Associated Bank Kazakhstan – Ziraat International Bank Joint Stock Company

Separate Financial Statements

for the year ended 31 December 2021

ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC

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ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

In preparing these separate 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 separate 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 Bank's operation; and
- assessment of the Bank'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 Bank;
- maintaining adequate accounting system, allowing the preparation of information about the Bank's financial position at any time with reasonable accuracy, and to ensure compliance of the separate 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 Bank; and
- detecting and preventing fraud and other irregularities.

The separate financial statements of the Bank 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 — Chief accountant

16 March 2022

Grant Thornton

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

T +7 (727) 311 13 40

almaty@kz.gt.com
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 separate financial statements of Associated Bank "Kazakhstan-Ziraat International Bank" JSC (hereinafter – the "Bank"), which comprise the separate statement of financial position as at 31 December 2021, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its 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 Separate 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 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 separate financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

ASSOCIATED BANK KAZAKHSTAN – ZIRAAT INTERNATIONAL BANK JSC

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

In thousands of tenge	*Notes*	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	6	37.745.423	52.774.882
Amounts due from other banks	7	1.076.701	1.050.771
Loans to customers	8	75.798.827	51.544.429
Property and equipment	9	10.882.025	10.733.298
Intangible assets	10	279.078	264.305
Investments	11	554.379	554.379
Other assets	12	6.298.928	5.319.601
TOTAL ASSETS		**132.635.361**	**122.241.665**
LIABILITIES			
Amounts due to credit institutions	13	5.102.162	2.554.498
Amounts due to customers	14	90.732.471	85.846.232
Current corporate income tax payable		110.010	1.695
Deferred corporate income tax liability	15	166.858	181.843
Other liabilities	16	734.943	607.795
TOTAL LIABILITIES		**96.846.444**	**89.192.063**
EQUITY			
Share capital	17	15.000.000	15.000.000
Retained earnings		18.916.705	16.175.893
Reserve funds	17	1.177.175	1.177.175
Revaluation reserve for property and equipment		695.037	696.534
TOTAL EQUITY		**35.788.917**	**33.049.602**
TOTAL LIABILITIES AND EQUITY		**132.635.361**	**122.241.665**

The accompanying notes on pages 5 to 53 are an integral part of these separate financial statements.

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

Murat Alkan — Chairman of the Management Board

Altynbekova Kuralay Bolatovna — Chief accountant

16 March 2022

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of tenge	*Notes*	2021	2020
Interest income calculated using effective interest rate	18	8.391.267	6.956.529
Other interest income	18	–	964.834
		8.391.267	**7.921.363**
Interest expense	18	(2.214.524)	(1.822.552)
Net interest income		**6.176.743**	**6.098.811**
Expected credit losses expense	19	(2.311.322)	(1.904.946)
Net interest income after expected credit losses expense		**3.865.421**	**4.193.865**
Net fee and commission income	20	822.506	703.127
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		180.968	48.985
Administrative and other operating expenses	21	(2.261.250)	(1.794.772)
Profit before corporate income tax expense		**3.567.723**	**3.965.982**
Corporate income tax expense	15	(828.408)	(799.327)
Profit for the year		**2.739.315**	**3.166.655**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Revaluation and depreciation of land and property and equipment (net of deferred corporate income tax – 11,571 thousand tenge)		–	46.284
Total items that will not be subsequently reclassified to profit or loss		–	46.284
Total other comprehensive income		–	**46.284**
Total comprehensive income for the year		**2.739.315**	**3.212.939**
Basic and diluted earnings per share (in tenge)	17	**182,62**	**211,11**

The accompanying notes on pages 5 to 53 are an integral part of these separate financial statements.

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

Murat Alkan — Chairman of the Management Board

Altynbekova Kuralay Bolatovna — Chief accountant

16 March 2022

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of tenge	*Notes*	Share capital	Reserve funds	Revaluation reserve for property and equipment	Retained earnings	Total equity
As at 31 December 2019	17	15.000.000	1.177.175	**518.527**	**13.140.961**	**29.836.663**
Profit for the year		–	–	–	3.166.655	**3.166.655**
Other comprehensive income		–	–	46.284	–	**46.284**
Total comprehensive income		–	–	**46.284**	**3.166.655**	**3.212.939**
Transfer to revaluation reserve for property and equipment		–	–	131.723	(131.723)	–
As at 31 December 2020	17	**15.000.000**	**1.177.175**	**696.534**	**16.175.893**	**33.049.602**
Profit for the year		–	–	–	2.739.315	**2.739.315**
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	2.739.315	**2.739.315**
Transfer of depreciation from revaluation reserve for property and equipment		–	–	(1.497)	1.497	–
As at 31 December 2021	17	**15.000.000**	**1.177.175**	**695.037**	**18.916.705**	**35.788.917**

The accompanying notes on pages 5 to 53 are an integral part of these separate financial statements.

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

Murat Alkan — Chairman of the Management Board

Altynbekova Kuralay Bolatovna — Chief accountant

16 March 2022

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of tenge	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		7.199.671	6.377.020
Interest paid		(2.168.827)	(1.234.545)
Fees and commissions received		991.750	793.656
Fees and commissions paid		(167.381)	(103.993)
Net gains from dealing in foreign currencies		955.075	690.485
Other income received		180.986	48.955
Personnel expenses paid		(839.139)	(818.088)
Administrative and other operating expenses paid		(1.096.618)	(682.991)
Cash flows from operating activities before changes in operating assets and liabilities		**5.055.499**	**5.070.499**
Net (increase)/decrease in operating assets			
Amounts due from other banks		(69.807)	(878.251)
Loans to customers		(24.246.480)	(7.107.529)
Other assets		(1.194.477)	(973.305)
Net increase/(decrease) in operating liabilities			
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		3.399.953	41.080.728
Other liabilities		91.673	30.834
Net (decrease)/increase of cash flows from operating activities before corporate income tax		**(14.443.013)**	**41.568.566**
Corporate income tax paid		(735.078)	(809.588)
Net cash (used in)/from operating activities		**(15.178.091)**	**40.758.978**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment and intangible assets		(324.193)	(319.914)
Proceeds from sale of property and equipment		–	30
Net cash flows used in investing activities		**(324.193)**	**(319.884)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(179.520)	(159.879)
Net cash flows used in financing activities		**(179.520)**	**(159.879)**
Effect of expected credit losses on cash and cash equivalents	6	782	4.137
Effect of exchange rate changes on cash and cash equivalents		651.563	2.203.920
Net (decrease)/increase in cash and cash equivalents		**(15.029.459)**	**42.487.272**
Cash and cash equivalents as at beginning of the year		52.774.882	10.287.610
Cash and cash equivalents as at the of the year	6	**37.745.423**	**52.774.882**

In 2021 and 2020, the Bank received building and land in the amount nil tenge and 9.129.415 thousand tenge as the prepayment 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 53 are an integral part of these separate financial statements.

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

Murat Alkan — Chairman of the Management Board

Altynbekova Kuralay Bolatovna — Chief accountant

16 March 2022

1. ORGANIZATIONAL STRUCTURE AND PRINCIPAL ACTIVIES

Associated Bank Kazakhstan – Ziraat International Bank Joint Stock Company (the "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 perform transfers of cash in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers.

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 8 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.

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

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
Total	100,00	100,00

2. BASIS OF PREPARATION THE SEPARATE FINANCIAL STATEMENT

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

The separate 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.

As at 31 December 2021 and 2020, the Bank has 100% share in two subsidiaries engaged in the field of stress asset management. For more information, see *Note 11*.

Controlled entities are not consolidated into these separate financial statements. Investments in controlled entities were accounted for at cost. These separate financial statements should be read in conjunction with the consolidated financial statements that were approved for issue by the Bank's management on 16 March 2022. The consolidated financial statements for the year ended 31 December 2021, prepared in accordance with IFRS and issued on 16 March 2022 can be obtained from the Bank's head office at address mentioned above.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

The Bank applied for the first-time certain amendments to the standards, which are effective for annual periods begun on or after 1 January 2021. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

"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 Bank has 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

In 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 Bank has not been granted any lease concessions related to the Covid-19 pandemic, but, if necessary, it plans to apply practical simplification within an acceptable period.

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognized on the trade date i.e. the date that the Bank 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (continued)

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"), transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Bank 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 Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank 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 amortized 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 amortized cost

The Bank only measures amounts due from credit institutions, loans to customers and other financial investments at amortized 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.

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Business model assessment

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

The Bank'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 Bank's assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (continued)

Initial measurement (continued)

Business model assessment (continued)

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 Bank’s original expectations, the Bank 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" (The SPPI test)

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

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which 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 Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the separate financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank’s liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortisation recognised in separate 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 Bank is obliged to provide a loan to the client on pre-agreed terms.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables under repurchase and reverse repurchase agreements and securities lending

Contracts for the sale and repurchase of securities ("repo" agreements) are recorded in the separate financial statements as secured financing transactions. Securities sold under repurchase agreements continue to be reflected in the separate 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.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank 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 separate 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 separate statement of financial position.

Fair value measurement

The Bank 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 Bank. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

The Bank 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 separate 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 separate financial statements on a recurring basis, the Bank 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.

Restructured loans

Where possible, the Bank 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 Bank 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 Bank 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 Bank records a modification gain or loss, presented within loss from modification of financial assets measured at amortized cost in the separate statement of profit or loss that are presented as a part of interest revenue calculated using the effective interest rate in the statement of profit or loss before an impairment loss is recognised.

For modifications not resulting in derecognition, the Bank also reassesses whether here 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment assessment

The Bank 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.

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 Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank combines its loans into the following groups:

Stage 1:	When loans are first recognised, the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment assessment (continued)

Definition of default and cure (continued)

Such events include:

- renegotiation of the loan due to deterioration of 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 Bank'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 separate financial reporting purposes.

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 utilized. Deferred corporate income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized 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 Bank's activities. These taxes are recorded within administrative and other operating expenses in the separate 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 12mortizati within profit or loss. In which case the increase is 12mortizati in the profit or loss. A revaluation deficit is 12mortizati 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 Bank has also elected not to transfer the revaluation surplus to retained earnings in relation to actual use of respective asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

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 capitalization.

Leases

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognizes 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 recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If the Bank does not have sufficient assurance that it will obtain title to 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 asset's estimated useful life or the lease term. Right-of-use assets are tested for impairment.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

To calculate the present value of lease payments, the Bank 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 liabilities 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 liability is revalued.

Short-term leases and leases of low-value assets

The Bank 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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

The Bank 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 Bank has the option, under some of its leases to lease the assets for additional terms of three to five years. The Bank 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 Bank 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).

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.

Assets classified as held for sale

The Bank 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 Bank'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 Bank 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. The Bank recognizes an impairment loss for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement and other employee benefit obligations

The Bank does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Bank has no significant post-employment benefits.

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 a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorized for issue.

Segment reporting

The Bank'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 separate statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. Contingent assets are not recognized in the separate statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

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

Interest and similar income and expenses

The Bank 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 Bank 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 Bank 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 Bank 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

For purchased or originated credit-impaired (POCI) financial assets, the Bank 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 separate statement of comprehensive income.

Fee and commission income

The Bank earns fee and commission income from a diverse range of 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 of time 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 Bank’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 separate financial statements are presented in tenge, which is the Bank’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 separate 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 on 31 December 2021 and 2020, were 431.8 tenge and 420.91 tenge to 1 US dollar, respectively.

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 Bank's separate financial statements are disclosed below. The Bank 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 Bank is currently in the process of assessing the impact of adopting IFRS 17 on its separate 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.

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 Bank 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. These amendments are not expected to have an impact on the Bank's separate 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. 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 Bank 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 an impact on the Bank's separate 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 Bank's standalone financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

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.

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 Bank 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. The amendments are not expected to have a material impact on the separate financial statements of the Bank.

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 Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the separate 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 both 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 Bank'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 Bank'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 22*.

5. SEGMENT INFORMATION

Operating segments are components of the Bank 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 Bank is the operating decision maker of the Bank.

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

The Bank 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 Bank also conducts retail banking transactions that represent private banking services, private customer current accounts, savings, deposits, consumer loans.

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 2021 and for the year ended on that date is set out below:

In thousands of tenge	*Corporate banking*	*Retail banking*	*Total*
Assets			
Cash and cash equivalents	37.745.423	–	**37.745.423**
Due from other banks	1.076.701	–	**1.076.701**
Loans to customers	74.761.366	1.037.247	**75.798.827**
Total assets of reportable segments	**113.583.704**	**1.037.247**	**114.620.951**
Unallocated amounts			**18.014.410**
Total assets			**132.635.361**
Liabilities			
Amounts due to credit institutions	5.102.162	–	**5.102.162**
Amounts due to customers	77.815.220	12.917.251	**90.732.471**
Total liabilities of reportable segments	**82.917.382**	**12.917.251**	**95.834.633**
Unallocated amounts			**1.011.811**
Total liabilities			**96.846.444**

In thousands of tenge	*Corporate banking*	*Retail banking*	*Total*
Interest income calculated using effective interest rate	8.020.567	370.700	**8.391.267**
Interest expense	(1.884.590)	(329.934)	**(2.214.524)**
Net interest income	**6.135.977**	**40.766**	**6.176.743**
Expected credit losses expense	(2.417.688)	106.366	**(2.311.322)**
Net interest income after expected credit losses expense	**3.718.289**	**147.132**	**3.865.421**
Fee and commission income	751.461	238.426	**989.887**
Fee and commission expense	(167.381)	–	**(167.381)**
Net gains from transactions in foreign currencies			
- dealing	955.075	–	**955.075**
- translation differences	2.141	–	**2.141**
Gain from derecognition of financial assets measured at amortized cost	13.164	–	**13.164**
Loss on initial recognition of financial assets measured at amortized cost	(2.618)	(7.684)	**(10.302)**
Other income	180.968	–	**180.968**
Administrative and other operating expenses	(2.260.799)	(451)	**(2.261.250)**
Segment results	**3.190.300**	**377.423**	**3.567.723**
Corporate income tax expense			**(828.408)**
Profit for the year			**2.739.315**

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:

In thousands of tenge	*Corporate banking*	*Retail banking*	*Total*
Assets			
Cash and cash equivalents	52.774.882	–	**52.774.882**
Amounts due from other banks	1.050.771	–	**1.050.771**
Receivables under reverse repurchase agreements	–	–	–
Loans to customers	50.130.872	1.413.557	**51.544.429**
Total assets of reportable segments	**103.956.525**	**1.413.557**	**105.370.082**
Unallocated amounts			**16.871.583**
Total assets			**122.241.665**
Liabilities			
Amounts due to credit institutions	2.554.498	–	**2.554.498**
Amounts due to customers	76.921.919	8.924.313	**85.846.232**
Total liabilities of reportable segments	**79.476.417**	**8.924.313**	**88.400.730**
Unallocated amounts			**791.333**
Total liabilities			**89.192.063**

In thousands of tenge	*Corporate banking*	*Retail banking*	*Total*
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)**
Net interest income	**5.793.436**	**305.375**	**6.098.811**
Expected credit losses expense	(1.897.249)	(7.697)	**(1.904.946)**
Net interest income after expected credit losses expense	**3.896.187**	**297.678**	**4.193.865**
Fee and commission income	615.376	191.744	**807.120**
Fee and commission expense	(103.993)	–	**(103.993)**
Net gains from transactions in foreign currencies:			
- trading operations	690.485	–	**690.485**
- revaluation of currency items	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)**
Gain from financial assets measured at fair value through profit or loss	74.045	–	**74.045**
Other income	48.985	–	**48.985**
Administrative and other operating expenses	(1.794.546)	**(226)**	**(1.794.772)**
Segment results	**3.476.786**	**489.196**	**3.965.982**
Corporate income tax expense			**(799.327)**
Profit for the year			**3.166.655**

Income of the Bank, other than interest income from deposits with other banks, is generated in the Republic of Kazakhstan. Geographic areas of the Bank's activities are presented in *Note 22* to these separate 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 Bank has no customers, which would bring more than ten percent of the total income earned in 2021 and 2020.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

In thousands of tenge	**31 December 2021**	**31 December 2020**
Current accounts with the NBRK	**7.931.442**	7.477.784
Current accounts with other banks	**5.934.931**	4.187.065
Time deposits with credit institutions up to 90 days	**7.139.493**	39.985.436
Cash on hand	**1.714.163**	1.126.126
Reverse repurchase agreements	**15.026.141**	**–**
Total cash and cash equivalents	**37.746.170**	**52.776.411**
Less ECL allowance	**(747)**	(1.529)
Total cash and cash equivalents	**37.745.423**	**52.774.882**

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:

In thousands of tenge	**Stage 1**
As at 31 December 2019	**(5.666)**
Change in ECL for the year	4.029
Foreign exchange differences	108
As at 31 December 2020	**(1.529)**
Change in ECL for the year	**858**
Foreign exchange differences	**(76)**
As at 31 December 2021	**(747)**

Collateral

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

In thousand tenge	**31 December 2021**	**31 December 2020**
Note of the National Bank of Republic of Kazakhstan	8.435.200	–
Eurobonds of the Ministry of finance of the Republic of Kazakhstan	3.984.000	–
Eurobonds of the Eurasian Bank	3.339.000	–
	15.758.200	**–**

Minimum reserve requirements

Under Kazakh legislation, the Bank is required to maintain reserve assets, which are computed as a percentage of certain liabilities of the Bank. 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

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

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

7. AMOUNTS DUE FROM OTHER BANKS (CONTINUED)

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

8. LOANS TO CUSTOMERS

Loans to customers comprise of the following:

	31 December 2021	31 December 2020
Loans to small and medium businesses	**66.824.723**	43.614.812
Loans to major customers	**15.160.204**	11.461.124
Mortgage loans	**960.850**	1.205.198
Consumer loans	**211.351**	429.282
	83.157.128	**56.710.416**
Less ECL allowance	**(7.358.301)**	(5.165.987)
Loans to customers at amortised cost	**75.798.827**	**51.544.429**
Total loans to customers	**75.798.827**	**51.544.429**

As at 31 December 2021 and 2020, the Bank 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:

Loans to major customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2021	**5.391.472**	**6.069.652**	–	**11.461.124**
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
As at 31 December 2021	**3.632.155**	**3.719.466**	**7.808.583**	**15.160.204**

Loans to major customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**(92.709)**	**(142.541)**	–	**(235.250)**
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)	(49.070)
As at 31 December 2021	**(25.502)**	**(29.662)**	**(1.400.315)**	**(1.455.479)**

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 2021 is as follows:

Loans to small and medium businesses	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2021	**14.223.790**	**15.085.497**	**14.305.525**	**43.614.812**
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
As at 31 December 2021	**46.643.715**	**6.507.933**	**13.673.075**	**66.824.723**

Loans to small and medium businesses	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**(182.651)**	**(204.199)**	**(4.322.964)**	**(4.709.814)**
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)
As at 31 December 2021	**(389.189)**	**(252.027)**	**(5.126.652)**	**(5.767.868)**

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:

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2021	**58.668**	**73.830**	**296.784**	**429.282**
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
As at 31 December 2021	**60.313**	**7.706**	**143.332**	**211.351**

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**(460)**	**(391)**	**(128.183)**	**(129.034)**
New assets originated or purchased	(9.555)	–	–	(9.555)
Transfers to other categories	102	7.707	60.783	68.592
Assets repaid (excluding write offs)	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)
As at 31 December 2021	**(504)**	**(70)**	**(77.357)**	**(77.931)**

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 2021 is as follows:

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2021	**574.279**	**399.416**	**231.503**	**1.205.198**
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)
As at 31 December 2021	**550.812**	**313.449**	**96.589**	**960.850**

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**(1.257)**	**(8.450)**	**(82.182)**	**(91.889)**
New assets originated or purchased	(2.911)	–	–	(2.911)
Transfers from other categories	(102)	(7.707)	(60.783)	(68.592)
Assets repaid (excluding write offs)	195	39	104.043	104.277
Transfers to Stage 1	(1.743)	446	1.297	–
Transfers 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)
As at 31 December 2021	**(3.109)**	**(46.566)**	**(7.348)**	**(57.023)**

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:

Loans to major customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2020	**4.671.183**	**19.057**	**–**	**4.690.240**
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)
As at 31 December 2020	**5.391.472**	**6.069.652**	**–**	**11.461.124**

Loans to major customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**(22.449)**	**(322)**	**–**	**(22.771)**
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	946	–	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)
As at 31 December 2020	**(92.709)**	**(142.541)**	**–**	**(235.250)**

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:

Loans to small and medium businesses	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2020	**24.636.439**	**4.081.497**	**10.832.980**	**39.550.916**
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)	(1.252.845)	(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)	1.644.697	1.099.419
As at 31 December 2020	**14.223.790**	**15.085.497**	**14.305.525**	**43.614.812**

Loans to small and medium businesses	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**(619.863)**	**(82.857)**	**(2.101.931)**	**(2.804.651)**
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)
As at 31 December 2020	**(182.561)**	**(204.199)**	**(4.322.964)**	**(4.709.814)**

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

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2020	**1.113.804**	**185.963**	**232.720**	**1.532.487**
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
As at 31 December 2020	**58.668**	**73.830**	**296.784**	**429.282**

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 2020 is as follows:

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**(33.892)**	**(3.680)**	**(49.260)**	**(86.832)**
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)
ECL as at 1 January 2020	**(460)**	**(391)**	**(128.183)**	**(129.034)**

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:

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2020	**1.236.080**	**255.596**	**143.720**	**1.635.396**
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)
As at 31 December 2020	**574.279**	**399.416**	**231.503**	**1.205.198**

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**(30.690)**	**(16.827)**	**(50.430)**	**(97.947)**
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)
As at 31 December 2020	**(1.257)**	**(8.450)**	**(82.182)**	**(91.889)**

Modified and restructured loans

The Bank 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 Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

8. LOANS TO CUSTOMERS (CONTINUED)

Modified and restructured loans (continued)

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 Bank.

In thousands of tenge	2021	2020
Gross carrying amount of loans modified during the year	**13.895.404**	1.346.432
Amortized cost before modification	**8.872.647**	889.284
Net modification loss	**(5.362)**	(12.723)

Collateral and other credit enhancements

The amount and type of collateral required by the Bank 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 accounts receivable;
- for retail lending – charges over residential properties.

The Bank 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 absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December 2021 and 2020 would have been higher by:

In thousands of tenge	31 December 2021	31 December 2020
Loans to small and medium businesses	**8.546.423**	9.982.561
Consumer loans	**65.975**	168.601
Mortgage loans	**89.241**	149.321
	8.701.639	**10.300.483**

During the year, the Bank took possession of different assets in exchange of debts of respective borrowers. The Bank is in the process of selling of those assets. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. Generally, the Bank does not occupy repossessed properties for business use. The carrying value of the assets repossessed during the period and held as at the reporting date is as follows:

In thousands of tenge	31 December 2021	31 December 2020
Land	3.503.660	3.746.749
Buildings	787.222	839.245
Total repossessed collateral	**4.290.882**	**4.585.994**

During 2021 and 2020 the Bank 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 Bank had ten major borrowers, which accounted for 66% (31 December 2020: 69%) of the total amount of loan to customers before allowance 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).

8. LOANS TO CUSTOMERS (CONTINUED)

Concentration of loans to customers (continued)

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

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

Loans to individuals represented by consumer and mortgage lending.

9. PROPERTY AND EQUIPMENT

The movements in property and equipment were as follows:

In thousands of tenge	Land	Buildings and constructions	Office and computer equipment	Vehicles	Other	Right-of-use assets	Total
Cost							
As at 31 December 2019	558.716	578.819	24.745	1.525	226.802	488.070	1.878.677
Additions	167.098	8.992.138	15.324		66.427	119.884	9.360.871
Disposals	--	–	(12.092)	–	(34.583)	(49.749)	(96.424)
Impact of revaluation	28.555	6.533	–	–	–	–	35.088
As at 31 December 2020	**754.369**	**9.577.490**	**27.977**	**1.525**	**258.646**	**558.205**	**11.178.212**
Additions	–	–	70.122	–	31.502	331.856	433.480
Disposals	–	(46.319)	(10.929)	–	(23.945)	(162.324)	(243.517)
As at 31 December 2021	**754.369**	**9.531.171**	**87.170**	**1.525**	**266.203**	**727.737**	**11.368.175**
Accumulated depreciation							
As at 31 December 2019	–	(78.705)	(15.214)	–	(101.454)	(137.857)	(333.230)
Depreciation charge for the year	–	(42.273)	(8.286)	–	(40.543)	(139.773)	(230.875)
Disposals	–	–	12.092	–	34.583	49.749	96.424
Impact of revaluation		22.767	–	–	–	–	22.767
As at 31 December 2020	–	**(98.211)**	**(11.408)**	–	**(107.414)**	**(227.881)**	**(444.914)**
Depreciation charge for the year	–	(34.317)	(29.841)	–	(51.996)	(141.514)	(257.668)
Disposals	–	46.319	10.929	–	16.660	142.524	216.432
As at 31 December 2021	–	**(86.209)**	**(30.320)**	–	**(142.750)**	**(226.871)**	**(486.150)**
Net book value							
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	754.369	9.479.279	16.569	1.525	151.232	330.322	10.733.298
As at31 December 2021	**754.369**	**9.444.962**	**56.850**	**1.525**	**123.453**	**500.866**	**10.882.025**

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 Bank amounted to 110.332 thousand tenge (on 31 December 2020: 195.263 thousand tenge).

10. INTANGIBLE ASSETS

The movements in intangible assets are presented as follows:

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

11. INVESTMENTS

As at 31 December 2021 and 2020, investments include the follows:

In thousands of tenge	**31 December 2021**	**31 December 2020**
Investments in subsidiaries	**547.378**	547.378
KASE shares	**7.001**	7.001
Total share-based payments	**554.379**	**554.379**

As at 31 December 2021, the Bank had the following subsidiaries, which were accounted for at cost:

In thousands of tenge	**31 December 2021**		**31 December 2020**	
	Ownership share, %	**Book value**	**Ownership share, %**	**Book value**
Stressed Assets Management Organization of Kazakhstan-Ziraat International - 1 LLP	**100,00**	**204.277**	100,00	204.277
Stressed Assets Management Organization of Kazakhstan Ziraat International – 2 LLP	**100,00**	**343.101**	100,00	343.101
Total investments in subsidiaries		**547.378**		**547.378**

On 24 January 2020, the Bank transferred assets in the amount of 204.277 thousand tenge to a subsidiary Stressed Assets Management Organization of Kazakhstan-Ziraat International - 1 LLP (SAMO of KZI-1 LLP) as a contribution to the charter capital.

In 2020, the Bank established Stressed Assets Management Organization of Kazakhstan-Ziraat International-2 LLP (SAMO of KZI-2 LLP) based on the Agency's Decision No. 100 of 19 October 2020. On 8 December 2020, the Bank transferred assets in the amount of 343.101 thousand tenge to a subsidiary of SAMO of KZI-2 LLP as a contribution to the charter capital.

12. OTHER ASSETS

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

In thousands of tenge	31 December 2021	31 December 2020
Restricted funds in the KASE accounts	272.008	150.000
Other debtors on banking activities	285.753	18.085
Fees and commissions receivable	25.403	26.768
	583.164	**194.853**
Less: allowance for ECL	(250.937)	–
Other financial assets	**332.227**	**194.853**
Repossessed 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	97.073
Other	147.817	197.834
Other non-financial assets	**5.966.701**	**5.124.748**
Other assets	**6.298.928**	**5.319.601**

As at 31 December 2021 and 2020, repossessed collaterals comprise properties received by the Bank as settlement of loan obligations by borrowers. Although the Bank 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.

In 2021, the Bank did not transfer the repossessed collateral to subsidiaries. In 2020 transferred the repossessed collateral to SAMO KZI-1 LLP in amount of 204.277 thousand tenge and to SAMO KZI-2 LLP in amount of 343.101 thousand tenge.

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

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

13. AMOUNTS DUE TO CREDIT INSTITUTIONS

As at 31 December 2021 and 2020. amounts due to credit institutions comprise of the following:

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

13. AMOUNTS DUE TO CREDIT INSTITUTIONS (CONTINUED)

As at 31 December 2021, the Bank 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-annualy.

14. AMOUNTS DUE TO CUSTOMERS

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

In thousands of tenge	**31 December 2021**	**31 December 2020**
Time deposits	44.704.263	59.402.043
Current accounts	46.028.208	26.444.189
Amounts due to customers	**90.732.471**	**85.846.232**
Including amounts held as security against guarantees (Note 22)	**471.025**	**287.779**

As at 31 December 2021, the Bank 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 2020 was 51.689.145 thousand tenge (31 December 2020: 60.733.872 thousand tenge).

In thousands of tenge	**31 December 2021**	**31 December 2020**
Time deposits		
Legal entities	34.447.176	53.131.815
Individuals	7.785.921	4.495.245
State and public organizations	2.471.166	1.727.037
Current accounts		
Legal entities	40.495.460	21.751.326
Individuals	5.131.330	4.429.068
State and public organizations	401.418	311.741
Amounts due to customers	**90.732.471**	**85.846.232**

In accordance with the Civil Code of the Republic of Kazakhstan, the Bank 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.

Below is the breakdown of due to customers by categories:

In thousands of tenge	**31 December 2021**	**31 December 2020**
Legal entities:		
Construction	28.264.979	16.179.767
Trade and services	17.652.766	35.560.605
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	3.672.312	3.590.062
Individuals	12.917.251	8.924.313
Amounts due to customers	**90.732.471**	**85.846.232**

15. TAXATION

The corporate income tax expense (CIT) comprises:

In thousands of tenge	**2021**	**2020**
Current CIT	843.393	800.756
Deferred CIT benefit – origination and reversal of temporary differences	(14.985)	(1.429)
CIT expense	**828.408**	**799.327**

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

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

In thousands of tenge	**2021**	**2020**
Profit before corporate income tax expense	3.567.723	3.965.982
Statutory tax rate	20%	20%
Theoretical corporate income tax at the statutory rate	**713.545**	**793.196**
Non-taxable income from decrease of allowance for impairment	–	(6.056)
Non-deductible administrative and other operating expenses	17.495	20.458
Changes in non-deductible/non-taxable allowance for tax purposes	7.361	(10.178)
Other permanent differences	90.007	1.907
Corporate income tax expense	**828.408**	**799.327**

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

In thousands of tenge	**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 other comprehensive income**	**31 December 2021**
Tax effect of deductible temporary differences						
Other liabilities	9.462	(9.462)	–	–	–	–
Deferred CIT assets	**9.462**	**(9.462)**	–	–	–	–
Tax effect of taxable temporary differences						
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)**
Deferred CIT liabilities	**(181.163)**	**10.891**	**(11.571)**	**(181.843)**	**14.985**	**(166.858)**
Net deferred CIT asset/(liability)	**(171.701)**	**1.429**	**(11.571)**	**(181.843)**	**14.985**	**(166.858)**

16. OTHER LIABILITIES

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

In thousands of tenge	31 December 2021	31 December 2020
Lease liabilities	534.769	361.024
Advance payments of interest on loans issued	39.795	96.089
Obligations on guarantees issued	30.358	23.920
Other accounts payable	–	38
Other financial liabilities	**604.922**	**481.071**
Taxes other than corporate income tax payable	57.023	55.633
Unused vacations reserve	38.466	43.196
Provision for losses on contingent liabilities (Note 22)	20.400	19.253
Other liabilities	14.132	8.642
Other non-financial liabilities	**130.021**	**126.724**
Other liabilities	**734.943**	**607.795**

17. EQUITY

Share capital

As at 31 December 2021 and 2020, the total amount of authorised, issued and fully paid common shares of the Bank 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 Bank did not declare or pay dividends.

Nature and purpose of other reserves

Reserve funds

As at 31 December 2021, the Bank 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 Bank'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 Bank 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 Bank 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:

In thousands of tenge	2021	2020
Net profit for the year attributable to the shareholders of the Bank	2.739.315	3.166.655
Weighted average number of common shares for basic and diluted earnings per share computation	15.000.000	15.000.000
Basic and diluted earnings per share (in tenge)	**182,62**	**211,11**

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

18. INTEREST INCOME AND INTEREST EXPENSE

Net interest income comprises the following:

In thousands of tenge	**2021**	**2020**
Loans to customers	7.111.178	5.950.384
Amounts due from other banks	946.745	547.146
Receivables under reverse repurchase agreements	333.344	458.999
Interest income calculated using the effective interest rate	**8.391.267**	**6.956.529**
Loans to customers measured at FVPL	–	934.560
Securities	–	30.274
Other interest income	**–**	**964.834**
Interest income	**8.391.267**	**7.921.363**
Amounts due to customers	(1.907.860)	(1.676.950)
Amounts due to credit institutions	(265.456)	(113.124)
Lease liabilities	(41.208)	(32.478)
Interest expense	**(2.214.524)**	**(1.822.552)**
Net interest income	**6.176.743**	**6.098.811**

19. EXPECTED CREDIT LOSSES EXPENSE

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

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

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

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

20. NET COMMISSION INCOME

Net fee and commission income comprises:

In thousands of tenge	**2021**	**2020**
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	35.941	31.299
Safe transactions	5.540	4.972
Other	24.119	10.192
Fee and commission income	**989.887**	**807.120**
Settlement operations	(82.224)	(80.233)
Payment system commission expenses	(57.227)	(13.804)
Other	(27.930)	(9.956)
Fee and commission expense	**(167.381)**	**(103.993)**
Net fee and commission income	**822.506**	**703.127**

21. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative and other operating expenses comprise:

In thousands of tenge	2021	2020
Salaries and bonuses	759.314	752.592
Taxes, other than corporate income tax	285.818	209.505
Depreciation of property and equipment *(Note 9)*	257.668	230.875
Building maintenance expenses	197.281	–
Technical support and software	196.304	166.811
Professional services	88.248	34.862
Social security contributions	74.977	74.337
Amortisation of intangible assets *(Note 10)*	72.555	54.072
Security	69.474	73.911
Communication and information services	47.050	39.633
Deposit insurance	42.564	29.539
Maintenance of buildings	38.817	41.977
Membership fees	19.250	15.320
Office supplies	17.708	7.706
Travel expenses	11.375	7.366
Insurance	11.241	2.197
Encashment	8.100	10.485
Vehicles	5.492	5.068
Advertising and marketing	2.717	1.822
Medical supplies	1.767	5.373
Other	53.530	31.321
Administrative and other operating expenses	**2.261.250**	**1.794.772**

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 Bank's future financial position, results of operations and business prospects. The management of the Bank believes that it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

Legal actions and claims

In the ordinary course of business, the Bank is subject to legal actions and complaints. The Bank believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or results of operations of the Bank.

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its separate 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 separate financial statements for any of the above described contingent liabilities.

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 Bank believes that it has paid or accrued all taxes that are applicable. Where practice concerning tax application is unclear, the Bank has accrued tax provisions based on management's best estimate. The Bank'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 on 31 December 2021. Although such amounts are possible and may be material, it is the opinion of the Bank's management that these amounts are either not probable, not reasonably determinable, or both.

Commitments and contingencies

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

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

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The undrawn loan commitments stipulate the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavourable to the Bank 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:

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

23. RISK MANAGEMENT

Introduction

Risk is inherent in the Bank's activities. The Bank 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 Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, which in turn is subdivided into risk associtaed with trading operations and risk associated with non-trading activities. It is also subject to operating risks.

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

Risk management process comprises identification, measuring, control and limitation of risks that are carried out by the Bank 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 Bank.

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

Bank Treasury

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

Internal audit

Risk management processes throughout the Bank are audited annually by the internal audit that examines both the adequacy of the procedures and the Bank'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 Bank'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 Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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 Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries.

In addition, the Bank 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 Bank, 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 Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

The Bank 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 Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank'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 Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank 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 Bank 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 Bank 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 Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

The carrying amount of components of the separate 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.

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 Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker dealers, exchanges and clearinghouses. To assess such relationships the Bank analyses publicly available information, such as separate financial statements, and data from other external sources, such as external ratings.

Commercial and small business lending

In case of commercial lending, the 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 Bank and the complexity and size of the customer. Some less difficult loans to small businesses are rated by the Bank 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 initial data used in the models are the following: the facts of write-offs on payment requirements-orders from other banks and government agencies, a 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 cost of collateral.

23. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The amount at risk of default

The amount at risk of default (EAD) is the gross carrying amount of financial instruments subject to impairment assessment and reflects both the client's ability to increase its debt when approaching default and the possibility of early repayment. To calculate the EAD for Stage 1 loans, the Bank estimates the probability of default within 12 months to estimate the 12-month ECL. For Stage 2, Stage 3 and PSCO assets of financial assets, the EAD indicator is considered for events that may occur throughout the life of the instrument.

The level of losses in default

In case of commercial lending, LGD values are assessed at least quarterly and reviewed and approved by the Bank’s Budgeting, Performance Analysis and Risk Management Department.

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates consider the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics, as well as borrower characteristics.

Significant increase in credit risk

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

The Bank 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 Bank 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 Bank calculates ECLs either on a collective or on an individual basis.

Asset classes where the Bank 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 Bank 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 it’s ECLs calculation models the Bank 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 separate financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

23. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Forward-looking information and multiple economic scenarios (continued)

The Bank 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.

Key drivers	ECL scenario	Assigned probabilities, %	2022	2023	2024	Subsequent years
GDP growth, %						
	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%
Growth in nominal cash income, %						
	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%
Unemployment rate, %						
	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%
Inflation, %						
	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%
Nominal prices in the housing market, tenge thousand/sq.m.						
	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 Bank’s financial assets and liabilities as at 31 December 2021:

In thousands of tenge	Kazakhstan	OECD countries	Non-OECD countries	Total
Assets				
Cash and cash equivalents	31.243.716	6.044.355	457.352	**37.745.423**
Due from other banks	–	–	1.076.701	**1.076.701**
Investments	554.379	–	–	**554.379**
Loans to customers	61.519.423	12.061.332	2.218.072	**75.798.827**
Other financial assets	332.227	–	–	**332.227**
Total financial assets	**93.649.745**	**18.105.687**	**3.752.125**	**115.507.557**
Liabilities				
Amounts due to credit institutions	5.102.162	–	–	**5.102.162**
Amounts due to customers	87.871.278	2.766.502	94.691	**90.732.471**
Other financial liabilities	604.922	–	–	**604.922**
Total financial liabilities	**93.578.362**	**2.766.502**	**94.691**	**96.439.555**

23. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Forward-looking information and multiple economic scenarios (continued)

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

In thousands of tenge	**Kazakhstan**	**OECD countries**	**Non-OECD countries**	**Total**
Assets				
Cash and cash equivalents	46.560.398	4.212.066	2.002.418	**52.774.882**
Due from other Banks	–	–	1.050.771	**1.050.771**
Investments	554.379	–	–	**554.379**
Loans to customers	44.405.393	4.659.559	2.479.477	**51.544.429**
Other financial assets	194.853	–	–	**194.853**
Total financial assets	**91.715.023**	**8.871.625**	**5.532.666**	**106.119.314**
Liabilities				
Amounts due to other banks	1.520.246	–	1.034.252	**2.554.498**
Amounts due to customers	83.730.378	1.903.162	212.692	**85.846.232**
Other financial liabilities	500.324	–	–	**500.324**
Total financial liabilities	**85.750.948**	**1.903.162**	**1.246.944**	**88.901.052**

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the management has arranged diversified funding sources in addition to its core deposit base. Also, it manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Banks monitors a number of internal liquidity indicators in a daily basis. The Bank's Treasury Department manages short-term liquidity on an on-going basis using cash position and portfolio of highly marketable securities.

The Bank is obliged to comply with liquidity requirements established by the regulators including requirements of the NBRK represented by obligatory norms. The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Bank'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 Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

As at 31 December 2021	**On demand**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Financial liabilities						
Amounts due to credit institutions	–	–	–	–	8.097.049	**8.097.049**
Amounts due to customers	45.556.220	3.963.934	40.651.212	2.745.570	199.718	**93.116.654**
Other financial liabilities	556.128	17.452	22.572	17.249	2.922	**625.323**
Total undiscounted financial liabilities	**46.121.348**	**3.981.386**	**40.673.784**	**2.762.819**	**8.299.689**	**101.830.026**

23. RISK MANAGEMENT (CONTINUED)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

As at 31 December 2020	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities						
Amounts due to other banks	–	–	1.040.305	–	2.624.412	**3.664.717**
Amounts due to customers	26.499.699	2.111.445	59.776.169	354.087	2.799.398	**91.540.798**
Other financial liabilities	457.152	8.081	28.347	6.745	–	**500.325**
Total undiscounted financial liabilities	**26.956.851**	**2.119.526**	**60.844.821**	**360.832**	**5.423.810**	**95.705.840**

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 Bank'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.

In thousands of tenge	Less than 3 months	From 3 months to 1 year	1 to 5 years	Over 5 years	Total
2021	**307.007**	**6.087.218**	**16.531.602**	**7.183.752**	**30.109.580**
2020	136.023	4.493.155	10.806.866	5.486.388	**20.922.432**

The Bank 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 Bank 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 Bank 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 Bank performs its ordinary activities. Risk of losses arises due to revaluation of bank's position in foreign currencies in monetary terms. The Bank's management establishes limits with respect to minimum level of accepted risk by currencies and monitors the compliance with those limits on a daily basis.

The tables below indicate the currencies to which the Bank 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 separate income statement (due to the fair value of currency sensitive certain monetary assets and liabilities). All other parameters are held constant.

23. RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Currency risk (continued)

A negative amount in the table reflects a potential net reduction in the separate statement of comprehensive income, while a positive amount reflects a net potential increase:

In thousands of tenge	2021		2020	
Currency	*Change in currency rate, in %*	*Effect on profit before tax*	*Change in currency rate, in %*	*Effect on profit before tax*
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%	(7,909)
	-0,48%	(2.889)	–1,26%	7.425

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

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

In thousands of tenge	*Tenge*	*US Dollar*	*Russian Rouble*	*Euro*	*Other Currency*	*Total*
Assets						
Cash and cash equivalents	23.793.602	12.586.223	30.939	1.324.573	10.086	**37.745.423**
Amounts due from other banks	–	1.076.701	–	–	–	**1.076.701**
Investments	554.379	–	–	–	–	**554.379**
Loans to customers	39.718.668	34.780.350	–	1.299.809	–	**75.798.827**
Other financial assets	78.448	252.618	10	1.144	7	**332.227**
Total financial assets	**64.145.097**	**48.695.892**	**30.949**	**2.625.526**	**10.093**	**115.507.557**
Liabilities						
Amounts due to credit institutions	5.102.162	–	–	–	–	**5.102.162**
Amounts due to customers	39.936.725	48.083.247	51.105	2.655.066	6.328	**90.732.471**
Other financial liabilities	614.882	10.201	–	239	–	**625.322**
Total financial liabilities	**45.653.769**	**48.093.448**	**51.105**	**2.655.305**	**6.328**	**96.459.955**
Net balance sheet position	**18.491.328**	**602.444**	**(20.156)**	**(29.779)**	**3.765**	**19.047.602**

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

In thousands of tenge	*Tenge*	*US Dollar*	*Russian Rouble*	*Euro*	*Other Currency*	*Total*
Assets						
Cash and cash equivalents	25.101.899	26.106.736	1.101.477	430.127	34.643	**52.774.882**
Amounts due from other banks	–	1.050.771	–	–	–	**1.050.771**
Investments	554.379	–	–	–	–	**554.379**
Loans to customers	30.633.641	19.126.006	–	1.784.782	–	**51.544.429**
Other financial assets	194.853	–	–	–	–	**194.853**
	56.484.772	**46.283.513**	**1.101.477**	**2.214.909**	**34.643**	**106.119.314**
Liabilities						
Amounts due to credit institutions	1.520.918	–	–	1.033.580	–	**2.554.498**
Amounts due to customers	36.693.162	46.850.848	1.103.506	1.184.879	13.837	**85.846.232**
Other financial liabilities	475.355	20.389	318	4.262	–	**500.324**
	38.689.435	**46.871.237**	**1.103.824**	**2.222.721**	**13.837**	**88.901.054**
Net balance sheet position	**17.795.337**	**(587.724)**	**(2.347)**	**(7.812)**	**20.806**	**17.218.260**

23. RISK MANAGEMENT (CONTINUED)

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 Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank 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 MEASURMENT

Fair value measurement procedures

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

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

At each reporting date, management of the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, management of the Bank 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 Bank, 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 conducted by the Bank's management, the fair value of office buildings and land did not change significantly during 2021, therefore, as at 31 December 2021, the Bank did not reflect the revaluation of office buildings and land in the separate financial statements.

Fair value hierarchy

The Bank 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 Bank 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.

25. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value hierarchy (continued)

		Fair value measurement with the use of			
2021	*Date of measurement*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value					
Property and equipment – land and buildings	31 December 2021	–	–	10.285.541	**10.285.541**
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2021	37.745.423	–	–	**37.745.423**
Investments	31 December 2021	554.379	–	–	**554.379**
Loans to customers	31 December 2021	–	76.117.986	–	**76.117.986**
Other financial assets	31 December 2021	–	332.227	–	**332.227**
Liabilities for which fair values are disclosed					
Amount due to credit institutions	31 December 2021	–	5.396.252	–	**5.396.252**
Amounts due to customers	31 December 2021	–	91.570.842	–	**91.570.842**
Other financial liabilities	31 December 2021	–	625.322	–	**625.322**

		Fair value measurement with the use of			
2020	*Date of measurement*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value					
Property and equipment – land and buildings	31 December 2020	–	–	10.210.879	**10.210.879**
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2020	52.774.882	–	–	**52.774.882**
Investments	31 December 2020	554.379	–	–	**554.379**
Loans to customers	31 December 2020	–	51.917.668	–	**51.917.668**
Other financial assets	31 December 2020	–	194.853	–	**194.853**
Liabilties for which fair values are disclosed		–	–		
Amount due to credit institutions	31 December 2020	–	2.673.785	–	**2.673.785**
Amounts due to customers	31 December 2020	–	86.127.901	–	**86.127.901**
Other financial liabilities	31 December 2020	–	500.324	–	**500.324**

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the separate statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2021			*2020*		
In thousands of tenge	*Carrying amount*	*Fair value*	*Unrecognised gain/(loss)*	*Carrying amount*	*Fair value*	*Unrecognised gain/(loss)*
Financial assets						
Cash and cash equivalents	37.745.423	37.745.423	–	52.774.882	52.774.882	–
Investments	554.379	554.379	–	554.379	554.379	–
Amounts due to 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	–
Financial liabilities						
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	90.732.471	91.570.842	(838.371)	85.846.232	86.127.901	(281.669)
Other financial liabilities	625.322	625.322	–	500.324	500.324	–
Total unrecognized change in unrealized fair value			**(810.516)**			**(14.539)**

24. FAIR VALUE MEASUREMENT (CONTINUED)

Methods of measurement and assumptions

The following describes the methodologies 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 statement of financial position, but whose fair value is disclosed:

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.

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

The following table summarizes the sensitivity of the fair value measurement of Bank's buildings and land categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs as at 31 December 2021 and 2020:

Unobservable inputs	Range	Description of sensitivity
Trade discount	0,0%–10,0%	Increase/decrease in trade discount input might lead to decrease/increase in the fair value of the Bank'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 Bank'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 Bank'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 separate statement of financial position.

Similar financial instruments comprise reverse repurchase agreements, which are recorded in the separate statement of financial position at amortized 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.

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

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 22* for the Bank's contractual undiscounted repayment obligations.

			2021			**2020**
In thousands of tenge	**Within one year**	**More than one year**	**Total**	**Within one year**	**More than one year**	**Total**
Cash and cash equivalents	37.745.423	–	**37.745.423**	52.774.882	–	**52.774.882**
Amounts due from other banks	1.076.701	–	**1.076.701**	1.050.771	–	**1.050.771**
Investments	–	554.379	**554.379**	–	554.379	**554.379**
Loans to customers	21.826.489	53.972.338	**75.798.827**	16.697.588	34.846.841	**51.544.429**
Property and equipment	–	10.882.025	**10.882.025**	–	10.733.298	**10.733.298**
Intangible assets	–	279.078	**279.078**	–	264.305	**264.305**
Other assets	6.298.928	–	**6.298.928**	5.319.601	–	**5.319.601**
Total assets	**66.947.541**	**65.687.820**	**132.635.361**	**75.842.842**	**46.398.823**	**122.241.665**
Amounts due to credit institutions	5.102.162	–	**5.102.162**	2.554.498	–	**2.554.498**
Amounts due to customers	90.174.766	557.705	**90.732.471**	85.493.539	352.693	**85.846.232**
Current CIT payable	110.010	–	**110.010**	1.695	–	**1.695**
Deferred CIT liabilities	–	166.858	**166.858**	–	181.843	**181.843**
Other liabilities	709.227	25.716	**734.943**	598.793	9.002	**607.795**
Total liabilities	**96.096.165**	**750.279**	**96.846.444**	**88.648.525**	**543.538**	**89.192.063**
Net position	**(29.148.624)**	**64.937.541**	**35.788.917**	**(12.805.683)**	**45.855.285**	**33.049.602**

The Bank'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 Bank has a negative liquidity gap of 29.148.624 thousand tenge within a year (at 31 December 2020: 12.805.683 thousand tenge).

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

27. RELATED PARTIES DISCLOSURE

In accordance with IAS 24 "Related Party Disclosures", parties are 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 transactions which unrelated parties might not. Transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

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:

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

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

				2021				**2020**
In thousands of tenge	**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	**59.254**	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:

In thousands of tenge	**2021**	**2020**
Salaries and other short-term benefits	**104.819**	97.875
Social security contributions	**9.881**	9.200
Total	**114.700**	**107.075**

28. CAPITAL ADEQUACY

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

During 2020 and 2019, the Bank had complied in full with its externally imposed capital requirements.

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

The Bank 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.

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 stage 1 and stage 2 capital of the Bank.

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

In thousands of tenge	**2021**	**2020**
Stage 1 capital	**35.505.742**	**32.784.717**
Stage 2 capital	–	–
Total statutory capital	**35.505.742**	**32.784.717**
Risk weighted assets, contingencies and commitments, possible claims and liabilities	**125.873.147**	**98.339.008**
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%)	**28%**	**33%**

29. EVENTS AFTER THE REPORTING DATE

The situation in Ukraine and sanctions against the Russian Federation

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 separate 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 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.