Eurasian Bank

Eurasian Bank JSC

Unconsolidated Financial Statements

for the year ended

31 December 2021

Contents

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Independent Auditors' Report

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

Opinion

We have audited the unconsolidated financial statements of Eurasian Bank Joint Stock Company (the "Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2021, the unconsolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2021, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Expected Credit Losses (ECL) for loans to customers

Please refer to the Notes 3(g) and 15 in the financial statements.

The key audit matter	How the matter was addressed in our audit
Loans to customers represent 45% of total assets and are stated net of allowance for expected credit losses ('ECL') that is estimated on a regular basis and is sensitive to assumptions used. The Bank applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of adjustment to incorporate forward-looking information and evaluation of expected cash flows for loans allocated to Stage 3. Due to the significant volume of loans to customers and the related estimation uncertainly in estimating of allowance for ECL, this area is a key audit matter.	We analysed the key aspects of the Bank's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including involvement of our own specialists in financial risk management. To analyse the adequacy of professional judgement and assumptions made by management in relation to the allowance for ECL estimate, we performed the following procedures: - For loans to corporate customers, we assessed and tested the design and implementation of the controls over allocation of loans into Stages. - For a sample of loans to corporate clients, for which a potential change in ECL estimate may have a significant impact on the unconsolidated financial statements we tested whether Stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Bank. - For a sample of loans to corporate customers, we tested the correctness of data inputs for PD calculation. - For a sample of Stage 3 loans to corporate customers, where ECL are assessed individually we critically assessed assumptions used by the Bank to forecast future cash flows, including the estimated value of realisable collateral based on publicly available market information. - For loans to retail customers we tested the design and operating effectiveness of controls over timely reflection of number of overdue days in the underlying systems. - We agreed input data for the model used to assess ECL for loans to retail customers to underlying documents and checked whether these loans have been correctly allocated into Stages on a sample basis.

	- We assessed general predictive capability of the models used by the Bank to assess ECL by comparing the estimates made as of 1 January 2021 with actual results for 2021. We also assessed the appropriateness of economic forecasts by comparing the Bank's forecasts with those we have simulated. - We also assessed whether the unconsolidated financial statements disclosures appropriately reflect the Bank's exposure to credit risk.

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

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Ashley Clarke
Engagement partner

Mukhit Kossayev
Certified auditor,
of the Republic of Kazakhstan Auditor's Qualification Certificate
No. 558 of 24 December 2003

KPMG Audit LLC

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

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

13 May 2022

	Note	2021 KZT'000	2020 KZT'000
Interest income calculated using effective interest method	4	119,464,993	120,517,602
Other interest income	4	145,650	869,207
Interest expense	4	(63,709,635)	(60,309,073)
Net interest income	4	**55,901,008**	**61,077,736**
Fee and commission income	5	29,033,882	24,819,233
Fee and commission expenses	5	(7,095,479)	(6,389,319)
Net fee and commission income		**21,938,403**	**18,429,914**
Net gain/(loss) on financial instruments at fair value through profit or loss	6	1,914,659	(299,492)
Net foreign exchange gain	7	7,703,982	6,018,055
Net gain/(loss) on financial assets at fair value through other comprehensive income		1,667,241	(11,828)
Net other operating (expenses)/income		(857,922)	122,739
Operating income		**88,267,371**	**85,337,124**
Impairment losses on debt financial assets	8	(31,169,497)	(47,278,476)
(Impairment losses)/reversal of impairment losses on loan commitments and financial guarantee contracts		(171,880)	65,534
Impairment losses on investments in subsidiaries		-	(2,715,523)
Estimated liabilities expenses		(2,686)	-
Personnel expenses	9	(23,888,102)	(18,972,164)
Other general and administrative expenses	10	(14,652,790)	(12,019,913)
Profit before income tax		**18,382,416**	**4,416,582**
Income tax expense	11	(5,650,000)	(259,174)
Profit for the year		**12,732,416**	**4,157,408**
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for financial assets at fair value through other comprehensive income:			
- Net change in fair value		(1,116,688)	2,027,313
- Net change in fair value transferred to profit or loss		(1,667,241)	11,828
Change in deferred tax		14,174	(2,168)
Total items that are or may be reclassified subsequently to profit or loss		_(2,769,755)_	_2,036,973_
Total other comprehensive (loss)/income for the year		**(2,769,755)**	**2,036,973**
Total comprehensive income for the year		**9,962,661**	**6,194,381**
Earnings per share			
Basic and diluted earnings per share (KZT)	28	622.53	326.63

The unconsolidated financial statements as set out on pages 7 to 97 were approved by management on 13 May 2022 and were signed on its behalf by:

V.V.Morozov
Chairman
of the Management Board

N.M. Druzhinina
Deputy Chairman
of the Management Board

Sh.K. Kapekova
Chief Accountant

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

	Note	31 December 2021 KZT'000	31 December 2020 KZT'000
ASSETS			
Cash and cash equivalents	12	413,119,044	305,893,609
Financial instruments measured at fair value through profit or loss		18,900	2,058
Financial assets at fair value through other comprehensive income	13	124,000,016	94,084,577
Deposits and balances from banks	14	6,934,753	42,847,205
Loans to customers	15	640,295,321	569,120,665
Investments measured at amortised cost	16	170,290,941	145,102,359
Investments in subsidiaries	17	-	-
Current tax asset		350,000	-
Property, plant and equipment and intangible assets	18	20,288,733	20,087,416
Right-of-use assets	18	2,157,005	2,443,436
Other assets	19	34,531,059	19,092,545
Total assets		**1,411,985,772**	**1,198,673,870**
LIABILITIES			
Financial instruments measured at fair value through profit or loss		1,871	-
Deposits and balances from banks	20	566,311	862,012
Amounts payable under repurchase agreements	21	-	1,139,662
Current accounts and deposits from customers	22	1,136,744,978	953,112,246
Debt securities issued	23, 25	16,462,157	10,147,295
Subordinated debt securities issued	24, 25	70,309,216	66,629,479
Other borrowed funds	25	26,029,572	27,335,218
Lease liabilities	25	2,562,741	2,782,926
Deferred tax liabilities	11	11,747,533	6,111,707
Other liabilities	26	29,731,880	22,686,473
Total liabilities		**1,294,156,259**	**1,090,807,018**
EQUITY			
Share capital	27	61,135,197	61,135,197
Share premium		2,025,632	2,025,632
Reserve for general banking risks		8,234,923	8,234,923
Revaluation reserve for financial assets at fair value through other comprehensive income		(172,815)	2,596,940
Retained earnings		46,606,576	33,874,160
Total equity		**117,829,513**	**107,866,852**
Total liabilities and equity		**1,411,985,772**	**1,198,673,870**
Book value per ordinary share (KZT)	27(c)	5,301.30	4,815.42

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

	2021 KZT'000	2020 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income	128,853,088	106,692,563
Interest expense	(59,815,087)	(57,362,542)
Fee and commission income	28,712,156	25,502,058
Fee and commission expenses	(7,095,479)	(6,389,319)
Net receipts/(payments) from financial instruments at fair value through profit or loss	466,312	(495,853)
Net receipts from foreign exchange	9,419,811	7,285,346
Other payments/receipts	(884,485)	114,135
Personnel expenses	(21,787,081)	(18,492,572)
Other general and administrative expenses	(9,501,865)	(8,515,119)
(Increase)/decrease in operating assets		
Placements with banks	36,075,609	(37,079,920)
Loans to customers	(111,696,572)	53,189,129
Other assets	(14,716,317)	1,287,482
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	(292,546)	(735,179)
Amounts payable under repurchase agreements	(1,147,560)	1,286,598
Current accounts and deposits from customers	173,811,464	125,949,374
Other liabilities	3,195,545	396,858
Cash flows from operating activities before income tax paid	**153,596,993**	**192,633,039**
Income tax paid	-	-
Cash flows from operating activities	**153,596,993**	**192,633,039**
CASH FLOWS FROM INVESTING ACTIVITIES		
Contribution to share capital of subsidiary	-	(13,000)
Sale of a subsidiary and claim rights under a subordinated loan of a subsidiary (Notes 1 and 14)	-	7,383,343
Acquisition of financial assets at fair value through other comprehensive income	(151,306,064)	(111,367,284)
Sale and repayment of financial assets at fair value through other comprehensive income	125,038,446	126,083,045
Purchases of precious metals	(374,196)	(719,899)
Sale of precious metals	361,941	666,066
Acquisitions of investment at amortised cost	(272,503,090)	(222,050,614)
Repayment of investment at amortised cost	246,881,614	110,690,630
Purchases of property and equipment and intangible assets	(3,365,244)	(3,676,870)
Disposal of property, plant and equipment and intangible assets	137,962	122,416
Cash flows used in investing activities	**(55,128,631)**	**(92,882,167)**

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

	2021 KZT'000	2020 KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt securities issued	6,160,840	-
Repayment of debt securities issued	-	(22,111,429)
Repayment of other borrowed funds	(1,287,009)	(6,137,646)
Payments under lease agreements	(1,260,347)	(1,142,190)
Proceeds from issue of share capital	-	4,000,003
Cash flows from/(used in) financing activities	**3,613,484**	**(25,391,262)**
Net increase in cash and cash equivalents	**102,081,846**	**74,359,610**
Effect of movements in exchange rates on cash and cash equivalents	5,151,207	18,597,547
Effect of movements in expected credit losses	(7,618)	54,224
Cash and cash equivalents at the beginning of the year	305,893,609	212,882,228
Cash and cash equivalents at the end of year (Note 12)	**413,119,044**	**305,893,609**

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

KZT'000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Revaluation reserve for financial assets at fair value through other comprehensive income**	**Retained earnings**	**Total equity**
Balance at 1 January 2020	**57,135,194**	**2,025,632**	**8,234,923**	**559,967**	**29,716,752**	**97,672,468**
Total comprehensive income						
Profit for the year	-	-	-	-	4,157,408	4,157,408
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	2,027,313	-	2,027,313
Net change in fair value of financial assets at fair value through other comprehensive income, transferred to profit or loss	-	-	-	11,828	-	11,828
Change in deferred tax	-	-	-	(2,168)	-	(2,168)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	*2,036,973*	-	*2,036,973*
Total other comprehensive income	-	-	-	2,036,973	-	2,036,973
Total comprehensive income for the year	**-**	**-**	**-**	**2,036,973**	**4,157,408**	**6,194,381**
Transactions with owners, recorded directly in equity						
Shares issued (Note 27(a))	4,000,003	-	-	-	-	4,000,003
Balance at 31 December 2020	**61,135,197**	**2,025,632**	**8,234,923**	**2,596,940**	**33,874,160**	**107,866,852**

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

	Share capital	Share premium	Reserve for general banking risks	Revaluation reserve for financial assets at fair value through other comprehensive income	Retained earnings	Total equity
Balance at 1 January 2021	**61,135,197**	**2,025,632**	**8,234,923**	**2,596,940**	**33,874,160**	**107,866,852**
Total comprehensive income						
Profit for the year	-	-	-	-	12,732,416	12,732,416
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	(1,116,688)	-	(1,116,688)
Net change in fair value of financial assets at fair value through other comprehensive income, transferred to profit or loss	-	-	-	(1,667,241)	-	(1,667,241)
Change in deferred tax	-	-	-	14,174	-	14,174
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	*(2,769,755)*	-	*(2,769,755)*
Total other comprehensive income	-	-	-	(2,769,755)	-	(2,769,755)
Total comprehensive income for the year	**-**	**-**	**-**	**(2,769,755)**	**12,732,416**	**9,962,661**
Balance at 31 December 2021	**61,135,197**	**2,025,632**	**8,234,923**	**(172,815)**	**46,606,576**	**117,829,513**

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

1 Background

(a) Principal activity

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

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

As at 31 December 2021, the Bank has 17 regional branches (2020: 17) and 115 cash settlement centres (2020: 112) through which it operates in the Republic of Kazakhstan.

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

On 1 April 2010, the Bank acquired a subsidiary, Eurasian Bank OJSC (Open Joint Stock Company), located in Moscow, Russian Federation. On 29 January 2015, the subsidiary was renamed Eurasian Bank PJSC (Public Joint Stock Company) (Note 17).

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

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

On 3 February 2020, the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan granted the licence No. 1.2.68/242/40 to the Bank to conduct banking and other operations and activities in the securities market.

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

(b) Shareholders

As at 31 December 2021, Eurasian Financial Company JSC ("EFC") is the Bank's Parent Company, which owns 100% of the Bank's shares (2020: EFC owned 100% of the Bank's shares).

During 2021 the structure of the EFC shareholders changed: effective from 15 July 202 the EFC shareholders are: Mukadaskhan Ibragimova, Patokh Chodiyev and Alexander Mashkevich; each of the shareholders owns 33.3% of stocks.

(c) Kazakhstan business environment

The Bank operates mainly in the Republic of Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of Kazakhstan, which display emerging-market characteristics. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Kazakhstan.

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

2 Basis of preparation

(a) Statement of compliance

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

The Bank has also prepared consolidated financial statements for the year ended 31 December 2021 in accordance with IFRS, which can be obtained from the Bank's head office registered at: 56 Kunayev street, Almaty, the Republic of Kazakhstan.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

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

(d) Use of estimates and judgments

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

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

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

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(d)(i);.
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL – Note 3(g)(iv) and Note 15(b).
- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 3(g)(iv).
- recognition of fee and commission income on agency services - Note 3(m);
- estimates of fair values of financial assets and liabilities – Note 35.

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

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

3 Significant accounting policies

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

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

Subsidiaries are investees controlled by the Bank. The Bank controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are accounted for in the Bank's unconsolidated financial statements at cost.

Impairment of investments in subsidiaries

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

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are confirmed by valuation multiples, quoted prices for publicly traded shares or other available fair value indicators. The Bank estimates the impairment amount based on detailed budgets and forecast calculations which are prepared separately for each of the cash generating units to which individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

(b) Foreign currency

Foreign currency transactions are translated into the functional currency of the Bank using the exchange rates prevailing at the dates of transactions.

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

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

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

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

	31 December 2021	**31 December 2020**
KZT/EUR	489.10	516.79
KZT/USD	431.80	420.91

(c) Cash and cash equivalents

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

(d) Financial instruments

(i) Classification of financial instruments

Under IFRS 9 *Financial Instruments*, financial assets are classified into the following categories based on a business model used by the Bank to manage its financial assets for cash flows generation:

Financial instruments measured at fair value through other comprehensive income within a business model "Holding assets in order to collect contractual cash flows and/or sell assets" that meet the SPPI ("solely payments of principal and interest") criterion. This business model implies that the objective is achieved by both collecting contractual cash flows and selling assets. The level of sales is usually higher (in respect of frequency and volumes of asset transactions) within this business model than those under the business model "hold to collect contractual cash flows");

Financial instruments measured at amortised cost within the business model "Holding assets to collect contractual cash flows". The objective within this business model is:

- to hold assets in order to collect contractual cash flows;
- sales are secondary to the objective of this model;
- the level of sales within this model, as a rule, is the lowest as compared to other business models (in respect of frequency and volumes of asset transactions).

Financial instruments measured at fair value through profit or loss within a business model "Managing assets on a fair value basis and maximising cash flows through selling assets" that do not meet the SPPI criterion.

This business model does not seek both "to hold to collect" and "to hold to collect and/or sell". Collecting contractual cash flows is irrelevant in relation to the objective of this model.

In order to define a business model for specific financial assets the Bank analyses the following:

- how performance of the business model (and the financial assets held within that business model) is measured and how this information is communicated to the key management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the Bank responsible for portfolio management are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised. In this case, the Bank considers information about previous sales, the reasons for those sales and conditions that existed at that time as compared to current conditions.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition.

On initial recognition, the Bank may designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

The Bank classifies its financial assets as follows:

– *loans and receivables* are classified as assets measured at amortised cost as they are managed within a business model 'Held for collecting contractual cash flows', which meet the SPPI criterion, except for the loans that do not meet the SPPI criterion;

– c*orrespondent balances, interbank credits and deposits and repo agreements* are classified as assets measured at amortised cost as they are managed within a business model 'Held for collecting contractual cash flows', which meet the SPPI criterion;

– *debt securities* may be classified in any of the three classification categories depending on the business model chosen and compliance with the SPPI criterion;

– *equity securities*, generally will be classified as instruments measured at fair value through profit or loss;

– *derivative financial instruments* are classified as financial assets at fair value through profit or loss.

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

– financial liabilities at fair value through profit or loss (IFRS 9 says that the Bank may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss);

– financial liabilities, which arise when a transfer of a financial asset does not qualify for derecognition or the continuing involvement approach applies;

– financial guarantee contracts; commitments to provide a loan at a below-market interest rate;

– contingent consideration recognised by an acquirer in a business combination.

(ii) Recognition

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

(iii) Measurement

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

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

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

(iv) Amortised cost and gross carrying amount

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

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

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

(v) Fair value measurement principles

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

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

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

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

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

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

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

(vi) Gains and losses on subsequent measurement

Profit or loss arising from change in fair value of financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as measured at fair value through profit or loss is recognised in profit or loss;

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

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

(vii) Derecognition

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

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

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

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

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

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

(viii) Repurchase and reverse repurchase agreements

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

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

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

(ix) Derivative financial instruments

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

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

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

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

(x) Offsetting

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

(e) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

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

(d) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

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

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

- Trademark	10 years;
- Software and other intangible assets	up to 15 years.

(g) Impairment of assets

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

(i) Impairment

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

- interbank deposits and interbank loans;
- financial assets that are debt instruments;
- financial assets that are debt instruments;

- receivables on documentary settlements and guarantees;
- financial guarantee contracts issued, contingent liabilities on unsecured letters of credit, guarantees issued or confirmed;
- loan commitments issued.

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

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

The Bank considers

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

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

(ii) Significant increase in credit risk

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

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

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

- significant changes in indicators of credit risk (increase in LTPD PIT by 80% from initial recognition of the financial asset) for a particular financial asset or similar financial assets with the same expected life;
- an actual or expected internal credit rating downgrade for the borrower determined upon monitoring based on a set of quantitative and qualitative indicators of the counterparty;
- significant changes in value of collateral (over 50% of the value at the time of initial recognition of an asset) for asset or in guarantee quality;
- payments are past due for thirty calendar days or more.

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

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

(iii) Credit-impaired financial assets

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

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

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

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

In making an assessment of whether investments in sovereign debt where the Government acts as a debtor, are credit-impaired, the Bank considers the following factors.

- downgrade of the bonds' long-term sovereign credit rating below B in accordance with Standard&Poor's credit agency scale or in scale of other agencies transferred to Standard&Poor's scale;
- Internal economic reasons (hostilities inside the state, global natural and/or man-made disasters affecting significantly the country economy, undemocratic seizure of power and denial to serve government liabilities, and other similar events affecting significantly the country economy);
- Decision to restructure the obligation to purchase bonds.

(iv) Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

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

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

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

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

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

Individual financial assets

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

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

Homogeneous financial assets

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

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

Impact of macroeconomic indicators

To take into account the impact of macroeconomic indicators on PD, estimated PDs are calibrated by PIT coefficient (Point-in-Time). Economic scenarios used as at 31 December 2021 used the following key indicators for the Republic of Kazakhstan:

- for individual financial assets: inflation, GDP growth, state budget revenue, CDS index of the Republic of Kazakhstan, oil price (Brent, annual average), US dollar exchange rate (annual average), base rate of NB RK, unemployment rate and other:

Period	**Inflation, %**	**GDP growth, %**	**United States dollar exchange rate (average annual)**	**Unemploy ment rate**	**Revenues of the Republican budget (bln KZT)**	**Oil price, USD**	**Loan interest rate, %**
2022 forecast (base)	6.0	3.9	433.35	4.90	9,207.40	60	11.50

Based on the correlation results, scripting was applied:

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

Period	**US dollar exchange rate (annual average) base**	**US dollar exchange rate (annual average) optimistic**	**US dollar (annual average) pessimistic**
2022 forecast	433.35	424.97	453.08

- for homogeneous financial assets: inflation, GDP growth, state budget revenue, CDS index, oil price, unemployment rate, actual wage, loan interest rate in three scenarios on the level of homogeneous financial assets that defaulted during the year in the analysed period:

2022 forecast	Inflation, %	GDP growth, %	Revenues of the Republican budget (bln KZT)	CDS index (1 year), in basis points, USD	(Average annual) Brent oil price, USD	Unemployment rate	Actual wage	Loan interest rate, %
Expected level for 2022 (base)	6.0	3.9	9,207.40	14.86	60.00	4.90	10.10	11.50
Expected level for 2022 (optimistic)	4.0	4.1	9,447.90	12.16	70.00	4.90	11.65	10.14
Expected level for 2022 (pessimistic)	7.0	3.7	8,876.00	15.93	50.00	4.90	5.82	13.00

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

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

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of homogeneous financial assets is the gross carrying amount.

(v) Recognised impairment losses

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

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

(vi) Write-offs

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

(vii) Non-financial assets

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

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

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

(h) Provisions

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

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

Future operating costs are not provided for.

(i) Credit related commitments

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

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

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

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

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

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

(j) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred taxes. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that where the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan of the Bank.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(l) Income and expense recognition

(i) Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(ii) Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fee and commission which relate to issue of a loan and are an inherent component of an effective interest rate, taking into account direct transaction costs, are stated as a discount on loans issued by the Bank. Within the effective period of a contract, the discount amount is amortised and stated as the Bank's income, using an effective interest rate. Fee and commission income related to provision of other services stipulated in a concluded contract and received as the services are provided can be stated simultaneously in "fee and commission receivable from a borrower" line item, unless otherwise provided for by the contract, and are recognised in "income" line items as the relevant services are provided.

(iii) Presentation

Interest income on financial instruments measured at fair value through profit or loss is included in "Other interest income" in the unconsolidated statement of profit or loss and other comprehensive income.

(m) Fee and commission income

Fee and commission income is stated at the amount which the Bank expects to receive in exchange for the services provided, and is recognised when or as the Bank provides the services to customers.

The Bank provides insurance agent services by offering life insurance policies of different insurance companies at its points of sale of retail loans and is paid an agency fee proportionate to premiums subscribed. As acquisition of a life insurance policy is voluntary and is not a condition to obtain a loan, it does not affect the interest rate on the loan. Therefore, the agent services fee was not considered as part of effective interest rate. A service is deemed to be completely provided when an insurance policy has been issued (insurance contract), therefore, the Bank recognises fee and commission simultaneously, when a performance obligation is satisfied, i.e., an insurance policy is issued (insurance contract is concluded).

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Fee and commission income for payment card maintenance comprises interchange fee from transactions with credit and debit cards carried out in trade and service enterprises, and is recognised upon receipt of compensation from payment systems. Other payment card fees are recognised at the time of transaction completion.

Fee and commission income for cash withdrawal comprises fee and commission for customer accounts maintenance as well as fee and commission for cash operations. Payment for customer account maintenance is recognised in the period when the services are provided, usually, on a monthly basis. Payment collected for cash operations is recognised at the time of the services provision.

Fee and commission for settlement transactions represent fee and commission income for payments and transfers charged at the time of the transaction.

Income in the form of fee and commission for issue of guarantees as well as fee and commission for issue and servicing of letters of credit are stated on an accrual basis, with daily amortisation on income line items.

(n) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(o) Leases

The Bank has initially applied IFRS 16 Leases from 1 January 2019 which replaced existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Bank as a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments, and depreciation charge for right-of-use assets and interest expense on lease liabilities

Lease liability is determined on initial recognition as present value of lease payments and expected payments till the end of the lease term using a discount rate as a borrowing rate. The cost of right-of-use assets includes the amount of initially estimated lease liabilities, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Upon initial recognition, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments.

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

In the unconsolidated statement of profit or loss and other comprehensive income, lease expenses are stated as depreciation and amortisation expenses in “Other general and administrative expenses” and as expenses on interest paid in “Interest expenses”.

For short-term leases (with a lease term less than 12 months) and for leases of low-value assets, the lease payments are recognised on a straight-line basis within the lease term in “Other general and administrative expenses”.

In the unconsolidated statements of cash flows, the bank classifies separately the cash flows used for payment of principal amount of lease liabilities - as cash used in financing activities, and cash flows used in payments for interest on lease liabilities – as cash used in operating activities.

(p) New standards and interpretations

A number of new amendments to standards and interpretations are effective from 1 January 2021. The amended standards and interpretations have no significant impact on the Bank’s unconsolidated financial statements.

- _COVID-19 Related Rent Concessions - Amendment to IFRS 16;_
- _Interest Rate Benchmark Reform (IBOR)– Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16_

New and revised IFRS standards issued but not yet effective

A number of new amendments to standards are effective for annual periods beginning after 1 January 2021 with earlier application permitted. The Bank has not early adopted the new or amended standards in preparing these unconsolidated financial statements:

- _Annual Improvements to IFRS Standards 2018-2020 Cycle;_
- _Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 Property, Plant and Equipment);_
- _Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets);_
- _Classification of Liabilities as Current or Non-current (Amendments to IAS 1);_
- _IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;_
- _Definition of Accounting Estimates - Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;_
- _Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and Practice Statement 2: Making Materiality Judgements;_
- _Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 Income Taxes._

4 Interest income and expense

	2021 KZT'000	2020 KZT'000
Interest income calculated using the effective interest method		
Loans to customers measured at amortised cost	98,430,751	105,075,558
Financial assets at fair value through other comprehensive income	10,247,727	6,925,348
Investments measured at amortised cost	9,349,759	6,397,599
Cash and cash equivalents	717,569	579,384
Amounts receivable under reverse repurchase agreements	543,198	1,329,720
Other financial assets	138,762	194,429
Deposits and balances with banks	37,227	15,564
	119,464,993	**120,517,602**
Other interest income		
Loans to customers measured at fair value	**145,650**	**634,549**
Deposits and balances with banks measured at fair value	**-**	**234,658**
	119,610,643	**121,386,809**
Interest expense		
Current accounts and deposits from customers	(50,105,156)	(46,082,117)
Subordinated debt securities issued	(11,117,226)	(10,375,143)
Debt securities issued	(1,022,533)	(2,114,971)
Other borrowed funds	(731,118)	(868,802)
Amounts payable under repurchase agreements	(474,750)	(566,604)
Lease liabilities	(258,852)	(295,269)
Deposits and balances from banks	-	(6,167)
	(63,709,635)	**(60,309,073)**
	55,901,008	**61,077,736**

5 Fee and commission income and expense

	2021 KZT'000	2020 KZT'000
Fee and commission income		
Agency services	18,052,323	14,776,266
Payment card maintenance fees	5,958,017	5,670,134
Settlement	2,332,792	1,956,768
Cash withdrawal	1,304,261	1,358,484
Guarantee and letter of credit issuance	468,015	398,997
Custodian services	63,720	38,480
Cash collection	25,566	28,246
Other	829,188	591,858
	29,033,882	**24,819,233**
Fee and commission expenses		
Payment card maintenance fees	(5,416,345)	(4,902,292)
Settlement	(798,583)	(611,282)
Services of the State Centre for Pension Payments and credit bureaus	(487,830)	(387,046)
Cash withdrawal	(159,001)	(258,261)
Custodian services	(71,502)	(67,277)
Securities operations	(29,056)	(24,115)
Guarantee and letter of credit issuance	(8,029)	-
Other	(125,133)	(139,046)
	(7,095,479)	**(6,389,319)**
	21,938,403	**18,429,914**

6 Net gain/(loss) on financial instruments measured at fair value through profit or loss

	2021 KZT'000	2020 KZT'000
Gain on change in the value of deposits and balances with banks measured at fair value	-	176,214
Gain on change in the value of loans to customers measured at fair value	1,433,376	18,089
Net unrealised gain on financial instruments at fair value through profit or loss	23,749	2,458
Net realised gain/(loss) on financial instruments at fair value through profit or loss	457,534	(496,253)
	1,914,659	**(299,492)**

7 Net foreign exchange gain

	2021 KZT'000	2020 KZT'000
Dealing operations, net	9,419,811	7,285,346
Translation differences, net	(1,715,829)	(1,267,291)
	7,703,982	**6,018,055**

8 Impairment losses on debt financial assets

	2021 KZT'000	2020 KZT'000
Loans to customers (Note 15)	33,618,980	45,850,717
Investments measured at amortised cost (Note 16)	47,069	860
Financial assets at fair value through other comprehensive income (Note 13)	11,851	3,347
Cash and cash equivalents (Note 12)	7,618	(54,224)
Deposits and balances with banks (Note 14)	42	86
Other assets (Note 19)	(2,516,063)	1,477,690
	31,169,497	**47,278,476**

9 Personnel expenses

	2021 KZT'000	2020 KZT'000
Wages, salaries, bonuses and related taxes	22,895,513	18,141,377
Other employee costs	992,589	830,787
	23,888,102	**18,972,164**

10 Other general and administrative expenses

	2021 KZT'000	2020 KZT'000
Communication and information services	3,200,211	2,507,032
Depreciation and amortisation	2,785,318	2,902,139
Depreciation of right-of-use assets	1,320,225	1,291,466
Taxes other than income tax	1,199,530	985,715
Professional services	1,012,312	424,483
Advertising and marketing	964,322	351,332
Security	847,833	800,641
Repair and maintenance	644,112	558,272
Cash collection	320,046	275,334
Operating lease expense	301,543	222,438
Business travel	206,712	117,850
Stationary and office supplies	200,632	192,471
Training	80,546	7,083
Transportation	78,874	74,535
Insurance	57,189	52,534
Other	1,433,385	1,256,588
	14,652,790	**12,019,913**

11 Income tax expense

	2021 KZT'000	2020 KZT'000
Current year tax expense		
Adjustment of current income tax expenses for prior periods	-	761
	-	**761**
Deferred tax expense		
Origination of temporary differences	5,650,000	258,413
Total income tax benefit	**5,650,000**	**259,174**

In 2021, the applicable tax rate for current and deferred tax is 20% (2020: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

	2021 KZT'000	%	2020 KZT'000	%
Profit before tax	**18,382,416**		**4,416,582**	
Income tax at the applicable tax rate	3,676,483	20.00	883,316	20.00
Tax-exempt income on securities	(3,979,197)	(21.65)	(2,629,802)	(59.54)
Adjustment of current income tax expenses for prior periods	-	-	761	0.02
Impairment losses, net	4,792,472	26.07	513,588	11.63
Non-deductible expenses	1,160,242	6.31	1,491,311	33.77
	5,650,000	**30.74**	**259,174**	**5.87**

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as at 31 December 2021 and 2020.

Tax loss carry-forwards originated in 2017 will expire on 31 December 2027. During 2021, the Bank utilised tax loss of KZT 35,275,836 thousand (2020: KZT 8,964,424 thousand). Other deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2021 and 31 December 2020 are as follows:

2021 KZT'000	Balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2021
Loans to customers	1,101,134	211,487	-	1,312,621
Property, plant and equipment	(1,084,873)	(88,561)	-	(1,173,434)
Other assets	21,208	3,950	-	25,158
Interest payable on deposits and balances with banks	42	41,201	-	41,243
Subordinated debt securities issued	(20,045,289)	594,569	-	(19,450,720)
Other liabilities	321,076	629,272	-	950,348
Tax loss carry-forwards	13,508,732	(7,055,167)	-	6,453,565
Financial assets at fair value through other comprehensive income	(1,635)	-	14,174	12,539
Right-of-use assets	(488,687)	57,286	-	(431,401)
Lease liabilities	556,585	(44,037)	-	512,548
	(6,111,707)	**(5,650,000)**	**14,174**	**(11,747,533)**

2020 KZT'000	Balance at 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2020
Loans to customers	12,530	1,088,604	-	1,101,134
Property, plant and equipment	(1,038,390)	(46,483)	-	(1,084,873)
Other assets	60,094	(38,886)	-	21,208
Interest payable on deposits and balances with banks	1,730	(1,688)	-	42
Subordinated debt securities issued	(20,553,556)	508,267	-	(20,045,289)
Other liabilities	325,646	(4,570)	-	321,076
Tax loss carry-forwards	15,301,617	(1,792,885)	-	13,508,732
Financial assets at fair value through other comprehensive income	533	-	(2,168)	(1,635)
Right-of-use assets	(596,916)	108,229	-	(488,687)
Lease liabilities	635,586	(79,001)	-	556,585
	(5,851,126)	**(258,413)**	**(2,168)**	**(6,111,707)**

12 Cash and cash equivalents

	31 December 2021 KZT'000	31 December 2020 KZT'000
Cash on hand	**32,498,229**	**30,098,896**
Nostro accounts with NBRK	**77,214,339**	**143,104,232**
Nostro accounts with other banks		
- rated from AA- to AA+	56,022,937	26,057,564
- rated from A- to A+	4,530,905	1,732,281
- rated from BBB- to BBB+	6,549,930	7,657,089
- rated from BB- to BB+	445,398	551,617
- rated from B- to B+	757,100	77,391
- not rated	125,531	302,525
Total Nostro accounts with other banks	**68,431,801**	**36,378,467**
Term deposits with NBRK	**223,465,217**	**95,189,422**
Term deposits with other banks		
- rated from BBB- to BBB+	**2,880,592**	**1,124,115**
- rated from B- to B+	**8,638,015**	**-**
Total term deposits with other banks	**11,518,607**	**1,124,115**
Total cash and cash equivalents before allowance for expected credit losses	413,128,193	305,895,132
Allowance for expected credit losses	(9,149)	(1,523)
Total cash and cash equivalents	**413,119,044**	**305,893,609**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

All cash and cash equivalents are allocated to Stage 1 of the credit risk grade.

As at 31 December 2021 the Bank has 2 banks (31 December 2020: 2 banks), whose balances on cash equivalents exceed 10% of equity. The gross value of these balances as at 31 December 2021 is KZT 356,702,493 thousand (31 December 2020: KZT 264,351,218 thousand).

During 2021 and 2020, the Bank entered into reverse repurchase agreements with counterparties on the Kazakhstan Stock Exchange. The agreements have been secured mainly by the treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, NBRK discount notes. As at 31 December 2021 and 2020, there were no pending "reverse repo" transactions.

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks' liabilities. Second-tier banks are required to comply with these requirements by maintaining average reserve (cash on hand in the national currency in the amount not exceeding 50 (fifty) percent of average minimum reserve requirements for the period, for which the minimum reserve requirements are determined, and balances on accounts in the national currency with NBRK) equal to or in excess of the average minimum requirements. As at 31 December 2021 the minimum reserves amounted to KZT 28,350,084 thousand (31 December 2020: KZT 17,384,894 thousand).

13 Financial assets at fair value through other comprehensive income

	31 December 2021 KZT'000	31 December 2020 KZT'000
Held by the Bank		
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	92,575,025	78,512,607
NBRK discount notes	-	2,869,489
US treasury bonds	846,876	-
Bonds of development banks		
Asian Development Bank bonds	2,963,111	2,941,833
Eurasian Development Bank bonds	2,683,166	-
Corporate bonds		
rated from BBB- to BBB+	24,931,838	7,262,473
rated from B- to B+	-	2,498,175
	124,000,016	**94,084,577**

As at 31 December 2021 allowance for expected credit losses on financial assets measured at fair value through other comprehensive income was KZT 43,408 thousand (31 December 2020: KZT 44.185 thousand).

As at 31 December 2021 and 31 December 2020, all financial assets measured fair value through other comprehensive income are categorised into Stage 1.

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

None of treasury bonds and corporate bonds are overdue or impaired as at 31 December 2021 and 2020.

14 Deposits and balances with banks

	31 December 2021 KZT'000	31 December 2020 KZT'000
Term deposits		
- conditional deposit with the NBRK	2,012,871	37,283,936
- rated from AA- to AA+"	1,771,485	1,503,613
- rated from A- to A+	2,348,522	2,287,380
- rated from BB- to BB+	111,256	1,707,699
- not rated	69,000	66,000
Total term deposits	**6,313,134**	**42,848,628**
Loans to banks		
- rated from B- to B+	**623,205**	**-**
Total loans to banks	**623,205**	**-**
Total deposits and balances with banks measured at amortised cost before allowance for expected credit losses	**6,936,339**	**42,848,628**
Allowance for expected credit losses	**(1,586)**	**(1,423)**
Total deposits and balances with banks	**6,934,753**	**42,847,205**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

As at 31 December 2021 and 2020, all deposits and balances with banks measured at amortised cost are categorised into Stage 1 of the credit risk grade.

As at 31 December 2021, a conditional deposit with the NBRK comprises funds of KZT 0 received from the "Kazakhstan Sustainability Fund" JSC (“KSF JSC”) (31 December 2020: KZT 35,286,125 thousand), KZT 513,729 thousand (31 December 2020: KZT 993,042 thousand) received from the Development Bank of Kazakhstan JSC (“DBK JSC”) and KZT 1,499,142 thousand (31 December 2020: KZT 1,004,769 thousand) received from DAMU Entrepreneurship Development Fund JSC (“EDF DAMU JSC”) in accordance with the loan agreements with “KSF JSC”, “DBK JSC” and “EDF DAMU JSC”. Funds will be distributed as loans to small and medium businesses on preferential terms. These funds may be withdrawn from the conditional deposit only after approval of KSF JSC, DBK JSC and EDF DAMU JSC, respectively.

Funds from “KSF JSC” were raised as part of the Program for preferential lending to small and medium-sized enterprises, approved by NBK Resolution No. 39 of March 19, 2020. The purpose of the funds is to finance small and medium-sized enterprises affected by the introduction of a state of emergency, to replenish working capital at a rate of up to 8% per annum for a period of no more than 12 months (but no later than December 31, 2021). In accordance with the terms of the program, the funds from repayment of loans are returned to the current account and can be withdrawn from the conditional deposit only after the approval of “KSF JSC”.

Movements in the loss allowance for expected credit losses for deposits and balances with banks measured at amortised cost for the year ended 31 December 2021 are as follows:

Deposits and balances with banks at amortised cost	**Stage 1 KZT’000**	**Total KZT’000**
Loss allowance for expected credit losses at the beginning of the year	1,423	1,423
Net remeasurement of loss allowance	42	42
Foreign exchange and other movements	121	121
Loss allowance for expected credit losses at the end of the year	**1,586**	**1,586**

Movements in the loss allowance for expected credit losses for deposits and balances with banks measured at amortised cost for the year ended 31 December 2020 are as follows:

Deposits and balances with banks at amortised cost	**Stage 1 KZT’000**	**Total KZT’000**
Loss allowance for expected credit losses at the beginning of the year	1,214	1,214
Net remeasurement of loss allowance	86	86
Foreign exchange and other movements	123	123
Loss allowance for expected credit losses at the end of the year	**1,423**	**1,423**

Concentration of accounts and deposits with banks

As at 31 December 2021 the Bank has no deposits and balances with banks, whose balances exceed 10% of equity (2020: the Bank has no deposits and balances with banks, except the NBRK, whose balances exceed 10% of equity).

15 Loans to customers

	31 December 2021 KZT'000	31 December 2020 KZT'000
Loans to customers measured at amortised cost		
Loans to corporate customers		
Loans to large corporates	265,679,518	209,205,661
Loans to small and medium-size companies	17,523,726	12,969,075
Total loans to corporate customers	**283,203,244**	**222,174,736**
Loans to retail customers		
Uncollateralised consumer loans	299,436,789	269,122,585
Car loans	188,681,361	167,638,429
Mortgage loans	8,877,471	11,637,155
Non-program loans on individual terms	6,565,039	6,381,350
Loans for individual entrepreneurship	3,236,875	3,311,473
Loans used under *Business Auto* Program	4,494,794	2,501,937
Total loans to retail customers	**511,292,329**	**460,592,929**
Loans to customers measured at amortised cost before allowance for expected credit losses	**794,495,573**	**682,767,665**
Allowance for expected credit losses	(154,200,252)	(118,255,253)
Loans to customers measured at amortised cost net of allowance for expected credit losses	**640,295,321**	**564,512,412**
Loans to customers measured at fair value through profit or loss		
Loans to customers measured at fair value	**-**	**4,608,253**
Total loans to customers	**640,295,321**	**569,120,665**

Movements in the impairment allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2021 are as follows:

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Loss allowance for expected credit losses at the beginning of the year	**16,730,121**	**10,053,242**	**83,488,652**	**7,983,238**	**118,255,253**
Transfer to Stage 1	6,585,593	(2,562,952)	(4,022,641)	-	-
Transfer to Stage 2	(684,546)	6,912,184	(6,227,638)	-	-
Transfer to Stage 3	(841,983)	(10,702,123)	11,544,106	-	-
Net remeasurement of loss allowance*	(16,295,221)	(730,238)	31,280,289	1,132,126	15,386,956
New financial assets originated or purchased	18,232,024	-	-	-	18,232,024
(Write-offs of loans)/recovery of previously written off loans	-	-	(8,202,941)	1,062,963	(7,139,978)
Unwinding of discount on present value of expected credit losses	-	-	9,743,294	455,820	10,199,114
Recognition of POCI-assets	-	-	(948,676)	-	(948,676)
Foreign exchange and other movements	451,518	(496)	(235,463)	-	215,559
Loss allowance for expected credit losses at the end of the year	**24,177,506**	**2,969,617**	**116,418,982**	**10,634,147**	**154,200,252**

* Includes changes in models/risk parameters, effect of repayments (including early repayments).

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – corporate customers					
Loss allowance for expected credit losses at the beginning of the year	**1,715,971**	**5,992,250**	**32,679,267**	**7,844,642**	**48,232,130**
Transfer to Stage 1	1,931	(1,931)	-	-	-
Transfer to Stage 2	(715)	715	-	-	-
Transfer to Stage 3	(6,400)	(8,424,985)	8,431,385	-	-
Net remeasurement of loss allowance*	988,467	3,418,744	21,013,825	1,627,609	27,048,645
New financial assets originated or purchased	1,197,592	-	-	-	1,197,592
(Write-offs of loans)/recovery of previously written off loans	-	-	(7,969,815)	369,746	(7,600,069)
Unwinding of discount on present value of expected credit losses	-	-	4,962,986	445,930	5,408,916
Recognition of POCI-assets	-	-	(19,374)	-	(19,374)
Foreign exchange and other movements	1,357	(149)	(56,399)	-	(55,191)
Loss allowance for expected credit losses at the end of the year	**3,898,203**	**984,644**	**59,041,875**	**10,287,927**	**74,212,649**

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – retail customers					
Loss allowance for expected credit losses at the beginning of the year	**15,014,150**	**4,060,992**	**50,809,385**	**138,596**	**70,023,123**
Transfer to Stage 1	6,583,662	(2,561,021)	(4,022,641)	-	-
Transfer to Stage 2	(683,831)	6,911,469	(6,227,638)	-	-
Transfer to Stage 3	(835,583)	(2,277,138)	3,112,721	-	-
Net remeasurement of loss allowance*	(17,283,688)	(4,148,982)	10,266,464	(495,483)	(11,661,689)
New financial assets originated or purchased	17,034,432	-	-	-	17,034,432
(Write-offs of loans)/recovery of previously written loans	-	-	(233,126)	693,217	460,091
Unwinding of discount on present value of expected credit losses	-	-	4,780,308	9,890	4,790,198
Recognition of POCI-assets	-	-	(929,302)	-	(929,302)
Foreign exchange and other movements	450,161	(347)	(179,064)	-	270,750
Loss allowance for expected credit losses at the end of the year	**20,279,303**	**1,984,973**	**57,377,107**	**346,220**	**79,987,603**

* Includes changes in models/risk parameters, effect of repayments (including early repayments).

Movements in the impairment allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2020 are as follows:

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Loss allowance for expected credit losses at the beginning of the year	**19,894,086**	**1,799,918**	**82,269,988**	**6,732,459**	**110,696,451**
Transfer to Stage 1	5,787,213	(2,541,684)	(3,245,529)	-	-
Transfer to Stage 2	(3,221,445)	6,462,876	(3,241,431)	-	-
Transfer to Stage 3	(1,161,651)	(6,015,219)	7,176,870	-	-
Net remeasurement of loss allowance*	(15,792,074)	9,530,680	39,603,063	1,105,931	34,447,600
New financial assets originated or purchased	11,403,117	-	-	-	11,403,117
(Write-offs of loans)/recovery of previously written off loans	-	-	(40,810,750)	(361,825)	(41,172,575)
Unwinding of discount on present value of expected credit losses	-	-	1,970,152	519,571	2,489,723
Recognition of POCI-assets	-	-	(266,517)	-	(266,517)
Foreign exchange and other movements	(179,125)	816,671	32,806	(12,898)	657,454
Loss allowance for expected credit losses at the end of the year	**16,730,121**	**10,053,242**	**83,488,652**	**7,983,238**	**118,255,253**

* Includes changes in models/risk parameters, effect of repayments (including early repayments).

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – corporate customers					
Loss allowance for expected credit losses at the beginning of the year	**1,780,226**	**547,430**	**28,781,335**	**6,732,459**	**37,841,450**
Transfer to Stage 1	516	(516)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(65,293)	(137,473)	202,766	-	-
Net remeasurement of loss allowance*	(711,174)	5,509,391	16,130,676	1,011,261	21,940,154
New financial assets originated or purchased	317,137	-	-	-	317,137
(Write-offs of loans)/recovery of previously written off loans	-	-	(14,027,838)	(404,877)	(14,432,715)
Unwinding of discount on present value of expected credit losses	-	-	1,612,908	518,697	2,131,605
Recognition of POCI-assets	-	-	(1,162)	-	(1,162)
Foreign exchange and other movements	394,559	73,418	(19,418)	(12,898)	435,661
Loss allowance for expected credit losses at the end of the year	**1,715,971**	**5,992,250**	**32,679,267**	**7,844,642**	**48,232,130**

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – retail customers					
Loss allowance for expected credit losses at the beginning of the year	**18,113,860**	**1,252,488**	**53,488,653**	**-**	**72,855,001**
Transfer to Stage 1	5,786,697	(2,541,168)	(3,245,529)	-	-
Transfer to Stage 2	(3,221,445)	6,462,876	(3,241,431)	-	-
Transfer to Stage 3	(1,096,358)	(5,877,746)	6,974,104	-	-
Net remeasurement of loss allowance*	(15,080,900)	4,021,289	23,472,387	94,670	12,507,446
New financial assets originated or purchased	11,085,980	-	-	-	11,085,980
Write-offs of loans	-	-	(26,782,912)	43,052	(26,739,860)
Unwinding of discount on present value of expected credit losses	-	-	357,244	874	358,118
Recognition of POCI-assets	-	-	(265,355)	-	(265,355)
Foreign exchange and other movements	(573,684)	743,253	52,224	-	221,793
Loss allowance for expected credit losses at the end of the year	**15,014,150**	**4,060,992**	**50,809,385**	**138,596**	**70,023,123**

* Includes changes in models/risk parameters, effect of repayments (including early repayments).

During 2021, the Bank has written off loans of KZT 7,139,978 thousand, which resulted in decrease in allowance for credit losses on loans referred to as Stage 3 and POCI-assets for the same amount (2020: KZT 41,172,575 thousand).

The large volume of loans to customers originated during the year has caused increase in the gross book value of the loan portfolio by KZT 641,526,999 thousand (2020: KZT 359,931,646 thousand), with a corresponding increase of loss allowance assessed on a 12-month basis by KZT 18,245,314 thousand (2020: KZT 11,403,117 thousand).

The high volume of loans repaid during the year has caused decrease in the gross carrying amount of the loan portfolio by KZT 628,615,340 thousand, including accrued interest (2020: KZT 507,207,288 thousand) with a corresponding decrease in the loss allowance by KZT 33,252,526 thousand (2020: KZT 26,003,556 thousand).

As at 31 December 2021, no allowance was recognised for expected credit losses for loans with a net carrying amount of KZT 16,426,255 thousand (31 Dececmber 2020: KZT 16,228,427 thousand) due to the availability of collateral.

The following table provides information by types of loan products for loans measured at amortised cost as at 31 December 2021:

	Gross amount KZT'000	Loss allowance for expected credit losses KZT'000	Carrying amount KZT'000
Loans to corporate customers			
Loans to large corporates	265,679,518	(69,495,867)	196,183,651
Loans to small- and medium-size companies	17,523,726	(4,716,782)	12,806,944
Loans to retail customers			
Uncollateralised consumer loans	299,436,789	(65,544,171)	233,892,618
Car loans	188,681,361	(10,307,231)	178,374,130
Mortgage loans	8,877,471	(1,188,959)	7,688,512
Non-program loans on individual terms	6,565,039	(1,554,783)	5,010,256
Loans for individual entrepreneurship	3,236,875	(1,160,110)	2,076,765
Loans used under *Business Auto* Program	4,494,794	(232,349)	4,262,445
Total loans to customers at the end of the year	**794,495,573**	**(154,200,252)**	**640,295,321**

The following table provides information by types of loan products as at 31 December 2020:

	Gross amount KZT'000	Loss allowance for expected credit losses KZT'000	Carrying amount KZT'000
Loans to corporate customers			
Loans to large corporates	209,205,661	(44,021,291)	165,184,370
Loans to small- and medium-size companies	12,969,075	(4,210,839)	8,758,236
Loans to retail customers			
Uncollateralised consumer loans	269,122,585	(58,207,915)	210,914,670
Car loans	167,638,429	(7,318,294)	160,320,135
Mortgage loans	11,637,155	(1,593,826)	10,043,329
Non-program loans on individual terms	6,381,350	(1,352,974)	5,028,376
Loans for individual entrepreneurship	3,311,473	(1,347,446)	1,964,027
Loans used under *Business Auto* Program	2,501,937	(202,668)	2,299,269
Total loans to customers at the end of the year	**682,767,665**	**(118,255,253)**	**564,512,412**

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers measured at amortised cost as at 31 December 2021.

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Loans to customers at amortised cost – corporate customers					
Not externally rated:					
Standard	37,388,543	-	-	-	37,388,543
Low risk	111,114,704	333,755	-	-	111,448,459
Medium risk	9,133,120	5,465,781	3,249,693	798,080	18,646,674
High risk	-	-	62,978,039	-	62,978,039
Problem	-	-	5,567,675	14,569,603	20,137,278
High risk	-	-	14,090,076	990,449	15,080,525
Total loans to large corporates	**157,636,367**	**5,799,536**	**85,885,483**	**16,358,132**	**265,679,518**
Loss allowance	(3,859,519)	(984,644)	(54,363,903)	(10,287,801)	(69,495,867)
Net loans to large corporates	**153,776,848**	**4,814,892**	**31,521,580**	**6,070,331**	**196,183,651**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	5,819,167	41,747	-	-	5,860,914
Low risk	3,148,100	336,892	-	-	3,484,992
Medium risk	-	-	361,814	379,687	741,501
Problem	-	-	145,920	-	145,920
High risk	-	-	4,761,142	-	4,761,142
Not rated	181,238	-	36,968	-	218,206
Not rated (secured with cash)	2,311,051	-	-	-	2,311,051
Total loans to small- and medium-size companies	**11,459,556**	**378,639**	**5,305,844**	**379,687**	**17,523,726**
Loss allowance	(38,684)	-	(4,677,972)	(126)	(4,716,782)
Net loans to small and medium-sized companies	**11,420,872**	**378,639**	**627,872**	**379,561**	**12,806,944**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Car loans					
Not overdue	169,793,464	2,047,639	3,459,021	79,290	175,379,414
Overdue less than 30 days	4,134,452	697,245	1,439,661	6,996	6,278,354
Overdue 30-89 days	-	808,293	600,618	-	1,408,911
Overdue 90-179 days	-	14,925	835,791	-	850,716
Overdue 180-360 days	-	-	1,036,910	136	1,037,046
Overdue more than 360 days	-	-	3,726,920	-	3,726,920
	173,927,916	**3,568,102**	**11,098,921**	**86,422**	**188,681,361**
Loss allowance	(2,175,590)	(276,388)	(7,798,004)	(57,249)	(10,307,231)
Net car loans	**171,752,326**	**3,291,714**	**3,300,917**	**29,173**	**178,374,130**
Uncollateralised consumer loans					
Not overdue	233,446,109	3,057,782	8,722,944	91,360	245,318,195
Overdue less than 30 days	7,497,846	1,012,623	2,443,646	11,917	10,966,032
Overdue 30-89 days	674	2,898,343	1,756,773	2,833	4,658,623
Overdue 90-179 days	-	18,828	3,509,979	1,676	3,530,483
Overdue 180-360 days	-	-	12,613,352	209	12,613,561
Overdue more than 360 days	-	-	22,349,895	-	22,349,895
	240,944,629	**6,987,576**	**51,396,589**	**107,995**	**299,436,789**
Loss allowance	(17,765,064)	(1,678,013)	(46,004,437)	(96,657)	(65,544,171)
Carrying amount	**223,179,565**	**5,309,563**	**5,392,152**	**11,338**	**233,892,618**
Non-program loans on individual terms					
Not overdue	4,633,391	-	258,732	41,008	4,933,131
Overdue less than 30 days	-	-	3,132	52,930	56,062
Overdue 180-360 days	-	-	71,724	-	71,724
Overdue more than 360 days	-	-	1,504,122	-	1,504,122
	4,633,391	**-**	**1,837,710**	**93,938**	**6,565,039**
Loss allowance	(2,007)	-	(1,489,223)	(63,553)	(1,554,783)
Carrying amount	**4,631,384**	**-**	**348,487**	**30,385**	**5,010,256**
Mortgage loans					
Not overdue	6,445,681	196,803	370,882	138,680	7,152,046
Overdue less than 30 days	111,043	46,355	80,020	-	237,418
Overdue 30-89 days	-	69,675	88,474	-	158,149
Overdue 90-179 days	-	-	87,791	88	87,879
Overdue 180-360 days	-	-	36,238	16,143	52,381
Overdue more than 360 days	-	-	1,147,764	41,834	1,189,598
	6,556,724	**312,833**	**1,811,169**	**196,745**	**8,877,471**
Loss allowance	(65,567)	(12,864)	(1,007,499)	(103,029)	(1,188,959)
Carrying amount	**6,491,157**	**299,969**	**803,670**	**93,716**	**7,688,512**
Loans for individual entrepreneurship					
Not overdue	1,813,006	147,260	6,067	28,126	1,994,459
Overdue less than 30 days	12,329	2,107	7,641	-	22,077
Overdue 30-89 days	-	3,670	2,049	-	5,719
Overdue 90-179 days	-	-	4,951	472	5,423
Overdue 180-360 days	-	-	7,542	-	7,542
Overdue more than 360 days	-	-	1,201,069	586	1,201,655
	1,825,335	**153,037**	**1,229,319**	**29,184**	**3,236,875**
Loss allowance	(50,820)	(5,614)	(1,077,944)	(25,732)	(1,160,110)
Carrying amount	**1,774,515**	**147,423**	**151,375**	**3,452**	**2,076,765**
Loans used under *Business Auto* Program					
Not overdue	4,406,297	69,223	-	-	4,475,520
Overdue less than 30 days	7,671	-	-	-	7,671
Overdue 30-89 days	-	11,603	-	-	11,603
	4,413,968	**80,826**	**-**	**-**	**4,494,794**
Loss allowance	(220,255)	(12,094)	-	-	(232,349)
Carrying amount	**4,193,713**	**68,732**	**-**	**-**	**4,262,445**

The following table provides information on the credit quality of loans to customers measured at amortised cost as at 31 December 2020.

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Loans to customers at amortised cost – corporate customers					
Not externally rated:					
Standard	14,754,098	-	-	-	14,754,098
Low risk	54,724,978	-	-	-	54,724,978
Medium risk	-	26,055,297	5,126,146	264,442	31,445,885
High risk	-	-	68,288,429	-	68,288,429
Problem	-	-	3,139,521	14,366,534	17,506,055
High risk	-	-	19,626,101	457,252	20,083,353
Not rated (secured with cash)	2,402,863	-	-	-	2,402,863
Total loans to large corporates	**71,881,939**	**26,055,297**	**96,180,197**	**15,088,228**	**209,205,661**
Loss allowance	(1,686,934)	(5,992,250)	(28,497,465)	(7,844,642)	(44,021,291)
Net loans to large corporates	**70,195,005**	**20,063,047**	**67,682,732**	**7,243,586**	**165,184,370**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	3,226,628	-	-	-	3,226,628
Low risk	3,397,723	-	-	-	3,397,723
Medium risk	-	-	526,866	-	526,866
Problem	-	-	47,793	-	47,793
High risk	-	-	4,952,716	-	4,952,716
Not rated	479,169	-	42,640	-	521,809
Not rated (secured with cash)	295,540	-	-	-	295,540
Total loans to small- and medium-size companies	**7,399,060**	**-**	**5,570,015**	**-**	**12,969,075**
Loss allowance	(29,037)	-	(4,181,802)	-	(4,210,839)
Net loans to small and medium-sized companies	**7,370,023**	**-**	**1,388,213**	**-**	**8,758,236**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Car loans					
Not overdue	142,088,181	5,915,738	7,929,520	46	155,933,485
Overdue less than 30 days	3,243,008	1,653,132	1,049,700	-	5,945,840
Overdue 30-89 days	-	498,102	434,810	-	932,912
Overdue 90-179 days	-	-	1,284,827	-	1,284,827
Overdue 180-360 days	-	-	590,150	-	590,150
Overdue more than 360 days	-	-	2,951,215	-	2,951,215
	145,331,189	**8,066,972**	**14,240,222**	**46**	**167,638,429**
Loss allowance	(1,598,338)	(555,586)	(5,164,324)	(46)	(7,318,294)
Net car loans	**143,732,851**	**7,511,386**	**9,075,898**	**-**	**160,320,135**
Uncollateralised consumer loans					
Not overdue	190,771,309	10,013,294	20,864,352	-	221,648,955
Overdue less than 30 days	6,886,775	3,130,975	1,658,332	-	11,676,082
Overdue 30-89 days	-	2,632,761	865,869	-	3,498,630
Overdue 90-179 days	-	46,363	10,439,400	-	10,485,763
Overdue 180-360 days	-	-	4,297,627	-	4,297,627
Overdue more than 360 days	-	-	17,515,528	-	17,515,528
	197,658,084	**15,823,393**	**55,641,108**	**-**	**269,122,585**
Loss allowance	(13,199,150)	(3,406,523)	(41,602,242)	-	(58,207,915)
Carrying amount	**184,458,934**	**12,416,870**	**14,038,866**	**-**	**210,914,670**
Non-program loans on individual terms					
Not overdue	3,677,554	-	170,430	234,903	4,082,887
Overdue less than 30 days	-	-	-	-	-
Overdue 30-89 days	-	-	53,242	-	53,242
Overdue more than 360 days	-	-	2,245,221	-	2,245,221
	3,677,554	**-**	**2,468,893**	**234,903**	**6,381,350**
Loss allowance	(12,597)	-	(1,288,883)	(51,494)	(1,352,974)
Carrying amount	**3,664,957**	**-**	**1,180,010**	**183,409**	**5,028,376**
Mortgage loans					
Not overdue	8,128,428	554,251	472,988	121,602	9,277,269
Overdue less than 30 days	109,023	83,841	159,258	7,028	359,150
Overdue 30-89 days	-	37,831	181,375	37,115	256,321
Overdue 90-179 days	-	-	132,552	-	132,552
Overdue 180-360 days	-	-	166,599	-	166,599
Overdue more than 360 days	-	-	1,445,264	-	1,445,264
	8,237,451	**675,923**	**2,558,036**	**165,745**	**11,637,155**
Loss allowance	(84,016)	(34,742)	(1,388,266)	(86,802)	(1,593,826)
Carrying amount	**8,153,435**	**641,181**	**1,169,770**	**78,943**	**10,043,329**
Loans for individual entrepreneurship					
Not overdue	1,106,996	182,523	585,818	424	1,875,761
Overdue less than 30 days	528	44,521	54,295	-	99,344
Overdue 30-89 days	-	5,895	42,836	-	48,731
Overdue 90-179 days	-	3,160	4,487	-	7,647
Overdue 180-360 days	-	-	41,265	-	41,265
Overdue more than 360 days	-	-	1,238,725	-	1,238,725
	1,107,524	**236,099**	**1,967,426**	**424**	**3,311,473**
Loss allowance	(16,723)	(61,963)	(1,268,506)	(254)	(1,347,446)
Carrying amount	**1,090,801**	**174,136**	**698,920**	**170**	**1,964,027**
Loans used under *Business Auto* Program					
Not overdue	2,083,443	13,171	399,860	-	2,496,474
Overdue less than 30 days	5,463	-	-	-	5,463
	2,088,906	**13,171**	**399,860**	**-**	**2,501,937**
Loss allowance	(103,326)	(2,178)	(97,164)	-	(202,668)
Carrying amount	**1,985,580**	**10,993**	**302,696**	**-**	**2,299,269**

(b) Key assumptions and judgments used in estimation of expected credit losses

(i) Loans to corporate customers

In determining the loss allowance for expected credit losses on loans to corporate customers, management makes the following key assumptions:

- a discount of between 30% and 60% to the originally appraised value if the property pledged is sold;
- exclusion from collateral value of unstable collaterals;
- a delay of up to 36 months in obtaining proceeds from the foreclosure of collateral;
- PD for loans referred to as Stage 1 in terms of credit quality was 0.88-26.06%, referred to as Stage 2 in terms of credit quality - 2.83-32.61%, depending on the borrower's internal rating;
- LGD for loans referred to as Stages 1, 2 and 3, with gross carrying amount of less than 0.2% of equity but not more than KZT 180 million, was from 0% to 79.20%. LGD for loans referred to as Stage 3, with gross carrying amount exceeding 0.2% of equity, was from 0% to 100%.

Changes in the above estimates may impact a loss allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, loss allowance for expected credit losses on loans to corporate customers as at 31 December 2021 would be KZT 2,089,906 thousand lower/higher.

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

The Bank estimates loss allowance for expected credit losses for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the loss allowance for expected credit losses for loans to retail customers include:

- migration rates are constant and can be estimated based on historic loss migration pattern for the past 5-8 years; a 12-month PD for groups of products referred to as Stage 1 in terms of credit quality was 0.86-14.69% (minimum value of 0.86% relates to the product "SME" and maximum value of 14.69% relates to the product "UnCL" ("Uncollateralised consumer loans")); lifetime PD referred to as Stage 2 in terms of credit quality was 8.24-47.02%, depending on the group of products of homogeneous retail portfolio (minimum value of 8.24% relates to the product "SME" and maximum value of 47.02% relates to the product "UnCL" ("Uncollateralised consumer loans"));
- recovery rates for uncollateralised loans are estimated based on historical cash recovery rates for the past 5-8 years; LGD for products of homogeneous portfolio referred to as Stage 1 and Stage 2 was 15.06% for the product "SME" to 69.64% for the product "POS" (Uncollateralised consumer loans); Recovery rate for products of homogeneous portfolio referred to as Stage 3 varied from 32.54% for the "Business Car SME" product to 100% for the "Uncollateralised consumer loans" product;
- a delay of up to 24 months in obtaining proceeds from the sale of foreclosed collateral;
- there are no significant legal impediments for foreclosure of cars pledged as collateral that could extend realisation period beyond expected time;
- the cars will either be foreclosed without significant damages or the damages will be reimbursed by insurance companies and the sales will be made at market prices prevailing at the reporting date less reasonable handling expenses and liquidity discounts.

Changes in the above estimates may impact a loss allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, loss allowance for expected credit losses on loans to retail customers as at 31 December 2021 would be KZT 12,939,142 thousand lower/higher.

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

(c) Analysis of collateral

(i) Loans to corporate customers

31 December 2021 KZT'000	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral - for collateral assessed as at loan inception date	Fair value of collateral not determined
Loans measured at amortised cost				
Loans not credit-impaired				
Vehicles	58,640,209	58,589,481	50,728	-
Corporate guarantees and guarantees of individuals	31,401,844	-	-	31,401,844
Real estate	23,629,428	19,347,554	4,281,874	-
Insurance	10,321,776	-	-	10,321,776
Cash and deposits	8,107,814	8,107,814	-	-
Equipment	2,802,059	2,802,059	-	-
Goods in turnover	1,676,383	1,676,383	-	-
Mineral rights	287,142	287,142	-	-
Property/money in the future	17,692	17,692	-	-
Other collateral	1,526,701	1,526,701	-	-
No collateral and other credit enhancements	31,980,203	-	-	31,980,203
Total loans not credit-impaired	**170,391,251**	**92,354,826**	**4,332,602**	**73,703,823**

31 December 2021 KZT'000	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral - for collateral assessed as at loan inception date	Fair value of collateral not determined
Credit-impaired loans				
Real estate	38,423,705	38,423,705	-	-
Equipment	115,068	115,068	-	-
Cash and deposits	43,606	43,606	-	-
Corporate guarantees and guarantees of individuals	12,387	-	-	12,387
Vehicles	3,578	3,578	-	-
No collateral and other credit enhancements	**1,000**	**-**	**-**	**1,000**
Total credit-impaired loans	**38,599,344**	**38,585,957**	**-**	**13,387**
Total loans to corporate customers measured at amortised cost	**208,990,595**	**130,940,783**	**4,332,602**	**73,717,210**

The tables above exclude overcollateralisation.

31 December 2020 KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral - for collateral assessed as of reporting date**	**Fair value of collateral - for collateral assessed as at loan inception date**	**Fair value of collateral not determined**
Loans measured at amortised cost				
Loans not credit-impaired				
Real estate	43,077,940	41,813,820	1,264,120	-
Vehicles	19,581,524	19,567,155	14,369	-
Corporate guarantees and guarantees of individuals	5,513,711	-	-	5,513,711
Cash and deposits	5,663,102	5,663,102	-	-
Construction-in-progress	-	-	-	-
Insurance	3,526,072	-	-	3,526,072
Goods in turnover	2,538,151	2,538,151	-	-
Equipment	1,657,282	1,657,282	-	-
Mineral rights	354,181	354,181	-	-
Property/money in the future	65,398	65,398	-	-
Other collateral	4,781	4,781	-	-
No collateral and other credit enhancements	15,645,933	-	-	15,645,933
Total loans not credit-impaired	**97,628,075**	**71,663,870**	**1,278,489**	**24,685,716**
Credit-impaired loans				
Real estate	69,545,516	69,332,996	212,520	-
Construction-in-progress	4,794,464	4,794,464	-	-
Equipment	942,039	942,039	-	-
Vehicles	163,043	163,029	14	-
Corporate guarantees and guarantees of individuals	474,720	-	-	474,720
Cash and deposits	9,809	9,809	-	-
Other collateral	71,281	71,281	-	-
No collateral and other credit enhancements	**313,659**	**-**	**-**	**313,659**
Total credit-impaired loans	**76,314,531**	**75,313,618**	**212,534**	**788,379**
Total loans to corporate customers measured at amortised cost	**173,942,606**	**146,977,488**	**1,491,023**	**25,474,095**
Loans measured at fair value				
Real estate	**4,608,253**	**4,608,253**	**-**	**-**
Total loans to corporate customers measured at fair value	**4,608,253**	**4,608,253**	**-**	**-**
	178,550,859	**151,585,741**	**1,491,023**	**25,474,095**

The key assumptions with respect to Stage 3 impaired loans is the valuation of underlying real estate collateral. This is valued at the reporting date, by using a combination of income approach and comparative sales method. The Bank engages third-party appraisers to value more significant and specialised items of collateral.

The Bank has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which the fair value of collateral was not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on the valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties and collateral received from individuals, such as shareholders of small and medium-sized borrowers (SME), are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

The recoverability of loans to corporate customers which are neither past due nor impaired primarily depends on the creditworthiness of borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral as at each reporting date.

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. Small business loans are secured by real estate and movable property. Auto loans are secured by the underlying cars. Cash loans are collateralised by cash. Uncollateralised consumer loans are not secured.

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 576,478 thousand (31 December 2020: KZT 1,097,395 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 82,501 thousand (31 December 2020: KZT 263,014 thousand).

Management believes that fair value of collateral for mortgage loans with a net carrying amount of KZT 7,112,034 thousand (31 December 2020: KZT 8,945,934 thousand), is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral for individual loans once a half-year in case there are indications of impairment.

The fair value of collateral for mortgage loans with a net carrying amount of KZT 1,690,793 thousand (31 December 2020: KZT 2,982,828 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Loans for individual entrepreneurship

Included in loans for individual entrepreneurship are loans with a net carrying amount of KZT 381,119 thousand (31 December 2020: KZT 248,142 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 0.00 (31 December 2020: KZT 38,335 thousand).

Management believes that the fair value of collateral for loans for individual entrepreneurship with a net carrying amount of KZT 1,695,646 thousand (31 December 2020: KZT 1,715,885 thousand) is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral for individual loans once a half-year in case there are indications of impairment.

The fair value of collateral for loans for individual entrepreneurship with a net carrying amount of KZT 40,252 thousand (31 December 2020: KZT 153,467 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Non-programme loans issued on individual terms

Included in non-programme loans on individual terms are loans with a net carrying amount of KZT 1,650 thousand (31 December 2020: KZT 233,012 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 440 thousand (31 December 2020: KZT 137,826 thousand).

Management believes that the fair value of collateral for non-programme loans on individual terms with a net carrying amount of KZT 5,008,606 thousand (31 December 2020: KZT 4,795,364 thousand) is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral for individual loans once a half-year in case there are indications of impairment.

The fair value of collateral for non-programme loans on individual terms with a net carrying amount of KZT 260,525 thousand (31 December 2020: KZT 34,667 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Car loans

Included in car loan portfolio are loans with a net carrying amount of KZT 2,692,508 thousand (31 December 2020: KZT 2,166,208 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 244,524 thousand (31 December 2020: KZT 253,637 thousand).

Management believes that fair value of collateral for car loans with a net carrying amount of KZT 175,681,622 thousand (31 December 2020: KZT 158,153,927 thousand), is at least equal to the carrying amount of individual loans at the reporting date.

(d) Industry and geographical analysis of the loan portfolio

Loans were issued primarily to customers located within the Republic of Kazakhstan who operate in the following economic sectors:

	31 December 2021 KZT'000	31 December 2020 KZT'000
Loans to customers at amortised cost		
Construction	56,726,589	50,393,008
Machinery manufacturing	55,918,298	2,328,479
Wholesale trade	38,746,276	37,706,730
Retail trade	34,162,571	19,283,173
Services	19,530,790	9,266,209
Financial intermediation	17,080,261	19,134,592
Food production	15,279,496	9,421,832
Acquisition and management of doubtful and bad assets	14,569,603	14,138,571
Textile manufacturing	9,713,407	9,506,188
Agriculture, forestry and timber industry	6,764,147	6,756,255
Industrial manufacturing	5,508,174	26,475,208
Real estate	4,884,449	13,124,215
Mining and metals industry	2,304,695	2,130,720
Transport	829,069	1,892,601
Lease, rent and leasing	351,724	295,928
Medical and social care	328,349	62,929
Electrical power generation and supply	30,122	30,122
Research activities	-	3,072
Other	475,224	224,904
Loans to retail customers at amortised cost		
Unsecured consumer loans	299,436,789	269,122,585
Car loans	188,681,361	167,638,429
Mortgage loans	8,877,471	11,637,155
Large non-programme loans on individual terms	6,565,039	6,381,350
Loans for individual entrepreneurship	3,236,875	3,311,473
Loans under Business Agro Programme	4,494,794	2,501,937
	794,495,573	**682,767,665**
Allowance for expected credit losses	(154,200,252)	(118,255,253)
Total loans to corporate customers at amortised cost	**640,295,321**	**564,512,412**
Loans to corporate customers at fair value		
Mining and metals industry	**-**	**4,608,253**
Total loans to corporate customers at fair value	**-**	**4,608,253**
	640,295,321	**569,120,665**

As at 31 December 2021, the Bank has 5 borrowers or groups of related borrowers (31 December 2020: 6), whose loan balances exceed 10% of equity. The gross value of these balances (before allowance for expected credit losses) as at 31 December 2021 is KZT 145,646,972 thousand (31 December 2020: KZT 109,149,727 thousand).

(e) Loan maturities

The maturity of the loan portfolio as at the reporting date is presented in Note 30(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

(f) Transfer of financial assets

In 2021, as part of its participation in the state mortgage programmes '7-20-25' and Market Mortgage Product ("Baspana Hit") the Bank transferred to Kazakhstan Sustainability Fund JSC the mortgage loans of KZT 1,282,955 thousand (2020: KZT 1,917,990 thousand). The Bank determined that it has not transferred risks and rewards to the buyer of the assets and therefore, retains control and continues recognising loans in its unconsolidated statement of financial position. The liability from continuing involvement with the asset is included in 'other liabilities' amounting to KZT 3,619,095 thousand (2020: KZT 3,437,654 thousand).

During 2020, the Bank did not sell other consumer loans to third parties (during 2020: The Bank did not sell other consumer loans to third parties).

In December 2013 and in June 2014, the Bank sold to another third party a portfolio of mortgage loans with a carrying value of KZT 3,820,407 thousand for KZT 3,969,928 thousand and provided an option to the buyer to purchase individual loans back or exchange them for other individual loans if loans become delinquent for more than sixty days. The amount that will be repurchased or exchanged is limited to 20% of transferred financial assets at the date of sale. The net gain recognised in the unconsolidated statement of profit or loss and other comprehensive at the date of transfer was KZT 149,521 thousand. The Bank has determined that it has transferred some but not substantially all of the risks and rewards to the transferee; as such, the Bank retains control and continues to recognise the loans to the extent of its continuing involvement in those mortgage loans.

As at 31 December 2021, the Bank's continuing involvement with the transferred portfolio is recorded in the unconsolidated statement of financial position in other assets (Note 19) in the amount of KZT 18,048 thousand (31 December 2020: KZT 18,583 thousand) with corresponding liability on continuing involvement included in other liabilities of KZT 16,911 thousand (31 December 2020: KZT 13,131 thousand) (Note 26) and the guarantee with the fair value of KZT 0.00 (31 December 2020: KZT 0.00 thousand) recognised in other liabilities. This asset also includes an interest strip receivable of KZT 0.00 thousand (31 December 2020: KZT 0.00 thousand) which represents the right to withhold from the loan buyer a portion of interest receivable on mortgage loan portfolio sold. The Bank has a right to receive 1.7% p.a. of the mortgage loan portfolio sold on a monthly basis.

(g) Loans issued under the Government programmes

During 2021, the Bank provided financing to 147 borrowers from the funds of DBK JSC totalling KZT 1,896,096 thousand; to 164 borrowers from the funds of DAMU JSC totalling KZT 9,564,713 thousand, and to 2 borrowers from the funds of KSF JSC totalling KZT 5,971,242 thousand (2020: DBK JSC– funding to 598 borrowers totalling KZT 4,989,589 thousand, DAMU JSC – funding to 241 borrowers totalling KZT 10,124,568 thousand, and KSF JSC – funding to 2 borrowers totalling KZT 2,180,153 thousand). These amounts of financing include funds utilised within the open credit facility limits, including those on a revolving basis.

As at 31 December 2021, the balance of principal debt and interest on loans financed using the funds provided for under the state programs amounted to KZT 28,752,071 thousand (31 December 2020: KZT 27,720,503 thousand).

16 Investments at amortised cost

	31 December 2021 KZT'000	31 December 2020 KZT'000
Held by the Bank		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	51,344,422	46,823,460
The NBRK discount notes	54,779,698	71,354,909
Bonds of Eurasian Development Bank	12,825,999	6,537,391
Bonds of Development Bank of Kazakhstan	14,287,973	2,224,218
Corporate bonds rated from BBB- to BBB+	37,128,796	8,384,092
Corporate bonds rated from BB- to BB+	-	8,604,037
	170,366,888	**143,928,107**
Pledged under sale and repurchase agreements		
Bonds of Eurasian Development Bank	-	1,201,924
	-	**1,201,924**
	170,366,888	**145,130,031**
Allowance for expected credit losses	(75,947)	(27,672)
Investments at amortised cost	**170,290,941**	**145,102,359**

The credit ratings are presented by reference to the credit ratings of Fitch's rating agency or analogues of similar international rating agencies.

As at 31 December 2021 and 31 December 2020, all investment measured at amortised cost are categorised into 'Stage 1' financial instruments.

Neither discounted NBRK notes nor bonds are overdue or impaired as at 31 December 2021 and 2020.

17 Investments in subsidiaries

As at 31 December 2021, the Bank has two subsidiaries, which are accounted for at cost (31 December 2020: two subsidiaries).

Name	Country of incorporation	Activity	Ownership interest, % 31 December 2021	Carrying amount KZT'000 31 December 2021	Ownership interest, % 31 December 2020	Carrying amount KZT'000 31 December 2020
Eurasian Project 1 LLP, Almaty	The Republic of Kazakhstan	Acquisition and management of doubtful and bad assets	100.00	1,499,170	100.00	1,499,170
Eurasian Project 2 LLP, Almaty	The Republic of Kazakhstan	Acquisition and management of doubtful and bad assets	100.00	37,000	100.00	37,000
				1,536,170		**1,536,170**
Impairment allowance				(1,536,170)		(1,536,170)
				-		-

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

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

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

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

Change in the book value of investments in subsidiaries net of recognised impairment for 2021 and 2020 are as follows:

	2021 KZT'000	2020 KZT'000
Balance at 1 January	**-**	**5,116,536**
Contribution to the share capital of the subsidiary	-	13,000
Impairment losses on investments in subsidiaries	-	(2,715,523)
Additional investments recognised as a result of intra-group transactions	-	621,271
Sale of the subsidiary	-	(3,035,284)
Balance at 31 December	**-**	**-**

18 Property, plant and equipment and intangible assets, and right-of-use assets

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademarks	Software and other intangibles	Total
Cost									
Balance at 1 January 2021	11,830,093	16,374,272	554,657	856,184	2,098	787,305	1,075,716	18,347,514	49,827,839
Additions	-	1,734,481	100,885	46,452	30	489	-	1,216,259	3,098,596
Disposals	(104,186)	(2,043,045)	(45,742)	(23,734)	-	-	-	(404,225)	(2,620,932)
Balance at 31 December 2021	**11,725,907**	**16,065,708**	**609,800**	**878,902**	**2,128**	**787,794**	**1,075,716**	**19,159,548**	**50,305,503**
Depreciation and amortisation									
Balance at 1 January 2021	(2,426,780)	(12,879,037)	(537,106)	(623,119)	-	(784,934)	(937,984)	(11,551,463)	(29,740,423)
Depreciation and amortisation for the year	(149,022)	(1,110,304)	(18,057)	(68,265)	-	(1,928)	(137,732)	(1,300,010)	(2,785,318)
Disposals	6,917	2,029,255	45,742	22,877	-	-	-	404,180	2,508,971
Balance at 31 December 2021	**(2,568,885)**	**(11,960,086)**	**(509,421)**	**(668,507)**	**-**	**(786,862)**	**(1,075,716)**	**(12,447,293)**	**(30,016,770)**
Carrying amount									
At 31 December 2021	**9,157,022**	**4,105,622**	**100,379**	**210,395**	**2,128**	**932**	**-**	**6,712,255**	**20,288,733**

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademarks	Software and other intangibles	Total
Cost									
Balance at 1 January 2020	11,830,093	15,529,606	576,454	841,293	461	787,305	1,075,716	16,385,172	47,026,100
Additions	-	1,554,355	-	40,298	1,637	-	-	2,187,698	3,783,988
Disposals	-	(709,689)	(21,797)	(25,407)	-	-	-	(225,356)	(982,249)
Balance at 31 December 2020	**11,830,093**	**16,374,272**	**554,657**	**856,184**	**2,098**	**787,305**	**1,075,716**	**18,347,514**	**49,827,839**
Depreciation and amortisation									
Balance at 1 January 2020	(2,276,702)	(12,405,675)	(526,884)	(575,005)	-	(777,078)	(834,573)	(10,309,225)	(27,705,142)
Depreciation and amortisation for the year	(150,078)	(1,170,877)	(32,019)	(72,419)	-	(7,856)	(103,411)	(1,365,479)	(2,902,139)
Disposals	-	697,515	21,797	24,305	-	-	-	123,241	866,858
Balance at 31 December 2020	**(2,426,780)**	**(12,879,037)**	**(537,106)**	**(623,119)**	**-**	**(784,934)**	**(937,984)**	**(11,551,463)**	**(29,740,423)**
Carrying amount									
31 December 2020	**9,403,313**	**3,495,235**	**17,551**	**233,065**	**2,098**	**2,371**	**137,732**	**6,796,051**	**20,087,416**

Capitalised borrowing costs related to the acquisition or construction of property, plant and equipment during 2021 and 2020 were nil.

	31 December 2021 KZT'000	31 December 2020 KZT'000
Right-of-use assets		
Cost		
Balance at 1 January	**4,206,698**	**3,993,882**
Additions	1,033,794	750,321
Disposals	(493,488)	(537,505)
Balance at 31 December	**4,747,004**	**4,206,698**
Depreciation and amortisation		
Balance at 1 January	**(1,763,262)**	**(1,009,300)**
Depreciation and amortisation for the year	(1,320,225)	(1,291,466)
Disposals	493,488	537,504
Balance at 31 December	**(2,589,999)**	**(1,763,262)**
Carrying amount	**2,157,005**	**2,443,436**

19 Other assets

	31 December 2021 KZT'000	31 December 2020 KZT'000
Plastic cards settlements	12,845,184	9,255,098
Guarantee coverage provided	7,164,330	-
Settlements with professional dealers of securities market	6,520,180	1,725,578
Debtors on loan operations	2,640,332	1,552,810
Debtors on letters of credit and guarantees	1,115,462	1,115,462
Fee and commission income accrued	765,772	444,046
Asset from continuing involvement in transferred assets (Note 15(f))	18,048	18,583
Other	2,465,327	2,939,435
Allowance for expected credit losses	(3,306,774)	(3,159,096)
Total other financial assets	**30,227,861**	**13,891,916**
Prepayments	1,153,319	972,589
Non-current assets held for sale	1,868,378	2,541,229
Taxes prepaid other than income tax	368,874	1,098,905
Advances for capital expenditures	526,459	259,811
Raw materials and supplies	292,480	242,587
Precious metals	93,688	85,508
Total other non-financial assets	**4,303,198**	**5,200,629**
Total other assets	**34,531,059**	**19,092,545**

An asset from continuing involvement in transferred assets of KZT 18,048 thousand (31 December 2020: KZT 18,583 thousand) originated as the result of the sale of loans to a mortgage company in June 2014 and December 2013 (Note 15).

Analysis of movements in the loss allowance for expected credit losses

Movements in a loss allowance for expected credit losses for the years ended 31 December 2021 and 31 December 2020 are as follows:

	2021 KZT'000	2020 KZT'000
Balance at the beginning of the year	3,159,096	9,637,080
Net (recovery) /charge of ECL allowance	(2,516,063)	1,477,690
Bad debt write-offs	(169,536)	(8,060,701)
Recovery of receivables previously written off	2,830,915	76,127
Effect of movements in exchange rates	2,362	28,900
Balance at the end of the year	**3,306,774**	**3,159,096**

As at 31 December 2021, included in other assets are overdue receivables of KZT 1,168,858 thousand (31 December 2020: KZT 57,587 thousand) of which the receivables of KZT 10,093 thousand are overdue for more than 90 days but less than one year (31 December 2020: KZT 10,366 thousand) and KZT 1,151,739 thousand are overdue for more than one year (31 December 2020: KZT 40,136 thousand).

20 Deposits and balances from banks

	31 December 2021 KZT'000	31 December 2020 KZT'000
Vostro accounts	566,311	862,012
	566,311	**862,012**

21 Amounts payable under repurchase agreements

Securities pledged

As at 31 December 2021, the amounts payable under repurchase agreements is KZT 0.00 (31 December 2020: KZT 1,139,662 thousand). The fair value of assets transferred as collateral under repurchase agreements was KZT 1,204,349 thousand as at 31 December 2020.

As at 31 December 2021, the Bank has no securities pledged as collateral under repurchase agreements (31 December 2020; the Bank has securities pledged as collateral under repurchase agreements).

22 Current accounts and deposits from customers

	31 December 2021 KZT'000	31 December 2020 KZT'000
Current accounts and demand deposits		
- Retail	94,532,593	81,140,220
- Corporate	139,020,421	260,408,596
Term deposits		
- Retail	397,590,199	390,322,933
- Corporate	505,601,765	221,240,497
	1,136,744,978	**953,112,246**

As at 31 December 2021, the current accounts and deposits from the Bank customers of KZT 15,780,259 thousand (31 December 2020: KZT 10,995,595 thousand) serve as collateral for loans and unrecognised credit instruments granted by the Bank.

As at 31 December 2021, the Bank has 13 customers (31 December 2020: 12 customers) whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2021 is KZT 417,078,636 thousand (31 December 2020: KZT 287,936,042 thousand).

As at 31 December 2021, the Bank's current accounts and demand deposits from retail customers of KZT 10,860,628 thousand (31 December 2020: KZT 7,380,634 thousand) are prepayments for loans. Prepayments for loans comprise payments made by retail borrowers ahead of schedule. These payments are settled against the loan balance at the date the instalments fall due.

23 Debt securities issued

	31 December 2021 KZT'000	31 December 2020 KZT'000
Nominal value	16,058,713	10,118,890
Discount	(161,438)	(268,420)
Accrued interest	564,882	296,825
	16,462,157	**10,147,295**

A summary of bond issues as at 31 December 2021 and 2020 is as follows:

	Issue registration date	Maturity date	Coupon rate	Effective interest rate	Carrying amount 31 December 2021 KZT'000	Carrying amount 31 December 2020 KZT'000
Bonds of the fifth issue	24-Oct-08	01-Sep-23	Inflation rate +1%	10.34%	8,180,566	8,064,559
Bonds of the eighteenth issue	15-Aug-19	15-Aug-26	10.95%	10.91%	8,281,591	2,082,736
					16,462,157	**10,147,295**

In December 2021, the Bank placed the unsecured coupon bonds with a total nominal value of KZT 5,939,823 thousand, maturing in August 2026 and bearing a fixed interest rate of 10.95% p.a., as part of a state program aimed at financing of the priority sectors of the economy. Funds received from placement of the bonds are used exclusively for granting loans to the private business entities operating in the processing industry and service sector, in accordance with the terms approved by Decree of the Government of the Republic of Kazakhstan No. 820 dated 11 December 2018 "On certain issues of ensuring a long-term liquidity in KZT to address the problem of affordable lending".

24 Subordinated debt securities issued

	31 December 2021 KZT'000	31 December 2020 KZT'000
Nominal value	167,469,550	167,469,550
Discount	(98,759,623)	(102,398,804)
Accrued interest	1,599,289	1,558,733
	70,309,216	**66,629,479**

As at 31 December 2021 and 31 December 2020, subordinated debt securities issued comprise unsecured obligations of the Bank. In case of bankruptcy, the subordinated debt securities is repaid once all other liabilities of the Bank are repaid in full.

A summary of subordinated debt securities issues at 31 December 2021 and 2020 is as follows:

	Issue registration date	Maturity date	Coupon rate	Effective interest rate	Carrying amount 31 December 2021 KZT'000	Carrying amount 31 December 2020 KZT'000
Bonds of the seventeenth issue	18-Oct-17	18-Oct-32	4.00%	18.00%	53,920,089	50,945,334
Bonds of the eighth issue	21-Aug-09	15-Oct-23	Inflation +1%	14.98%	13,994,320	13,372,141
Bonds of the thirteenth issue	25-Aug-16	10-Jan-24	9.00%	13.81%	2,394,807	2,312,004
					70,309,216	**66,629,479**

Embedded derivatives represented by inflation-indexed coupon payments are considered to be closely related to the host debt instruments as the inflation index is commonly used for this purpose in the KZT economic environment and it is not leveraged.

Participation in the Programme of Strengthening Financial Stability of Banking Sector in the Republic of Kazakhstan

By the Resolution of the NBRK No.183 dated 27 September 2017, the Bank was approved to participate in the Programme of Strengthening Financial Stability of the Banking Sector in the Republic of Kazakhstan (the "Programme").

Under the terms of the Programme, the Bank received cash from the NBRK subsidiary – Kazakhstan Sustainability Fund JSC – by means of issue of registered coupon subordinated bonds of the Bank (the "Bonds") convertible into the Bank's ordinary shares on the terms provided for in the Issue Prospectus.

The Bank is subject to restrictions (covenants) in its activities valid for 5 years from the Bonds' issue date, breach of any of each will result in exercising by the Bonds' holders of their right of Bonds being converted to the Bank's ordinary shares:

– The Bank undertakes to comply with capital adequacy ratios set by the authorised body for the second-tier banks of the Republic of Kazakhstan.

– The Bank undertakes not to commit action intended to withdraw the Bank's assets; at that, summary of activities to be considered the withdrawal of assets is set out in the Bond Issue Prospectus.

As part of its participation in the Programme, on 18 October 2017, the Bank placed Bonds at Kazakhstan Stock Exchange JSC for the amount of KZT 150,000,000 thousand; Bonds bear a coupon rate of 4.00 % p.a. and mature in 15 years. The result of discounting Bonds using a market interest rate of 18.00%, which was recognised within income in the unconsolidated statement of profit and loss and other comprehensive income on initial recognition of Bonds, amounted to KZT 106,961,607 thousand.

25 Other borrowed funds

	31 December 2021 KZT'000	31 December 2020 KZT'000
Loans from state financial institutions	25,636,285	26,754,175
Loans from the Ministry of Finance of the Republic of Kazakhstan	393,287	581,043
	26,029,572	**27,335,218**

As at 31 December 2021, the terms and conditions and schedule of repayment of the borrowed finds are as follows:

	Currency	Average interest rate	Year of maturity	Carrying amount KZT'000
Damu Entrepreneurship Development Fund JSC	KZT	1.00-8.50%	2022-2035	12,898,069
Development Bank of Kazakhstan JSC	KZT	1.00-2.00%	2034-2037	12,738,216
The Ministry of Finance of the Republic of Kazakhstan	KZT	The NBRK refinancing rate	2023	202,927
The Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2023	190,360
				26,029,572

As at 31 December 2020, terms and borrowed funds repayment schedule are as follows:

	Currency	Average interest rate	Year of maturity	Carrying amount KZT'000
Damu Entrepreneurship Development Fund JSC	KZT	1.00-8.50%	2021-2035	13,954,592
Development Bank of Kazakhstan JSC	KZT	1.00-2.00%	2034-2037	12,799,583
The Ministry of Finance of the Republic of Kazakhstan	KZT	The NBRK refinancing rate	2023	304,414
The Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2023	276,629
				27,335,218

Borrowed funds from KazAgro National Management Holding JSC ("KazAgro") were received in accordance with the rules of its programme on financial recovery of companies operating in the agriculture industry. Borrowed funds from Agrarian Credit Corporation JSC ("ACC") were received under the programme to provide financing to the agricultural entities. Borrowed funds from EDF DAMU JSC and DBK JSC were received under the Government programme ("the Programme") to provide financing to large corporates, and small- and medium-size enterprises (SMB) operating in certain industries.

Under the loan agreements between KazAgro and the Bank, the Bank is responsible to extend loans to companies operating in agricultural sector aimed to support their financial recovery. Under the loan agreements between ACC JSC and the Bank, the Bank is responsible to extend loans to companies operating in the agricultural sector.

Under the loan agreements with EDF DAMU JSC and DBK JSC, the Bank is responsible to extend loans to large corporates and SME borrowers, eligible to participate in the Programme, with maximum maturity up to 10 years and at a 6% p.a. Management of the Bank believes that due to their specific nature, loans from KazAgro, ACC JSC, EDF DAMU JSC and DBK JSC represent a separate segment of lending market providing financing from state companies to support entities operating in certain industries. As a result, loans from KazAgro, ACC JSC, EDF DAMU JSC and DBK JSC were received in an 'arm's length' transaction and, as such, the amount received under the loans represents the fair value of the loans on initial recognition.

The Bank is liable for compliance with covenants of loan agreements stated above. The Bank has complied with all covenants as at 31 December 2021 and 2020.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities				
KZT'000	**Other borrowed funds**	**Subordinated debt securities issued**	**Debt securities issued**	**Lease liabilities**	**Total**
Balance at 1 January 2021	**27,335,218**	**66,629,479**	**10,147,295**	**2,782,926**	**106,894,918**
Changes from financing cash flows					
Repayment of other borrowed funds	(1,287,009)	-	-	-	(1,287,009)
Proceeds from debt securities issued	-	-	6,160,840	-	6,160,840
Payments under lease agreements	-	-	-	(1,260,347)	(1,260,347)
Total changes from financing cash flows	**(1,287,009)**	**-**	**6,160,840**	**(1,260,347)**	**3,613,484**
The effect of changes in foreign exchange rates	6,630	-	-		6,630
Other changes					
Interest expense	731,118	11,117,226	1,022,533	258,852	13,129,729
Interest paid	(756,385)	(7,437,489)	(868,511)	(252,484)	(9,314,869)
Recognition of lease liabilities	-	-	-	1,033,794	1,033,794
Balance at 31 December 2021	**26,029,572**	**70,309,216**	**16,462,157**	**2,562,741**	**115,363,686**

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

26 Other liabilities

	31 December 2021 KZT'000	31 December 2020 KZT'000
Payment cards settlement	13,782,381	9,086,289
A liability from continuing involvement (Note 15 (f))	3,636,006	3,450,785
Payables to borrowers under loan transactions	805,301	319,695
Liabilities on electronic money issued	797,152	1,340,681
Accrued administrative expenses	749,573	340,317
Due to depositors of Bank of Astana JSC	383,234	432,643
Payables to insurance company	360,790	369,952
Assigned receivables payable	280,012	1,388,393
Due to depositors of Tengri Bank JSC	255,715	809,328
Due to depositors of Capital Bank JSC	155,025	-
Due to depositors of AsiaCredit Bank JSC	116,161	-
Borrowers' subsidies payable	33,526	-
Other financial liabilities	2,600,170	2,012,614
Total other financial liabilities	**23,955,046**	**19,550,697**
Payables to employees	3,322,737	1,615,615
Vacation reserve	1,036,313	633,298
Deferred income	585,407	285,397
Other taxes payable	397,379	239,099
Loss allowance for contingent liabilities	171,877	17
Other non-financial liabilities	263,121	362,350
Total other non-financial liabilities	**5,776,834**	**3,135,776**
Total other liabilities	**29,731,880**	**22,686,473**

27 Share capital

(a) Issued capital and share premium

The authorised share capital of the Bank comprises 2,096,038,900 ordinary shares (31 December 2020: 2,096,038,900 ordinary shares) and 3,000,000 non-redeemable cumulative preference shares (2020: 3,000,000 preference shares).

During 2021, the ordinary shares were not issued (in 2020: 612,314 ordinary shares were issued and paid at the price of KZT 6,532.60 per share).

Issued and outstanding share capital as at 31 December comprised fully paid ordinary shares as follows:

	2021 Shares	**2020 Shares**
Issued at KZT 955.98	8,368,300	8,368,300
Issued at KZT 1,523.90	2,631,500	2,631,500
Issued at KZT 1,092.00	2,930,452	2,930,452
Issued at KZT 6,532.60	7,030,137	7,030,137
Total issued and outstanding shares	**20,960,389**	**20,960,389**

As at 31 December 2021, charter capital of the Bank amounted to KZT 61,135,197 thousand (31 December 2020: KZT 61,135,197 thousand).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

(b) Dividends

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

During the year ended 31 December 2021, dividends were neither declared nor paid (2020: no dividends were neither declared nor paid).

(c) Book value per share

Under the listing rules of the Kazakhstan Stock Exchange the Bank should present book value per ordinary share in its unconsolidated financial statements.

The book value per ordinary share is calculated by dividing net assets less intangible assets by the number of outstanding ordinary shares. As at 31 December 2021, the book value per ordinary share was KZT 5,301.30 (31 December 2020: KZT 4,815.42).

(d) Nature and purpose of reserves

Reserve for general banking risks

Until 2013, in accordance with amendments to the Resolution No.196 "On establishment of minimum limit on reserve capital of second-tier banks" issued by the Board of the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations (the "ASFM") introduced on 31 January 2011 (that became invalid in 2013), the Bank had to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve.

From 2013, the Bank's management decides on its own how to establish these reserves. During the annual periods ended 31 December 2021 and 31 December 2020, no transfers to/from general reserve were made by the Bank to cover general banking risks.

28 Earnings per share

The calculation of earnings per share is based on the net consolidated earnings, and a weighted average number of ordinary shares outstanding during the period. The Bank has no potential diluted ordinary shares.

	2021 KZT'000	**2020 KZT'000**
Net profit	13,048,451	6,787,780
A weighted average number of ordinary shares	20,960,389	20,781,379
Basic earnings per share (KZT)	**622.53**	**326.63**

29 Analysis by segment

The Bank has five reportable segments, as described below, which are the Bank's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker, the Chairman of the Management Board, reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments.

- corporate banking – includes loans, deposits and other transactions with corporate customers
- retail banking – includes loans, deposits and other transactions with retail customers
- assets and Liabilities management – includes maintaining of liquid assets portfolio (cash, nostro accounts with the NBRK and other banks, interbank financing (up to 1 month), investments in liquid assets and bonds issue management)
- small- and medium-size companies banking - includes loans, deposits, and other transactions with small- and medium-size companies
- treasury – includes Bank financing via interbank borrowings and using derivatives for hedging market risks and investments in liquid securities (corporate bonds).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	2021 KZT'000	2020 KZT'000
ASSETS		
Assets and liabilities management	674,733,725	585,296,280
Retail banking	432,140,024	392,998,515
Corporate banking	207,523,914	171,676,195
Treasury	52,244,181	23,363,875
Small- and medium-sized companies banking	22,806,954	14,825,658
Unallocated assets	28,750,898	29,705,695
Total assets	**1,418,199,696**	**1,217,866,218**
LIABILITIES		
Retail banking	481,366,529	468,585,436
Corporate banking	545,876,759	356,985,785
Small- and medium-sized companies banking	129,687,278	110,325,784
Assets and liabilities management	79,056,092	76,695,712
Treasury	2,349,226	3,164,872
Unallocated liabilities	62,045,857	94,354,964
Total liabilities	**1,300,381,741**	**1,110,112,553**

Reconciliation of reportable segment total assets and total liabilities is presented below:

	2021 KZT'000	2020 KZT'000
Total assets for reportable segments	1,418,199,696	1,217,866,218
Gross presentation of foreign currency swaps	(6,044,050)	(18,949,464)
Other adjustments	(169,874)	(242,884)
Total assets	**1,411,985,772**	**1,198,673,870**

	2021 KZT'000	2020 KZT'000
Total liabilities for reportable segments	1,300,381,741	1,110,112,553
Gross presentation of foreign currency swaps	(6,044,050)	(18,949,464)
Other adjustments	(181,432)	(356,071)
Total liabilities	**1,294,156,259**	**1,090,807,018**

Segment information for the main reportable segments for the year ended 31 December 2021 is set out below:

KZT'000	**Corporate banking**	**Small- and medium-sized companies banking**	**Retail banking**	**Treasury**	**Assets and liabilities management**	**Unallocated assets and liabilities**	**Total**
Interest income	23,310,885	2,155,580	84,189,546	4,175,334	16,720,146	-	130,551,491
Fee and commission income	1,057,700	2,378,547	25,646,369	67,142	-	-	29,149,758
Net gain/(loss) on securities, dealing and translation differences	2,454,343	885,389	679,638	5,460,754	376,318	-	9,856,442
Other income	(103,841)	-	19,224	6,781	-	(225,633)	(303,469)
Funds transfer pricing	19,364,548	8,766,476	36,539,079	13,403	22,918,083	-	87,601,589
Revenue	**46,083,635**	**14,185,992**	**147,073,856**	**9,723,414**	**40,014,547**	**(225,633)**	**256,855,811**
Interest expense	(12,969,634)	(4,502,593)	(33,684,818)	-	(12,355,907)	-	(63,512,952)
Fee and commission expense	(323,571)	(22,204)	(13,079,550)	(213,712)	(95,931)	(48,215)	(13,783,183)
Impairment losses	(27,902,563)	(153,261)	(6,605,333)	-	(72,624)	(217,575)	(34,951,356)
Funds transfer pricing	(16,474,967)	(1,069,629)	(50,242,754)	(3,150,608)	(16,663,630)	-	(87,601,588)
Operational costs (direct)	(2,290,748)	(1,033,213)	(10,473,812)	(503,234)	(37,503)	(11,933,377)	(26,271,887)
Operational costs (indirect)	(1,025,586)	(1,383,388)	(7,103,487)	(305,597)	(4,133)	(2,540,283)	(12,362,474)
Corporate income tax	-	(705,265)	(3,031,561)	(650,050)	(1,263,124)	-	(5,650,000)
Segment result	**(14,903,434)**	**5,316,439**	**22,852,541**	**4,900,213**	**9,521,695**	**(14,965,083)**	**12,722,371**
Other segment items							
Additions of property and equipment	-	-	-	-	-	3,098,596	**3,098,596**
Depreciation and amortisation	(9,636)	(11,118)	(514,318)	(1,360)	(285)	(3,568,826)	**(4,105,543)**

In 2021 the Bank changed its approach to allocation of operating expenses in the segment reporting and excluded expenses of those business units whose operations are related to performance of the administrative and control functions and fulfilling regulatory and legal requirements, from the allocation by segments.

Segment information for the main reportable segments for the year ended 31 December 2020 is set out below:

KZT'000	Corporate banking	Small- and medium-sized companies banking	Retail banking	Treasury	Assets and liabilities management	Unallocated assets and liabilities	Total
Interest income	15,086,688	1,501,583	99,254,585	318,782	14,928,832	-	131,090,470
Fee and commission income	1,099,551	2,157,934	22,181,329	38,490	-	-	25,477,304
Net gain/(loss) on securities, dealing and translation differences	1,760,274	822,707	1,060,658	3,629,878	(1,774,160)	-	5,499,357
Other income	-	-	57,754	-	-	188,067	245,821
Funds transfer pricing	17,045,433	9,270,717	36,810,575	11,109	24,648,210	-	87,786,044
Revenue	**34,991,946**	**13,752,941**	**159,364,901**	**3,998,259**	**37,802,882**	**188,067**	**250,098,996**
Interest expense	(11,609,492)	(5,033,197)	(30,992,133)	-	(12,465,150)	-	(60,099,972)
Fee and commission expense	(395,312)	(23,456)	(11,921,911)	(216,848)	(132,450)	-	(12,689,977)
Impairment losses	(24,277,807)	(1,413,908)	(28,174,145)	-	226,146	(220,180)	(53,859,894)
Funds transfer pricing	(12,129,469)	(719,639)	(59,762,920)	(220,163)	(14,851,570)	(102,283)	(87,786,044)
Operational costs (direct)	(749,272)	(940,287)	(9,631,978)	(362,107)	(30,303)	(1,673,141)	(13,387,088)
Operational costs (indirect)	(1,462,097)	(1,832,197)	(13,571,276)	(456,952)	(36,044)	(613,851)	(17,972,417)
Corporate income tax	-	(43,940)	(61,564)	(32,068)	(121,603)	-	(259,175)
Segment result	**(15,631,503)**	**3,746,317**	**5,248,974**	**2,710,121**	**10,391,908**	**(2,421,388)**	**4,044,429**
Other segment items							
Additions of property and equipment	-	-	-	-	-	3,783,988	**3,783,988**
Depreciation and amortisation	(12,776)	(14,642)	(558,890)	(1,150)	(392)	(3,605,755)	**(4,193,605)**

Reconciliation of reportable segment revenues and profit or loss is as follows:

	2021 KZT'000	2020 KZT'000
Reportable segments revenue	256,855,811	250,098,996
Funds transfer pricing	(87,601,588)	(87,786,044)
Other adjustments	(12,905,716)	(10,088,855)
Total revenue	**156,348,507**	**152,224,097**

	2021 KZT'000	2020 KZT'000
Reportable segments profit	12,722,371	4,044,429
Other adjustments	10,045	112,979
Total profit	**12,732,416**	**4,157,408**

Other adjustments: these adjustments mostly represent netting of other assets and other liabilities, income and expenses. Other adjustments occur due to the fact that the Chairman of the Management Board reviews internal management reports prepared on a gross-up basis whereas for IFRS unconsolidated financial statements purposes netting is made for certain other assets/liabilities included in unallocated assets/liabilities.

Funds transfer pricing: for the purpose of internal management reporting, transfer pricing represents the allocation of income and expense between segments that raise cash resources and to segments that create interest income generating assets using cash resources.

Information about major customers and geographical areas

During the year ended 31 December 2021, the Bank has no large corporate customers revenues from which individually exceed 10% of total revenue (31 December 2020: none).

A major part of revenues from external customers relates to transactions with residents of the Republic of Kazakhstan. The majority of non-current assets are located in the Republic of Kazakhstan.

30 Risk management

Management of risk is fundamental to the business of banking and forms an essential element of the Bank's operations. The major risks faced by the Bank are those related to credit risk, market risk, liquidity risk and operational risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures. The Risk and Internal Controls Committee preliminary reviews these matters and seeks consideration and/or approval of these matters from the Board of Directors.

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Bank operates within established risk parameters. Risk management executives are responsible for the overall risk management and compliance functions, and control over implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. Risk management executives report directly to the Chairman and indirectly, through the Risk and Internal Controls Committee to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees, Market Risk and Liquidity Management Committee (MRLMC). In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of credit committees, depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Bank. Special attention is given to revealing the whole list of risk factors and determining the level of adequacy of the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Business Units monitor financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

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

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

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

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

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank’s overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

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

The Bank also utilises Value-at-Risk (VAR) methodology to monitor market risk of its trading positions.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its unconsolidated financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring and forecasting interest rate gaps, reduction in time gaps of interest-bearing assets and liabilities.

A summary of the interest gap position as at 31 December 2021 and 2020 for major financial instruments is as follows:

KZT'000	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Non-interest bearing**	**Carrying amount**
31 December 2021							
ASSETS							
Cash and cash equivalents	240,765,774	-	-	-	-	172,353,270	413,119,044
Financial instruments measured at fair value through profit or loss	-	-	-	-	-	18,900	18,900
Financial assets at fair value through other comprehensive income	15,539,215	2,088,023	8,403,720	75,982,944	21,986,114	-	124,000,016
Deposits and balances with banks	4,203,389	649,493	-	-	-	2,081,871	6,934,753
Loans to customers	120,142,216	41,279,624	133,291,148	316,346,513	29,235,820	-	640,295,321
Investments measured at amortised cost	37,794,301	34,089,656	39,573,121	58,833,863	-	-	170,290,941
	418,444,895	**78,106,796**	**181,267,989**	**451,163,320**	**51,221,934**	**174,454,041**	**1,354,658,975**
LIABILITIES							
Deposits and balances from banks	-	-	-	-	-	1,871	1,871
Amounts payable under repurchase agreements	-	-	-	-	-	566,311	566,311
Current accounts and deposits from customers	302,007,127	220,865,907	306,154,034	132,809,743	23,704,172	151,203,995	1,136,744,978
Debt securities issued	326,029	-	8,180,566	7,955,562	-	-	16,462,157
Subordinated debt securities issued	106,038	-	15,194,319	2,288,770	52,720,089	-	70,309,216
Other borrowed funds	1,444,687	416,484	660,093	4,087,899	19,420,409	-	26,029,572
Lease liabilities	14,963	33,061	207,671	2,307,046	-	-	2,562,741
	303,898,844	**221,315,452**	**330,396,683**	**149,449,020**	**95,844,670**	**151,772,177**	**1,252,676,846**
	114,546,051	**(143,208,656)**	**(149,128,694)**	**301,714,300**	**(44,622,736)**	**22,681,864**	**101,982,129**

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2020							
ASSETS							
Cash and cash equivalents	103,939,291	-	-	-	-	201,954,318	305,893,609
Financial instruments measured at fair value through profit or loss	-	-	-	-	-	2,058	2,058
Financial assets at fair value through other comprehensive income	1,313,009	16,341,515	2,869,615	72,907,267	653,171	-	94,084,577
Deposits and balances from banks	3,789,570	-	-	1,707,699	-	37,349,936	42,847,205
Loans to customers	122,770,436	41,290,040	98,342,210	280,787,948	25,930,031	-	569,120,665
Investments measured at amortised cost	59,237,647	33,452,797	-	52,411,915	-	-	145,102,359
	291,049,953	**91,084,352**	**101,211,825**	**407,814,829**	**26,583,202**	**239,306,312**	**1,157,050,473**
LIABILITIES							
Deposits and balances from banks	-	-	-	-	-	862,012	862,012
Amounts payable under repurchase agreements	1,139,662	-	-	-	-	-	1,139,662
Current accounts and deposits from customers	247,873,224	108,040,283	218,392,552	93,422,966	15,197,994	270,185,227	953,112,246
Debt securities issued	82,125	-	8,064,558	-	2,000,612	-	10,147,295
Subordinated debt securities issued	106,038	-	14,572,141	2,205,966	49,745,334	-	66,629,479
Other borrowed funds	631,023	622,460	508,261	5,797,837	19,775,637	-	27,335,218
Lease liabilities	11,692	41,227	243,829	2,486,178	-		2,782,926
	249,843,764	**108,703,970**	**241,781,341**	**103,912,947**	**86,719,577**	**271,047,239**	**1,062,008,838**
	41,206,189	**(17,619,618)**	**(140,569,516)**	**303,901,882**	**(60,136,375)**	**(31,740,927)**	**95,041,635**

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2021 and 31 December 2020. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2021 Average effective interest rate, %			2020 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest-bearing assets						
Cash and cash equivalents	8.83	0.24	1.87	7.88	0.21	0.57
Financial assets at fair value through other comprehensive income	9.76	2.19	1.57	10.37	2.74	2.58
Deposits and balances with banks	-	0.34	9.25	-	0.1	5.25
Loans to customers	20.53	6.04	11.53	20.41	5.86	14.98
Investments measured at amortised cost	9.87	1.76	-	10.05	3.27	-
Interest-bearing liabilities						
Amounts payable under repurchase agreements	-	-	-	-	-	4.30
Current accounts and deposits from customers						
- Corporate	6.28	0.48	1.28	6.67	0.48	0.11
- Retail	8.47	2.22	0.71	9.98	2.06	0.33
Debt securities issued	10.47	-	-	9.78	-	-
Subordinated debt securities issued	16.42	-	-	16.17	-	-
Other borrowed funds						
- Loans from state financial institutions	2.64	-	-	2.81	-	-
- Loans from the Ministry of Finance of the Republic of Kazakhstan	9.75	1.96	-	9.00	2.41	-

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2021 and 31 December 2020, is as follows:

	2021		2020	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	212,478	212,478	80,794	80,794
100 bp parallel rise	(212,478)	(212,478)	(80,794)	(80,794)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets measured at fair value through other comprehensive income and loans issued measured at fair value due to changes in the interest rates based on positions existing as at 31 December 2021 and 31 December 2020 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2021		**2020**	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	-	4,858,624	41,397	2,304,071
100 bp parallel rise	-	(4,858,624)	(40,631)	(2,303,305)

(ii) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank hedges its exposure to currency risk. The Bank manages its foreign currency position through the limits established for each currency and net foreign currency position limits.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2021:

	USD KZT'000	**EUR KZT'000**	**RUB KZT'000**	**Other currencies KZT'000**	**Total KZT'000**
ASSETS					
Cash and cash equivalents	282,211,624	14,815,321	8,775,928	2,764,471	308,567,344
Financial assets at fair value through other comprehensive income	36,871,014	2,062,371	-	-	38,933,385
Deposits and balances with banks	4,741,861	-	111,022	-	4,852,883
Loans to customers	40,176,768	3,487,635	4,357,407	-	48,021,810
Investments measured at amortised cost	94,469,110	-	-	-	94,469,110
Other financial assets	13,741,017	5,347	3,023	-	13,749,387
Total assets	**472,211,394**	**20,370,674**	**13,247,380**	**2,764,471**	**508,593,919**
LIABILITIES					
Deposits and balances from banks	486,597	669	-	823	488,089
Current accounts and deposits from customers	450,605,937	19,234,303	12,209,292	2,587,518	484,637,050
Other borrowed funds	190,360	-	-	-	190,360
Other financial liabilities	13,793,054	705,191	36,977	1,921	14,537,143
Total liabilities	**465,075,948**	**19,940,163**	**12,246,269**	**2,590,262**	**499,852,642**
Net position as at 31 December 2021	**7,135,446**	**430,511**	**1,001,111**	**174,209**	**8,741,277**
The effect of derivatives held for risk management**	(8,204,200)	(63,583)	-	-	(8,267,783)
Net position with the effect of derivatives as at 31 December 2021	**(1,068,754)**	**366,928**	**1,001,111**	**174,209**	**473,494**

** including SPOT transactions.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2020:

	USD KZT'000	**EUR KZT'000**	**RUB KZT'000**	**Other currencies KZT'000**	**Total KZT'000**
ASSETS					
Cash and cash equivalents	236,974,337	18,404,010	8,973,512	457,978	264,809,837
Financial assets at fair value through other comprehensive income	39,427,921	655,095	-	-	40,083,016
Deposits and balances with banks	3,789,570	-	1,707,699	-	5,497,269
Loans to customers	75,249,739	1,437,958	3,359,058	-	80,046,755
Investments measured at amortised cost	42,038,234	-	-	-	42,038,234
Other financial assets	761,455	87	562	-	762,104
Total assets	**398,241,256**	**20,497,150**	**14,040,831**	**457,978**	**433,237,215**
LIABILITIES					
Deposits and balances from banks	703,824	132,826	398	12,378	849,426
Amounts payable under repurchase agreements	-	-	1,139,662	-	1,139,662
Current accounts and deposits from customers	386,659,019	19,737,195	10,906,562	346,176	417,648,952
Other borrowed funds	276,629	-	-	-	276,629
Other financial liabilities	10,326,733	607,926	66,039	52	11,000,750
Total liabilities	**397,966,205**	**20,477,947**	**12,112,661**	**358,606**	**430,915,419**
Net position as at 31 December 2020	**275,051**	**19,203**	**1,928,170**	**99,372**	**2,321,796**
The effect of derivatives held for risk management**	(7,997,290)	-	-	-	(7,997,290)
Net position with the effect of derivatives as at 31 December 2020	**(7,722,239)**	**19,203**	**1,928,170**	**99,372**	**(5,675,494)**

** including SPOT transactions.

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2021 and 2020 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2021		**2020**	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
20% appreciation of USD against KZT	(171,001)	(171,001)	(1,235,558)	(1,235,558)
20% appreciation of EUR against KZT	58,708	58,708	3,072	3,072
20% appreciation of RUR against KZT	160,178	160,178	308,507	308,507
20% appreciation of other currencies against KZT	27,873	27,873	15,900	15,900

A strengthening of the KZT against the above currencies at 31 December 2021 and 31 December 2020 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Bank takes a long or short position in a financial instrument.

(iv) Value at Risk estimates

The Bank also utilises Value-at-Risk ("VaR") methodology to monitor market risk its currency positions.

VAR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based on a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VAR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential market price movements are determined with reference to market data from at least the most recent 12 months.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets as follows:

- the use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature;
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases, but may not be the case in situations in which there is severe market illiquidity for an extended period;
- the use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate.
- VaR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day;
- the VaR measure is dependent on the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The Bank does not solely rely on its VAR calculations in its market risk measurement due to inherent risk of usage of VAR as described above. The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

A summary of the VaR estimates in respect of foreign currency risk of the Bank at 31 December is as follows:

	2021 KZT'000	**2020 KZT'000**
Foreign exchange risk	46,931	128,311

(c) Credit risk

Credit risk is the probability of losses if a borrower or a counterparty fail to meet their original terms and conditions of an agreement (contract) to satisfy their monetary obligations assumed in the performance of borrowing, leasing, factoring, forfeiting, bank guarantee and other operations. The Bank has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are sent by the relevant client managers and are then passed on to the Corporate Business Block, which is responsible for the corporate loan portfolio. Then, applications are forwarded to credit analysis unit, the reports of which analysts are based on the results of a structured analysis of the customer's business and financial performance. The loan credit application and the reports are then independently reviewed by the Risk Management Block and a second opinion is given accompanied by verification that credit policy requirements are met. The Credit Committee makes decisions based on opinions of internal Bank's services. Prior to final approval by the Credit Committee, individual transactions are also reviewed by the Bank's Legal, Accounting and Tax departments subject to the specific risks.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its borrowers. The review is based on the borrower's most recent financial statements and other information submitted by the borrower or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed by the Bank's Retail Business Department together with the Bank's Risk Management Department.

Apart from individual customer analysis by the Bank's Credit Risk and Collateral Valuation Department, the credit portfolio is assessed also by the Risk Management Block with regard to credit concentration and market risks.

Loan approvals and credit card limits can be cancelled at anytime.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the unconsolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2021 KZT'000	**2020 KZT'000**
ASSETS		
Cash and cash equivalents	380,620,815	275,794,713
Financial instruments measured at fair value through profit or loss	18,900	2,058
Financial assets measured at fair value through other comprehensive income	124,000,016	94,084,577
Deposits and balances with banks	6,934,753	42,847,205
Loans to customers	640,295,321	569,120,665
Investments measured at amortised cost	170,290,941	145,102,359
Other financial assets	30,227,861	13,891,916
Total maximum exposure	**1,352,388,607**	**1,140,843,493**

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

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

As at 31 December 2021 the Bank has one debtor (the NBRK) (31 December 2020: one debtor), where credit risk exposure exceeded 10% maximum credit risk exposure. The gross value of this balance as at 31 December 2021 is KZT 357,472,125 thousand (31 December 2020: KZT 349,805,002 thousand).

Offsetting financial assets and liabilities

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

- are offset in the Bank's unconsolidated statement of financial position, or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the unconsolidated statement of financial position.

Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

The Bank conducts derivative transactions that are not transacted on the exchange through a central counterparty. Management believes that such settlements are, in effect, equivalent to net settlement and that, the Bank meets the net settlement criterion as this gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that the Bank will process receivables and payables in a single settlement process or cycle.

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

- derivatives;
- sale and repurchase, and reverse sale and repurchase agreements, and
- securities lending and borrowing.

Such collateral is subject to the standard industry terms of the International Swaps and Derivatives Association ("ISDA") Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transitions upon the counterparty's failure to post collateral.

The following table provides information on financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020:

KZT'000		Gross amounts of recognised financial assets/liabilities offset in the unconsolidated statement of financial position	Net amount of financial assets/liabilities presented in the unconsolidated statement of financial position	Related amounts not offset in the unconsolidated statement of financial position		
Types of financial assets/liabilities	**Gross amounts of recognised financial asset/liability**			**Financial instruments**	**Cash collateral received**	**Net amount**
Investments measured at amortised cost	1,201,924	-	1,201,924	(1,139,662)	-	62,262
Total financial assets	**1,201,924**	**-**	**1,201,924**	**(1,139,662)**	**-**	**62,262**
Accounts payable under repurchase agreements	(1,139,662)	-	(1,139,662)	1,139,662	-	-
Total financial liabilities	**(1,139,662)**	**-**	**(1,139,662)**	**1,139,662**	**-**	**-**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the unconsolidated statement of financial position on the following basis:

- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost.

The securities pledged under repurchased agreements (Note 16) represent the transferred financial assets that are not derecognised in their entirety. The securities lent or sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Bank, but the counterparty has an obligation to return the securities at the maturity of the contract. The Bank has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. Because the Bank sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the agreement.

(d) Liquidity risk

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

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

The Bank seeks to support a diversified and stable funding base comprising debt securities in issue, long- and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The daily liquidity position is monitored by the ALM unit and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Risk Management Block. The ALM unit receives information from business units regarding the liquidity structure of their financial assets and liabilities and projected cash flows arising from projected future business. Forecasting is performed on a short-term and medium-term horizon, and tactical steps are stipulated at each planning interval, subject to possibility of using various sources of funding, including external borrowings and different ways of placing temporarily free funds. Based on the forecast of expected inflows and outflows of funds, the ALM estimates the deficit/excess of liquidity and provides an operational forecast of liquidity ratios.

The Bank' management regularly receives information on the liquidity position. Frequency of information submission depends on the Bank's liquidity position at each specific point of time. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. The information submitted is sufficient to assess adequately the Bank's liquidity position as a whole and in individual areas (currencies, customers, etc.) that also enables the Bank's collective bodies and business units to make informed decision on the Bank's ability to satisfy its liquidity needs and perform its obligations in time and in full scope.

The following tables show the undiscounted cash flows on financial liabilities and unrecognised credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment.

The maturity analysis for financial liabilities as at 31 December 2021 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative financial liabilities							
Deposits and balances from banks	566,311	-	-	-	-	566,311	566,311
Current accounts and deposits from customers	267,689,542	196,755,293	228,838,745	316,379,570	175,142,874	1,184,806,024	1,136,744,978
Debt securities issued	-	795,996	-	795,996	20,258,936	21,850,928	16,462,157
Subordinated debt securities issued	112,275	-	703,804	6,816,079	229,213,983	236,846,141	70,309,216
Other borrowed funds	115	1,499,289	187,040	1,048,117	27,483,079	30,217,640	26,029,572
Lease liabilities	119,208	233,214	336,032	566,693	1,448,945	2,704,092	2,562,741
Other financial liabilities	23,708,787	-	246,240	19	-	23,955,046	23,955,046
Derivative financial liabilities*							
- Inflow	(20,375,052)	-	-	-	-	(20,375,052)	(18,019)
- Outflow	20,357,033	-	-	-	-	20,357,033	-
Total liabilities	**292,178,219**	**199,283,792**	**230,311,861**	**325,606,474**	**453,547,817**	**1,500,928,163**	**1,276,612,002**
Credit related commitments	122,783,475	-	-	-	-	122,783,475	122,783,475

* including SPOT transactions.

The maturity analysis for financial liabilities as at 31 December 2020 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative financial liabilities							
Deposits and balances from banks	862,011	-	-	-	-	862,011	862,012
Accounts payable under repurchase agreements	1,139,662	-	-	-	-	1,139,662	1,139,662
Current accounts and deposits from customers	371,346,688	156,687,575	113,758,660	225,667,755	129,710,070	997,170,748	953,112,246
Debt securities issued	-	434,256	-	434,256	12,512,912	13,381,424	10,147,295
Subordinated debt securities issued	112,276	-	606,469	6,718,744	236,456,802	243,894,291	66,629,479
Other borrowed funds	172	696,393	210,726	971,679	30,385,194	32,264,164	27,335,218
Lease liabilities	111,431	212,887	302,144	508,739	1,871,688	3,006,889	2,782,926
Other financial liabilities	19,424,878	-	118,720	7,099	-	19,550,697	19,550,697
Derivative financial liabilities*							
- Inflow	(27,372,168)	-	-	-	-	(27,372,168)	(4,504)
- Outflow	27,367,664	-	-	-	-	27,367,664	-
Total liabilities	**392,992,614**	**158,031,111**	**114,996,719**	**234,308,272**	**410,936,666**	**1,311,265,382**	**1,081,555,031**
Credit related commitments	78,965,152	-	-	-	-	78,965,152	78,965,152

* including SPOT transactions.

In accordance with legislation of the Republic of Kazakhstan, legal entities and individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The maturities of the total amount of term deposits are as follows:

- KZT 34,209,897 thousand are categorised to ‘demand deposits’ and those which mature within less than one month (31 December 2020: KZT 30,318,978 thousand);
- KZT 196,751,131 thousand are categorised to deposits, which mature within one to three months (31 December 2020: KZT 156,281,675 thousand;
- KZT 228,770,452 thousand are categorised to deposits, which mature within three to six months (31 December 2020: KZT 113,745,012 thousand);
- KZT 316,379,570 thousand are categorised to deposits, which mature within six to twelve months (31 December 2020: KZT 225,665,313 thousand);
- KZT 175,141,959 thousand are categorised to deposits, which mature within the period of more than one year (31 December 2020: KZT 129,587,107 thousand).

However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customer accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Bank indicates that these customer accounts provide a long-term and stable source of funding.

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

The table below shows an analysis, by expected maturities, of the amounts recognised in the unconsolidated statement of financial position, excluding derivative instruments, as at 31 December 2021:

KZT'000	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**	**Overdue**	**Total**
Cash and cash equivalents	413,119,044	-	-	-	-	-	-	413,119,044
Financial assets measured at fair value through other comprehensive income	6,625,497	8,913,718	10,491,743	75,982,944	21,986,114	-	-	124,000,016
Deposits and balances with banks	2,012,871	84,734	649,493	-	4,187,655	-	-	6,934,753
Loans to customers	37,595,034	64,329,462	175,633,424	318,164,571	30,080,648	-	14,492,182	640,295,321
Investments measured at amortised cost	25,228,665	12,565,636	73,662,777	58,833,863	-	-	-	170,290,941
Current tax asset	350,000000	· -	- -	- -	- -	-	- -	- 350,000 -
Property, plant and equipment and intangible assets	-	-	-	-	-	20,288,733	-	20,288,733
Right-of-use assets	-	-	-	-	-	2,157,005	-	2,157,005
Other assets	30,234,401	437,063	1,615,009	73,021	7,599	2,160,858	3,108	34,531,059
Total assets	**515,165,512**	**86,330,613**	**262,052,446**	**453,054,399**	**56,262,016**	**24,606,596**	**14,495,290**	**1,411,966,872**
Deposits and balances from banks	566,311	-	-	-	-	-	-	566,311
Current accounts and deposits from customers	263,620,605	189,584,097	527,020,441	132,814,443	23,705,392	-	-	1,136,744,978
Debt securities issued	-	564,883	-	15,897,274	-	-	-	16,462,157
Subordinated debt securities issued	106,038	-	1,493,251	15,989,838	52,720,089	-	-	70,309,216
Other borrowed funds	117	1,444,570	882,712	4,281,764	19,420,409	-	-	26,029,572
Lease liabilities	6,277	11,855	237,563	2,307,046	-	-	-	2,562,741
Deferred tax liabilities	-	-	-	-	-	11,747,533	-	11,747,533
Other liabilities	29,485,621	-	246,259	-	-	-	-	29,731,880
Total liabilities	293,784,969	191,605,405	529,880,226	171,290,365	95,845,890	11,747,533	-	1,294,154,388
Net position	**221,380,543**	**(105,274,792)**	**(267,827,780)**	**281,764,034**	**(39,583,874)**	**12,859,063**	**14,495,290**	**117,812,484**
Accumulated net position	**221,380,543**	**116,105,751**	**(151,722,029)**	**130,042,005**	**90,458,131**	**103,317,194**	**117,812,484**	**117,812,484**

The table below shows an analysis, by expected maturities, of the amounts recognised in the unconsolidated statement of financial position, excluding derivative instruments, as at 31 December 2020:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Cash and cash equivalents	305,893,609	-	-	-	-	-	-	305,893,609
Financial assets measured at fair value through other comprehensive income	938,276	374,733	19,211,130	72,907,267	653,171	-	-	94,084,577
Deposits and balances with banks	37,283,936	-	-	1,707,699	3,855,570	-	-	42,847,205
Loans to customers	54,838,205	36,598,377	137,644,740	280,179,798	25,360,604	-	34,498,941	569,120,665
Investments measured at amortised cost	8,721,209	50,516,438	33,452,797	52,411,915	-	-	-	145,102,359
Property, plant and equipment and intangible assets	-	-	-	-	-	20,087,416	-	20,087,416
Right-of-use assets	-	-	-	-	-	2,443,436	-	2,443,436
Other assets	16,657,470	219,269	302,256	1,665,977	-	242,587	4,986	19,092,545
Total assets	**424,332,705**	**87,708,817**	**190,610,923**	**408,872,656**	**29,869,345**	**22,773,439**	**34,503,927**	**1,198,671,812**
Deposits and balances from banks	862,012	-	-	-	-	-	-	862,012
Accounts payable under repurchase agreements	1,139,662	-	-	-	-	-	-	1,139,662
Current accounts and deposits from customers	367,693,304	150,358,864	326,435,302	93,424,713	15,200,063	-	-	953,112,246
Debt securities issued	-	296,825	-	7,849,859	2,000,611	-	-	10,147,295
Subordinated debt securities issued	106,038	-	1,452,696	15,325,412	49,745,333	-	-	66,629,479
Other borrowed funds	137	630,886	747,718	6,180,840	19,775,637	-	-	27,335,218
Lease liabilities	1,478	15,260	280,010	2,486,178	-	-	-	2,782,926
Deferred tax liabilities	-	-	-	-	-	6,111,707	-	6,111,707
Other liabilities	22,560,654	-	125,819	-	-	-	-	22,686,473
Total liabilities	392,363,285	151,301,835	329,041,545	125,267,002	86,721,644	6,111,707	-	1,090,807,018
Net position	**31,969,420**	**(63,593,018)**	**(138,430,622)**	**283,605,654**	**(56,852,299)**	**16,661,732**	**34,503,927**	**107,864,794**
Accumulated net position	**31,969,420**	**(31,623,598)**	**(170,054,220)**	**113,551,434**	**56,699,135**	**73,360,867**	**107,864,794**	**107,864,794**

Management believes that the following factors provide decrease in the liquidity gap up to 1 year:

- Management's analysis of behaviour of holders of term deposits during the past three years indicates that offering of competitive interest rates provides for high level of renewals.
- As at 31 December 2021 the balance of accounts and deposits from related parties, which fall due within 1 year, is KZT 406,753,280 thousand (2020: KZT 236,191,164 thousand). Management believes that the term deposits will be extended when they fall due and withdrawals of significant customer accounts, if required, will be coordinated with the Bank's liquidity management objectives.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

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

The Bank manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

31 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defined as capital those items defined by statutory regulation as capital for credit institutions.

Tier 1 capital is a total of basic and additional capital. Basic capital comprises paid-in ordinary share capital, share premium, current and prior periods' retained earnings and reserves created thereof, less treasury share capital, intangible assets including goodwill, and current and prior periods losses, deferred tax asset net of deferred tax liability, excluding deferred tax assets recognised in relation to deductible temporary differences, other revaluation reserves, gains from sales related to asset securitisation transactions, gains or losses from revaluation of financial liabilities at fair value related to change in own credit risk, regulatory adjustments to be deducted from the additional capital, but due to insufficient levels of it deducted from basic capital, and investments in financial instruments of investees not consolidated in the Bank with certain limitations. Additional capital comprises of perpetual contracts and paid-in preference share capital less adjustments for the Bank's investment in its own perpetual financial instruments, treasury preference shares, investments in financial instruments of investees not consolidated in the Bank with certain limitations and regulatory adjustments to be deducted from the tier 2 capital, but due to insufficient levels of it deducted from additional capital.

Tier 2 capital comprises subordinated debt in KZT less investments in subordinated debt of financial institutions which the Bank holds 10% and more issued shares in, not consolidated in the Bank with certain limitations.

Total capital is the sum of tier 1 and tier 2 capital as at 31 December 2021 (as at 31 December 2020, total capital is the sum of tier 1 and tier 2 capital).

There are a set of different limitations and classification criteria applied to the above listed total capital elements.

In accordance with the regulations set by the NBRK the Bank has to maintain total capital adequacy within the following coefficients:

- a ratio of basic capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1);

- a ratio of tier 1 capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1-2);
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k2).

As at 31 December 2021 and 2020, the minimum level of ratios as applicable to the Bank are as follows:

	Including capital conservation buffer		**Net of capital conservation buffer**	
	2021	**2020**	**2021**	**2020**
k1 – not less than	0.075	0.065	0.055	0.055
k1-2 – not less than	0.085	0.075	0.065	0.065
k2 – not less than	0.010	0.090	0.080	0.080

On 1 October 2019, NBRK introduced a new regulatory capital buffer for the capitalisation ratios. A regulatory buffer is calculated as a ratio of a positive difference between the provisions calculated in accordance with the “Guidance on establishing provisions for impairment of the Bank assets in the form of loans and accounts receivable to the Statutory Ratios”, and the provisions formed and recorded in the Bank accounts in accordance with IFRS and the requirements of the law of the Republic of Kazakhstan on accounting and financial reporting (hereinafter - “a positive difference”), to the sum of credit risk-weighted assets and contingent liabilities.

Since 1 June 2020, the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market has lowered the capital conservation buffer requirement to 1% for a period until 1 June 2021 as part of measures to ensure socioeconomic stability.

The Bank complied with all prudential capital adequacy ratios k1, k1-2 and k2 as at 31 December 2021. The Bank’s actual coefficients are as follows: k1 – 0.122, k1-2 – 0.122 and k2 – 0.287 (31 December 2020: k1 0.121, k1-2 – 0.121 and k2 – 0.302).

The Bank’s capital position as at 31 December 2021 calculated in accordance with the requirements established by the Resolution of the Board of the National Bank of the Republic of Kazakhstan of 13 September 2017, No. 170 “On establishment of normative values and techniques of calculations of prudential standard rates and other regulations, obligatory to observance, and limits of the size of the capital of bank for the certain date and Rules of calculation and limits of the open foreign exchange position of bank” amounted to KZT 262,409,243 thousand (31 December 2020: KZT 252,512,250 thousand). Tier 1 capital as at 31 December 2021 amounted to KZT 111,062,292 thousand (31 December 2020: KZT 100,775,697 thousand).

32 Credit related commitments

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to perform as contracted.

	2021 KZT'000	2020 KZT'000
Contracted amount		
Loan and credit line commitments	95,658,028	61,179,984
Guarantees	24,454,056	17,379,675
Letters of credit	2,671,391	405,493
Total	**122,783,475**	**78,965,152**
Loss allowance	**(171,877)**	**(17)**

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

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

As at 31 December 2021 the Bank has 1 customer whose balances exceed 10% of total commitments (31 December 2020: 1 customer). The value of these commitments as at 31 December 2021 amounted to KZT 12,553,276 (31 December 2020: KZT 13,177,966 thousand).

As at 31 December 2021 and 31 December 2020, the companies with state participation account for 20% of the customers for credit related commitments, with the remaining part comprising the large corporates operating in various sectors of the economy.

The table below shows movement in loss allowance on credit related commitments for the year ended 31 December 2021.

KZT'000 **Credit related commitments**	Stage 1	Stage 2	Stage 3	Total
Loss allowance for expected credit losses at the beginning of the year	**17**	**-**	**-**	**17**
Transfer to Stage 2	(1,881)	1,881	-	-
Net remeasurement of loss allowance	131,004	710	752	132,466
New financial assets originated or purchased	38,110	-	1,303	39,413
Foreign exchange and other movements	(19)	-	-	(19)
Loss allowance for expected credit losses at the end of the year	**167,231**	**2,591**	**2,055**	**171,877**

The table below shows movement in loss allowance on credit related commitments for the year ended 31 December 2020.

KZT'000 **Credit related commitments**	Stage 1	Stage 2	Stage 3	Total
Loss allowance for expected credit losses at the beginning of the year	19	-	65,531	65,550
Transfer to Stage 2	-	45,265	(45,265)	-
Net remeasurement of loss allowance	(63)	(45,265)	(20,266)	(65,594)
New financial assets originated or purchased	60	-	-	60
Foreign exchange and other movements	1	-	-	1
Loss allowance for expected credit losses at the end of the year	**17**	**-**	**-**	**17**

During 2021, the Bank issued guarantees for the total amount of KZT 19,676,126 thousand (in 2020: KZT 6,886,099 thousand), including those that were subsequently classified to Stage 1 of credit quality in the amount of KZT 19,074,624 thousand, to Stage 2 - of KZT 388,329, to Stage 3 - of KZT 213,173 thousand (in 2020: to Stage 1 of credit quality in the amount of KZT 6,881,053 thousand, to Stage 2 - of KZT 0 and to Stage 3 - of KZT 5,046 thousand). During 2021, the Bank derecognised credit related commitments on guarantees for the total amount of KZT 12,948,971 thousand (in 2020: KZT 13,321,973 thousand), including those that were subsequently classified to Stage 1 of credit quality in the amount of KZT 12,931,056 thousand, to Stage 2 - of KZT 0, to Stage 3 - of KZT 17,915 thousand (in 2020: to Stage 1 of credit quality in the amount of KZT 11,018,860 thousand, to Stage 2 - of KZT 2,048,204 thousand and to Stage 3 - of KZT 254,909 thousand).

33 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and unconsolidated financial position.

(b) Litigation

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

(c) Taxation contingencies

The taxation system in the Republic Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the unconsolidated financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these unconsolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

34 Related party transactions

(a) Control relationships

The Bank's parent company is Eurasian Financial Company JSC (the "Parent Company"). The Parent Company is controlled by the group of individuals, Mr A.A. Mashkevich, Mr P.K. Chodiyev, Mrs M.N. Ibragimova (31 December 2020: Mr A.A. Mashkevich, Mr P.K. Chodiyev, Mr A.R. Ibragimov), each one owns 33.3%. Publicly available consolidated financial statements are produced by the Bank's Parent Company.

(b) Transactions with members of the Board of Directors, the Management Board and other key management personnel

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2021 KZT'000	2020 KZT'000
Members of the Board of Directors	393,079	355,225
Members of the Management Board	917,779	881,560
Other key management personnel	1,799,032	1,116,480
	3,109,890	**2,353,265**

These amounts include non-cash benefits in respect of members of the Board of Directors, the Management Board and other key management personnel.

The outstanding balances and average effective interest rates as at 31 December 2021 and 2020 for transactions with members of the Board of Directors, the Management Board and other key management personnel are as follows:

	2021 KZT'000	Average effective interest rate, %	2020 KZT'000	Average effective interest rate, %
Unconsolidated statement of financial position				
ASSETS				
Loans to customers	100,226	7.90	30,956	8.33
Loans to customers (loss allowance for expected credit losses)	(1,638)	0	(818)	0
LIABILITIES				
Current accounts and deposits from customers	29,979,309	6.82	25,140,822	6.63

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors, the Management Board and other key management personnel for the year ended 31 December are as follows:

	2021 KZT'000	2020 KZT'000
Profit or loss		
Interest income calculated using the effective interest method	3,110	1,195
Interest expense	(2,059,763)	(973,993)
Fee and commission income	705	771
Impairment losses on debt financial assets	(478)	(373)

(c) Transactions with other related parties

The outstanding balances and the related average contractual interest rates as at 31 December 2021 and related profit or loss amounts of transactions for the year ended 31 December 2021 with other related parties are as follows:

31 December 2021	**Parent Company**		**Other subsidiaries of the Parent Company**		**Subsidiaries of the Bank**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Unconsolidated statement of financial position									
ASSETS									
Loans to customers									
- in KZT	-	-	-	-	14,569,603	6.02	3,402,748	15.01	17,972,351
- in USD	-	-	-	-	-	-	36,711,638	4.21	36,711,638
- in other currencies	-	-	-	-	-	-	-	-	-
Loans to customers (loss allowance for expected credit losses)	-	-	-	-	(9,431,479)	-	(13,877,316)	-	(23,308,795)
Other assets									
- in KZT	-	-	37,473	-	1,480,803	-	19,588	-	1,537,864

31 December 2021	**Parent Company**		**Other subsidiaries of the Parent Company**		**Subsidiaries of the Bank**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
LIABILITIES									
Current accounts and deposits from customers									
- in KZT	178,495	8.18	422,131	7.97	364,379	8.18	120,564,338	6.17	121,529,343
- in USD	-	-	7,875,345	0.50	-	-	255,814,264	0.43	263,689,609
- in other currencies	-	-	1,389,209	0.32	-	-	5,268,605	2.00	6,657,814
Debt securities issued									
- in KZT	-	-	27,512	8.90	-	-	-	-	27,512
Subordinated debt securities issued									
- in KZT	-	-	32,933	9.40	-	-	-	-	32,933
Other liabilities									
- in KZT	-	-	342,965	-	-	-	188,900	-	531,865
- in USD	-	-	-	-	-	-	3,269	-	3,269

31 December 2021	Parent Company		Other subsidiaries of the Parent Company		Subsidiaries of the Bank		Other related parties*		
	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	Total KZT'000
Items not recognised in the unconsolidated statement of financial position									
Loan and credit line commitments	-	-	-	-	-	-	2,361	-	2,361
Guarantees issued	-	-	-	-	-	-	45,427	-	45,427
Guarantees received	-	-	-	-	-	-	5,261,550	-	5,261,550
Letters of credit	-	-	-	-	-	-	3,932	-	3,932
Profit/(loss)									
Interest income calculated using the effective interest method	-	-	-	-	309,739	-	1,044,730	-	1,354,469
Other interest income	-	-	-	-	-	-	145,650	-	145,650
Interest expense	(143,028)	-	(489,031)	-	(26,612)	-	(3,497,069)	-	(4,155,740)
Fee and commission income	689	-	12,169,525	-	298	-	609,341	-	12,779,853
Fee and commission expense	-	-	(2,880)	-	-	-	(194,612)	-	(197,492)
Net gain on financial instruments measured at fair value through profit or loss	-	-	-	-	-	-	1,433,376	-	1,433,376
Net foreign exchange gain/(loss)	-	-	67,044	-	162	-	(4,500,707)	-	(4,433,501)
Other operating expenses	-	-	-	-	(158,043)	-	(331,418)	-	(489,461)
Impairment losses on debt financial assets	-	-	-	-	(1,776,742)	-	(15,402,271)	-	(17,179,013)
Other general and administrative expenses	-	-	(80,365)	-	-	-	(181,944)	-	(262,309)

The outstanding balances and the related average contractual interest rates as at 31 December 2020 and related profit or loss amounts of transactions for the year ended 31 December 2020 with other related parties are as follows:

31 December 2020	**Parent Company**		**Other subsidiaries of the Parent Company**		**Subsidiaries of the Bank**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Unconsolidated statement of financial position									
ASSETS									
Loans to customers									
- in KZT	-	-	-	-	14,138,571	6.01	3,656,119	15.04	17,794,690
- in USD	-	-	-	-	-	-	45,955,849	4.61	45,955,849
- in other currencies	-	-	-	-	-	-	-	-	-
Loans to customers (loss allowance for expected credit losses)	-	-	-	-	(7,293,555)	-	(685,300)	-	(7,978,855)
Other assets									
- in KZT	-	-	89,860		1,571,202		1,806	-	1,662,868

31 December 2020	**Parent Company**		**Other subsidiaries of the Parent Company**		**Subsidiaries of the Bank**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
LIABILITIES									
Current accounts and deposits from customers									
- in KZT	135,284	8.50	2,583,175	10.94	237,852	7.85	17,379,601	4.04	20,335,912
- in USD	-	-	8,736,069	1.50	-	-	193,708,716	0.22	202,444,785
- in other currencies	-	-	1,788,728	0.02	-	-	1,700,687	0.04	3,489,415
Debt securities issued									
- in KZT	-	-	27,122	8.00	-	-	-	-	27,122
Subordinated debt securities issued									
- in KZT	-	-	27,227	8.10	-	-	-	-	27,227
Other liabilities									
- in KZT	-	-	376,577	-	-	-	188,724	-	565,301
- in USD	-	-	-	-	-	-	-	-	-

31 December 2020	Parent Company		Other subsidiaries of the Parent Company		Subsidiaries of the Bank		Other related parties*		
	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	Total KZT'000
Items not recognised in the unconsolidated statement of financial position									
Guarantees issued	-	-	-	-	-	-	45,427	-	45,427
Guarantees received	-	-	-	-	-	-	11,982,469	-	11,982,469
Letters of credit	-	-	-	-	-	-	405,493	-	405,493
Profit/(loss)									
Interest income calculated using the effective interest method	-	-	-	-	446,550	-	1,387,657	-	1,834,207
Other interest income	-	-	-	-	234,658	-	634,549	-	869,207
Interest expense	(74,246)	-	(1,162,004)	-	(14,401)	-	(2,432,426)	-	(3,683,077)
Fee and commission income	874	-	3,337,156	-	646	-	530,064	-	3,868,740
Fee and commission expense	-	-	(2,888)	-	(18)	-	(22,088)	-	(24,994)
Net gain on financial instruments measured at fair value through profit or loss	-	-	-	-	176,214	-	18,089	-	194,303
Net foreign exchange loss	2	-	(160,375)	-	421,334	-	(8,921,878)	-	(8,660,917)
Other operating expenses	-	-	-	-	-	-	-	-	-
Impairment losses on debt financial assets	-	-	-	-	(571,426)	-	(2,649,994)	-	(3,221,420)
Impairment losses on investments in subsidiaries	-	-	-	-	(2,715,523)	-	-	-	(2,715,523)
Other general and administrative expenses	-	-	(66,865)	-	-	-	(191,930)	-	(258,795)

*Other related parties are the entities that are controlled by the Parent Company's shareholders.

Loans to related parties with net carrying amount of KZT 31,466,283 thousand (31 December 2020: KZT 56,748,488 thousand) are secured by land plots, real estate, guarantees, movable property and other types of collateral, whose value mostly covers the carrying amount of these loans excluding overcollateralization. The remaining amount of loans to related parties is not secured. The term of expiry of the guarantees received to secure the loans issued is determined by the terms of repayment of these loans.

35 Financial assets and liabilities: fair values and accounting classification

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2021:

KZT'000	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	413,119,044	413,119,044	413,119,044
Financial instruments measured at fair value through profit or loss	18,900	-	-	18,900	18,900
Financial assets measured at fair value through other comprehensive income	-	124,000,016	-	124,000,016	124,000,016
Deposits and balances with banks	-	-	6,934,753	6,934,753	6,934,753
Loans to customers					
Loans to corporate customers	-	-	208,990,595	208,990,595	209,660,484
Loans to retail customers	-	-	431,304,726	431,304,726	415,520,421
Investments measured at amortised cost					
Government bonds	-	-	106,124,120	106,124,120	106,953,512
Development bank bonds			27,081,053	27,081,053	27,070,092
Corporate bonds	-	-	37,085,768	37,085,768	36,920,328
Other financial assets	-	-	30,227,861	30,227,861	30,227,861
	18,900	**124,000,016**	**1,260,867,920**	**1,384,886,836**	**1,370,425,411**
Financial instruments measured at fair value through profit or loss	1,871	-	-	1,871	1,871
Deposits and balances from banks	-	-	566,311	566,311	566,311
Current accounts and deposits from customers	-	-	1,136,744,978	1,136,744,978	1,144,085,032
Debt securities issued	-	-	16,462,157	16,462,157	15,450,333
Subordinated debt securities issued	-	-	70,309,216	70,309,216	85,517,357
Other borrowed funds	-	-	26,029,572	26,029,572	26,029,572
Other financial liabilities	-	-	23,955,046	23,955,046	23,955,046
	1,871	**-**	**1,274,067,280**	**1,274,069,151**	**1,295,605,522**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020:

'000 KZT	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	305,893,609	305,893,609	305,893,609
Financial instruments measured at fair value through profit or loss	2,058	-	-	2,058	2,058
Financial assets measured at fair value through other comprehensive income	-	94,084,577	-	94,084,577	94,084,577
Deposits and balances with banks	-	-	42,847,205	42,847,205	42,847,205
Loans to customers					
Loans to corporate customers	4,608,253	-	173,942,606	178,550,859	179,091,310
Loans to retail customers	-	-	390,569,806	390,569,806	370,643,810
Investments measured at amortised cost					
Government bonds	-	-	118,178,369	118,178,369	120,153,076
Development bank bonds	-	-	9,951,123	9,951,123	10,067,027
Corporate bonds	-	-	16,972,867	16,972,867	17,041,852
Other financial assets	-	-	13,891,916	13,891,916	13,891,916
	4,610,311	**94,084,577**	**1,072,247,501**	**1,170,942,389**	**1,153,716,440**
Deposits and balances from banks	-	-	862,012	862,012	862,012
Accounts payable under repurchase agreements	-	-	1,139,662	1,139,662	1,204,349
Current accounts and deposits from customers	-	-	953,112,246	953,112,246	963,409,861
Debt securities issued	-	-	10,147,295	10,147,295	9,522,658
Subordinated debt securities issued	-	-	66,629,479	66,629,479	67,037,076
Other borrowed funds	-	-	27,335,218	27,335,218	27,335,218
Other financial liabilities	-	-	19,550,697	19,550,697	19,550,697
	-	**-**	**1,078,776,609**	**1,078,776,609**	**1,088,921,871**

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, the Bank uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and securities for which there is no active market.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 4.50 – 14.90% and 6.00 – 26.81% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively (31 December 2020: 4.70 – 12.20% and 14.90 – 27.65%, respectively);
- discount rates of 0.40 – 7.30% and 0.80 – 7.80% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively (31 December 2020: 0.40 – 7.30% and 1.00 – 9.20%, respectively);
- quoted market price is used for determination of fair value of debt securities issued.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

(b) Fair value hierarchy

The Bank measures fair values for financial instruments recorded on the unconsolidated statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2021, by the level in the fair value hierarchy into which the fair value measurement is categorised.

KZT'000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Derivative assets	18,900	-	-	18,900
- Derivative liabilities	(1,871)	-	-	(1,871)
Financial assets measured at fair value through other comprehensive income	-	-	-	-
- Debt and other fixed-income instruments	82,445,226	41,554,790	-	124,000,016
	82,462,255	**41,554,790**	**-**	**124,017,045**

The table below analyses financial instruments measured at fair value at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised.

KZT'000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Derivative assets	-	2,058	-	2,058
Financial assets measured at fair value through other comprehensive income				
- Debt and other fixed-income instruments	40,083,015	54,001,562	-	94,084,577
Loans to customers	-	-	4,608,253	4,608,253
	40,083,015	**54,003,620**	**4,608,253**	**98,694,888**

Due to low market liquidity, management considers that quoted prices in active markets are not available, including for government securities listed on the Kazakhstan Stock Exchange. Accordingly, as at 31 December 2021 and 2020 the estimated fair value of these financial instruments is based on the results of valuation techniques involving the use of observable market inputs.

Unobservable valuation differences on initial recognition

In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the currency market. In cases where all inputs are not /observable, for example because there are no observable trades in a similar risk at the reporting date, the Bank uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlying, expectations of termination periods. When fair value at initial recognition is not evidenced by a quoted price in an active market or based on a valuation technique that uses data only from observable markets, any difference between the fair value at initial recognition and the transaction price is not recognised in profit or loss immediately, but is deferred (see note 3(d)(v)).

The following table shows a reconciliation for the years ended 31 December 2021 and 31 December 2020 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3		
	Deposits and balances with banks	**Loans to customers**	**Loans to customers**
KZT'000	**2020**	**2021**	**2020**
Balance at the beginning of the year	**3,780,414**	**4,608,253**	**8,079,667**
Issued	-	-	-
Net gain/(loss) on financial instruments at fair value through profit or loss	176,214	1,433,376	18,089
Interest income accrued	234,658	145,650	634,549
Foreign exchange and other movements	376,105	97,404	682,711
Repayments of claim rights	(4,567,391)	(6,284,683)	(4,806,763)
Balance at the end of the year	**-**	**-**	**4,608,253**

Management used interest rate of 7.48% in respect of USD cash flows to determine the fair value of loans to customers for the year ended 31 December 2020.

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

As at 31 December 2020 if the interest rate applied to cash flows had increased/(decreased) by 1%, the fair value of loans to customers in Level 3 of the fair value hierarchy would have (decreased)/increased by (KZT 40,631 thousand)/KZT 41,397 thousand.

36 Subsequent events

On 2 January 2022 protests started in Western Kazakhstan related to an increase in the liquefied natural gas price from 60 tenge to 120 tenge per litre. These protests spread to other cities and resulted in looting and loss of life. On 5 January 2022 the government declared a state of emergency. As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation.

As at the date of signing of these financial statements the state of emergency has been lifted. The preliminary amount of damage caused to the Bank's property as a result of the actions of the looters is about KZT 200 million.

The Bank currently is unable to quantify what the impact, if any, may be on the financial position of the Bank of any new measures the government may take.

In February 2022, against the background of aggravation of the global geopolitical situation as a result of Russian-Ukrainian relations, major Russian financial institutions were subject to international sanctions, including second-tier banks - Sberbank of Russia, VTB Bank and Alfa-Bank, which have subsidiaries in Kazakhstan. The imposed restrictions may result in downgrading of the international ratings for these financial institutions and in possible increase in expected credit losses on deposits in these second-tier b anks.

Due to the current global events, the exchange rate of the national currency - tenge - against the currencies of other countries is unstable, and therefore the management of the Bank does not rule out the possibility that the subsequent negative effect on the economic environment will have an unfavorable effect on the Bank.

The Bank responded to the international rating agencies' leaving the Russian market, disconnection of certain counterparties-residents of the Russian Federation ('RF') from SWIFT and inclusion of the RF issuers in the sanctions lists by establishing, on a timely basis, by the required provisions, which helped to avoid significant financial losses in the context of business continuity as the Bank continues working with the RF issuers and the regulatory authorities of the RF and RK in terms of settlement of liabilities related to the Russian issuers' bonds, and as the Russian side explained, proceeds from settlements will be credited to the ordinary bank accounts, which provide no blocking.

Currently it is not possible to determine reliably the effect of further reduction of solvency of the Russian issuers, and the Bank's management is in the process of its assessment.

As at 1 January 2022 the Bank held securities of the Russian issuers denominated in US dollars with a carrying amount of KZT 48.3 billion.

The Bank continues monitoring of the current situation on the global market to respond in time to possible adverse impacts.