, but whose fair value is disclosed, are described below.

*Property and equipment – land and buildings*

Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property.

*Assets for which fair value approximates to carrying value*

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

*Loans at fair value through profit or loss*

Loans at fair value through profit or loss are valued using a combination of approaches. Where appropriate, loans are valued with reference to observable prices of debt securities issued by the borrower or by comparable entities. In other cases, valuation is performed using internal models based on present value techniques or, in some circumstances (for example, in respect of cash flow from assets held as collateral), external valuation reports. The non-observable inputs to the models include adjustments for credit, market and liquidity risks associated with the expected cash flows from the borrower's operations or in respect of collateral valuation.

*Financial assets and financial liabilities accounted for at amortized cost*

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to other banks, other financial assets and liabilities, obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

**24. FAIR VALUE MEASUREMENT (CONTINUED)**

**Significant unobservable inputs and sensitivity of level 3 non-financial instruments measured at fair value to changes to key assumptions**

The following table summarises the sensitivity of the fair value measurement of Group’s buildings and land categorised within Level 3 of the fair value hierarchy to changes in unobservable inputs as at 31 December 2021:

<b>Unobservable inputs</b>	<b>Range</b>	<b>Description of sensitivity</b>
Trade discount	0,0%–10,0%	Increase/decrease in trade discount input might lead to decrease/increase in the fair value of the Group’s buildings and land
Adjustment for size	–27,0%–9,0%	Increase/decrease in trade discount input might lead to increase/decrease in the fair value of the Group’s buildings and land
Adjustment for intended purpose	3,7%–6,2%	Increase/decrease in trade discount input might lead to increase/decrease in the fair value of the Group’s buildings and land

**25. OFFSETTING OF FINANCIAL INSTRUMENTS**

Disclosures in the tables below include information on financial assets and financial liabilities, which are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

Similar financial instruments comprise reverse repurchase agreements, which are recorded in the consolidated statement of financial position at amortised cost.

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received can be pledged or sold during the term of the transaction but must be returned before maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty’s failure to post collateral. The table below shows financial assets subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2021.

<b>As at 31 December 2021</b>	<b>Gross amount of recognized financial assets</b>	<b>Gross amount of recognized financial liabilities offset in the statement of financial position</b>	<b>Net amount of financial assets presented in the statement of financial position</b>	<b>Related amounts not set off in the statement of financial position</b>	<b>Financial instruments</b>	<b>Net amount</b>
Receivables under reverse repurchase agreements	15.026.141	–	15.026.141	15.758.200		(732.059)
<b>Total</b>	<b>15.026.141</b>	<b>–</b>	<b>15.026.141</b>	<b>15.758.200</b>		<b>(732.059)</b>

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See *Note 23* for the Group’s contractual undiscounted repayment obligations.

<i>In thousands of tenge</i>	2021			2020		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Cash and cash equivalents	37.742.168	–	<b>37.742.168</b>	52.774.882	–	<b>52.774.882</b>
Amounts due from other banks	1.076.701	–	<b>1.076.701</b>	1.050.771	–	<b>1.050.771</b>
Investment property	–	396.299	<b>396.299</b>	–	547.378	<b>547.378</b>
Investments	–	7.001	<b>7.001</b>	–	7.001	<b>7.001</b>
Loans to customers	21.826.489	53.972.338	<b>75.798.827</b>	16.697.588	34.846.841	<b>51.544.429</b>
Property and equipment	–	10.882.122	<b>10.882.122</b>	–	10.733.296	<b>10.733.296</b>
Intangible assets	–	279.078	<b>279.078</b>	–	264.305	<b>264.305</b>
Other assets	6.299.528	–	<b>6.299.528</b>	5.319.705	–	<b>5.319.705</b>
<b>Total assets</b>	<b>66.944.886</b>	<b>65.536.838</b>	<b>132.481.724</b>	<b>75.842.946</b>	<b>46.398.821</b>	<b>122.241.767</b>
Amounts due to credit institutions	5.102.162	–	<b>5.102.162</b>	2.554.498	–	<b>2.554.498</b>
Amounts due to customers	90.004.224	557.705	<b>90.558.674</b>	85.489.565	352.693	<b>85.842.258</b>
Current CIT payable	110.010	–	<b>110.010</b>	1.695	–	<b>1.695</b>
Deferred CIT liabilities	–	169.348	<b>169.999</b>	–	182.545	<b>182.545</b>
Other liabilities	714.185	25.716	<b>739.901</b>	599.374	9.002	<b>608.376</b>
<b>Total liabilities</b>	<b>95.930.581</b>	<b>752.769</b>	<b>96.683.350</b>	<b>88.645.132</b>	<b>544.240</b>	<b>89.189.372</b>
<b>Net position</b>	<b>(28.985.695)</b>	<b>64.784.069</b>	<b>35.798.374</b>	<b>(12.802.186)</b>	<b>45.854.581</b>	<b>33.052.395</b>

The Group’s capability to repay its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time. As at 31 December 2021, the Group has a negative liquidity gap of 28.982.440 thousand tenge within a year (at 31 December 2020: 12.802.186 thousand tenge).

Repayments which are subject to notice are treated in the table above as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group’s history of retention of amounts due to customers.

**27. RELATED PARTIES DISCLOSURE**

In accordance with IAS 24 “Related Party Disclosures”, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

**ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

**27. RELATED PARTIES DISCLOSURE (CONTINUED)**

The amount of related party transactions and balances as of 31 December 2021 and 2020, as well as the respective amounts of income and expenses for the years than ended are as follows:

<i>In thousands of tenge</i>	2021				2020			
	Controlling shareholder	Key management personnel	Entities under common control	Total	Controlling shareholder	Key management personnel	Entities under common control	Total
<b>Assets</b>								
Cash and cash equivalents	545.861	–	511.919	<b>1.057.780</b>	468.237	–	1.902.752	<b>2.370.989</b>
Amounts due from other banks	–	–	1.079.770	<b>1.079.770</b>	–	–	1.052.275	<b>1.052.275</b>
Loans to customers	–	807	–	<b>807</b>	–	64.110	–	<b>64.110</b>
<b>Liabilities</b>								
Amounts due to credit institutions	–	–	–	–	–	–	–	–
Amounts due to customers	–	<b>42.525</b>	–	<b>42.525</b>	–	30.513	–	<b>30.513</b>

The income and expense items on transactions with related parties for the years ended 31 December 2021 and 2020 were as follows:

<i>In thousands of tenge</i>	2021				2020			
	Controlling shareholder	Key management personnel	Entities under common control	Total	Controlling shareholder	Key management personnel	Entities under common control	Total
Interest income	14.112	422	44.720	<b>59.254</b>	48.648	6.944	75.473	131.065
Interest expense	–	–	–	–	(845)	–	–	(845)

Details regarding the terms of attraction of funds from the Controlling shareholder are disclosed in *Note 12*. As at 31 December 2021, loans to the key management personnel have interest rates of 8%-17% per annum (at 31 December 2020: 8%-17% per annum) with maturity in 2021-2026 (at 31 December 2020: in 2020-2026).

Below is the information for 2021 about remuneration to 10 members (2020: 11 members) of key management personnel:

<i>In thousands of tenge</i>	2021	2020
Salaries and other short-term benefits	<b>104.819</b>	97.875
Social security contributions	<b>9.881</b>	9.200
<b>Total</b>	<b>114.700</b>	<b>107.075</b>

**28. CAPITAL ADEQUACY**

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the NBRK.

During 2021 and 2020, the Group had complied in full with its externally imposed capital requirements.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from the previous years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

28. CAPITAL ADEQUACY (CONTINUED)

Under the current capital requirements set by the NBRK banks have to maintain:

- a ratio of basic capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities and (k1);
- a ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1-2);
- a ratio of own capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities and (k2).

Investments for the purposes of calculation of the above ratios represent investments into share capital (interest in the share capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of tier 1 and tier 2 capital of the Bank.

The following table shows the composition of the Group's capital position calculated in accordance with the NBRK requirements as at 31 December 2021 and 2020:

<i>In thousands of tenge</i>	2021	2020
Tier 1 capital	35.505.742	32.784.717
Tier 2 capital	–	–
<b>Total statutory capital</b>	<b>35.505.742</b>	<b>32.784.717</b>
<b>Risk weighted assets, contingencies and commitments, possible claims and liabilities</b>	<b>125.873.147</b>	<b>98.339.008</b>
Capital adequacy ratio k1 (at least 5,5%)	28%	33%
Capital adequacy ratio k1-2 (at least 6,5%)	28%	33%
Capital adequacy ratio k2 (at least 8.0%)	28%	33%

29. EVENTS AFTER THE REPORTING DATE

On 24 February 2022, the Russian Federation began military operations on the territory of Ukraine. During the combat operations of the units of the Russian armed forces, strikes were carried out on the objects of the military infrastructure of Ukraine, aviation, air defense facilities and military airfields, and some settlements and cities of Ukraine were blocked. A state of emergency was introduced in Ukraine, the evacuation of the civilian population of Ukraine towards the countries of the near and far abroad began. The actions of the Russian Federation were sharply condemned by most countries of the world community and international organizations and led to new sanctions against the Russian Federation. On 26 February 2022, a joint statement was published by the leaders of France, Germany, Italy, Great Britain, Canada and the United States on further restrictive economic measures against Russia. In particular, these measures provide for the exclusion of certain Russian banks from the SWIFT messaging system (the world interbank financial communication channel), the introduction of restrictive measures against the Central Bank of Russia, some commercial banks and Russian officials, the introduction of a ban on the export of certain goods and technologies, as well as a ban on the provision of insurance services related to them. Against the background of the situation around Ukraine and increased geopolitical risks, volatility in financial markets has sharply increased, energy prices have increased. As a result, the shares of the largest Russian companies significantly depreciated (from 50 to almost 100 percent), there was a sharp weakening of the ruble to a record low (from 76 to 103 Russian rubles per US dollar).

Due to the fact that the imposition of sanctions against the Russian Federation has an indirect impact on the economy of the Republic of Kazakhstan, this was reflected in the change in the tenge exchange rate: the official tenge exchange rate of the NBRK against the US dollar rose to 487.75 tenge per 1 US dollar (as at 1 March 2022). In order to ease the pressure on tenge, on 24 February 2022, the Monetary Policy Committee of the NBRK made an extraordinary decision to raise the base rate to 13.5% with an interest corridor of +/-1 percentage point. On 27 February 2022, the NBRK announced that it would conduct currency interventions to "reduce the unjustified impact of excessive fluctuations of the ruble on the tenge". As at the date of signing of these consolidated financial statements, the exchange rate of tenge to one US dollar is 512.19 tenge.

In accordance with the decision of the General Meeting of shareholders dated 10 January 2022, it was decided to authorize the issue of 7,000,000 additional ordinary shares. On 16 March 2022, T.S. Ziraat Bankasi A.S., the main shareholder, made a payment in the amount of 7,000,000 thousand tenge.