Eurasian Bank

digital and green

annual report 2021

Eurasian Bank

annual report 2021
digital and green

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Eurasian Bank

bank highlights

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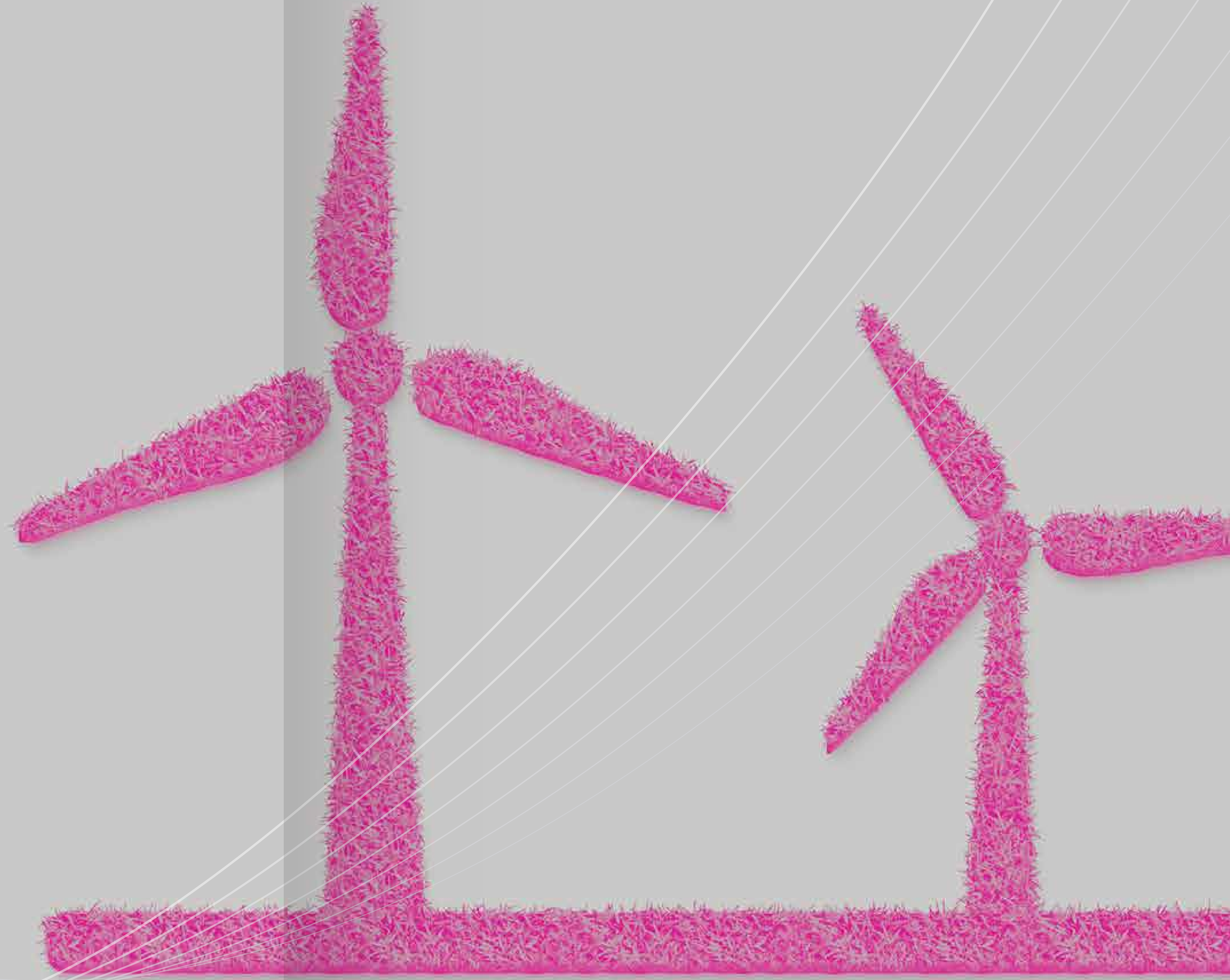


Eurasian Bank is a socially important commercial bank of Kazakhstan with a 27-year history of development.
It is in the ten largest banks in the country in terms of assets, occupies a leading position in the retail banking market, and provides a wide range of services to corporate clients and SME.

EURASIAN BANK IN FIGURES

1 PLACE IN THE NEW CAR LENDING MARKET

3 PLACE IN THE POS-LENDING MARKET

6 PLACE IN TERMS OF CORPORATE DEPOSITS AMONG THE BANKS OF THE REPUBLIC OF KAZAKHSTAN

8 PLACE IN TERMS OF INDIVIDUAL DEPOSITS AMONG THE BANKS OF THE REPUBLIC OF KAZAKHSTAN

8 PLACE IN TERMS OF ASSETS AMONG THE BANKS OF THE REPUBLIC OF KAZAKHSTAN

17 BRANCHES IN KAZAKHSTAN

CUSTOMER BASE OF OVER 4 MILLION PEOPLE AND 2.1 MILLION PEOPLE CUSTOMERS WITH EXISTING PRODUCTS

OVER 6, 000 EMPLOYEES

KEY FIGURES FOR 3 YEARS[1]

KEY FINANCIAL FIGURES, *bln tenge*[1]	2019	2020	2021
Total assets	1 057	1 199,7	1 413,3
Loans to customers	644,8	562,4	635,3
Customer deposits	799,4	952,9	1 136,4
Equity	98,8	109,1	119,3
Operating income	91,6	88,7	86,9
Net profit	4,5	6,8	13
Tier 1 capital adequacy ratio	10%	12,1%	12,2%
Capital adequacy ratio	26,2%	30,2%	28,7%

1 According to the Bank consolidated data

MARKET SHARE [2]	2019	2020	2021
Assets	4,0%	3,9%	3,8%
Loans to customers / net	4,8%	3,8%	3,6%
Corporate deposits	4,1%	4,1%	5%
Retail deposits	4,6%	4,2%	3,6%

2 According to the NBRK data

MAJOR EVENTS 2021

january

Kazakhstan Deposit Insurance Fund and Eurasian Bank extended the term of payment of compensation to Bank of Astana depositors until 29 July 2021.

february

The Bank suffered an irreparable loss: one of the beneficial owners of Eurasian Bank, Alidzhan Rakhmanovich Ibragimov, passed away.

The Bank jointly with Nume Group for the first time in Kazakhstan launched an online service for the removal of collateral from cars.

Eurasian Bank was selected as an agent bank for the payment of guaranteed compensation to AsiaCredit Bank depositors.

march

Shukhrat Alidzhanovich Ibragimov, a member of the Bank Board of Directors and one of Alidzhan Ibragimov sons, was elected to the Board of Managers of the ERG Group and became a representative of Alidzhan Ibragimov's family interests in all assets of the Group in Kazakhstan.

Eurasian Bank and SaryarkaAvtoProm LLP, the largest automaker in Kazakhstan, jointly launched the assembly of KIA models at the plant in Kostanay. Under a three-year credit line of 30 billion tenge, opened in 2020, the Bank is financing SaryarkaAvtoProm LLP for the purchase of card kits for Chevrolet and KIA models.

june

By decision of the Eurasian Bank Board of Directors, Yerlanbek Kappar, Bank Treasury Managing Director, was elected as a new member of the Management Board, Deputy Chairman of the Bank Management Board.

The sole shareholder of the Bank refused from the dividends for 2020 and directed the entire profit of the Bank, amounting to 4.2 billion tenge, to recapitalization of the Bank.

Eurasian Bank was the first in Kazakhstan to issue Eco-cards made of recycled plastic. The Bank transfers 0.5% of non-cash transactions using an Eco-card to the Eurasian Environmental Fund to finance tree planting and recycling.

july

AllurAuto, part of the Allur Group Of Companies, together with Eurasian Bank launched the first fully remote car purchase on credit for the Kazakhstani market. The digital process allows you to choose a car from the Chevrolet, KIA, JAC and Mitsubishi model ranges, as well as to get the final decision on the loan and arrange the car on a turnkey basis.

Eurasian Bank started issuing cards created for car owners – Auto Cards. They offer beneficial bonuses of up to 6% and discounts of up to 30% in the network of over 50 partners across Kazakhstan.

The Bank started to pay guaranteed compensation to Capital Bank clients by new rules: after 3 July 2022, unclaimed amounts of depositors are transferred to their individual retirement accounts in the UPSF as voluntary pension contributions.

september

Eurasian Bank Management Board decided to support the victims of the August 2021 explosions in Zhambyl Province and write off the Bank customers' existing loans.

Moody's credit rating agency upgraded the Bank outlook on long-term national and foreign currency deposit ratings to "stable". The ratings were confirmed. Enhancement of the outlook, as follows from the credit rating agency's press release, reflects the stability of the Bank's financial stability profile due to the high performance and quality of loans in the consumer-lending segment.

Eurasian Bank was awarded the Best Auto Loan for SME international award of the International Finance magazine.

october

Eurasian Bank launched digital lending of used cars. The entire lending process is available on the car.eubank.kz website and it takes only a few clicks — from choosing a car brand and determining the loan amount to receiving the final decision.

november

Based on the Eurasian Bank application, the Moody's credit rating agency withdrew the Bank ratings on the national scale. The agency's international rating differs from the rating on the national scale in that it allows a global comparison of the Bank position with all international institutions, which the national rating does not provide.

december

Eurasian Bank launched Google Pay for MasterCard and Visa payment systems.

Global Finance, an international financial independent magazine, recognized Eurasian Bank as the best custodian bank in Kazakhstan in 2021 as part of the World's Best Banks Awards annual rating.

EVENTS AFTER THE REPORTING DATE

january

Due to the January events in Kazakhstan, Eurasian Bank decided not to accrue penalties and fines to individuals who allowed overdue loans in the period from 1 to 31 January 2022. For legal entities, no penalties and fines were accrued until the end of the state of emergency in Kazakhstan – 19 January 2022. Despite the fact that the Bank Branch and three Outlets in Almaty suffered from vandals, the Bank promptly organized customer service in other premises. The Bank official website eubank.kz worked even in the absence of Internet access to provide Kazakhstanis with reliable information about the operations of the financial institution.

On 10 January, the Bank paid remuneration on bonds within the sixth issue under the second bond program of 112.275 million tenge. The period, for which this remuneration was paid: 10 July 2021 – 9 January 2022.

february

On 15 February, remuneration was paid on the Bank's bonds within the fourth issue of the third bond program. Actually paid remuneration amounted to 434.7 million tenge. The period, for which this remuneration was paid: 15August 2021 – 14 February 2022.

VISION, MISISON, VALUES

vision

Become one of the leaders among the country's technological retail private banks.

mission

Develop a successful and efficient business by offering customers modern digital banking solutions and products that are understandable and accessible to everyone.

values

- Focus on the customer
- Partner relationships
- Commitment to advanced technologies and innovation
- Professionalism and continuous improvement

FINANCIAL SOLUTIONS OF THE BANK

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

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

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

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

RATINGS

Moody's

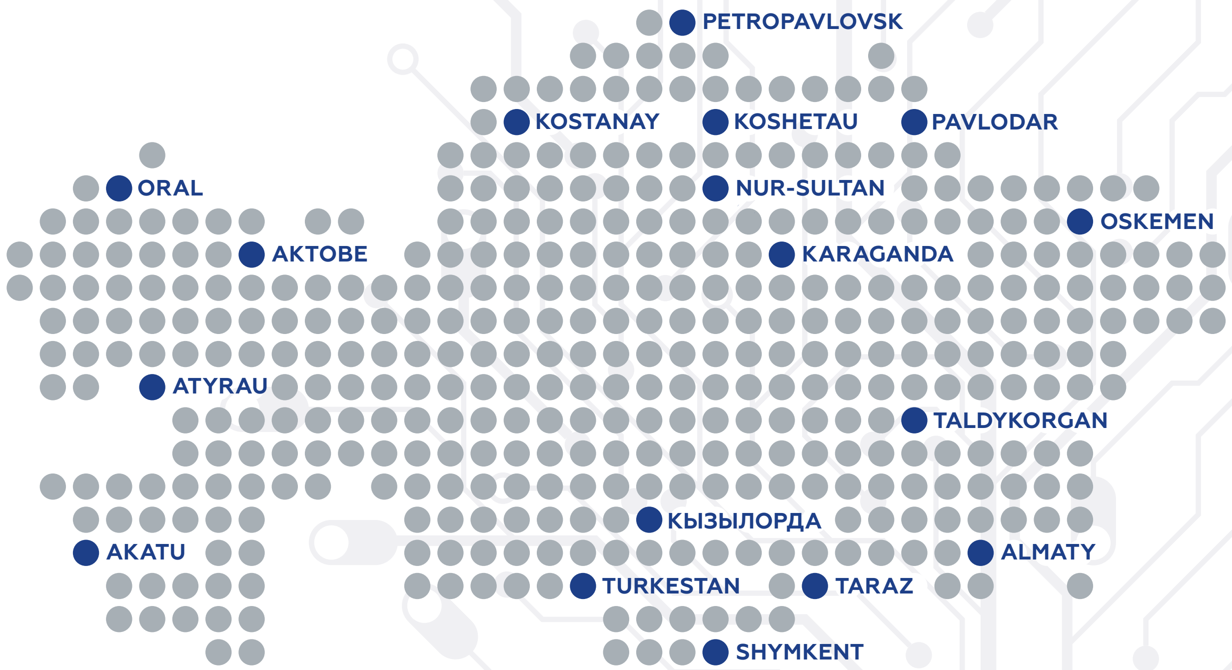
- B2 long-term deposits in foreign currency. Outlook – Stable
- B1 long-term counterparty risk rating
- B3 baseline credit assessment

AWARDS

2021 – Global Finance, an international financial independent magazine, named Eurasian Bank the best custodian bank in Kazakhstan as part of the World's Best Banks Awards annual rating.

2021 – Eurasian Bank received International Finance magazine's Best Auto Loan for SME award.

GEOGRAPHY OF ACTIVITY



17 BRANCHES

115 SETTLEMENT AND CASH OFFICES FOR SERVICING INDIVIDUALS AND LEGAL ENTITIES

1 389 POS-TERMINALS

466 BANK ATMs

501 PAYMENT TERMINALS

BANK HISTORY

1994

Eurasian Bank is founded as a joint-stock company.

1996

State license for carrying out broker – dealer activity in the securities market obtained.

Bank becomes a member of the Kazakhstan Stock Exchange.

1997

The Bank becomes a participant of Society for Worldwide Interbank Financial Society for Worldwide Interbank Financial Telecommunications (SWIFT).

1998

Custodian license obtained.

1999

The Bank joined the Association of Financiers of Kazakhstan.

2000

The Bank becomes a participant of individual deposit mandatory collective insurance system.

The Bank was accepted as a participant of VISA International payment system.

2003

Moody's assigned first credit ratings to the Bank.

2004

The Bank became a member of Kazakhstan Mortgage Loan Insurance Fund.

The Bank raised the first syndicated loan $15.5 million.

2006

The Bank became a member of The First Credit Bureau.

Standard & Poor's assigned credit ratings to the Bank.

2007

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

2010

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

2012

Consumer loan repayment terminals launched.

Private Banking personal customer service opened.

2013

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

2014

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

2015

Eurasian Bank started preferential auto loans issuance.

Kazakhstanis made one million payments and transfers via Eurasian Bank Internet banking.

Eurasian Bank became the owner of 100% of the shares of Bank Pozitiv Kazakhstan JSC.

2016

The Bank obtained NBRK permission to acquire Bank Pozitiv Kazakhstan. After the merger, the Bank continued its operations under the Eurasian Bank brand.

The Bank equity increased by 15 billion tenge. As a result, the authorized capital of the Bank increased by 42%, and the regulatory capital exceeded 100 billion tenge.

2017

The Bank started selling refined gold bars to the public as part of the NBRK program.

The Bank issued subordinated bonds for 150 billion tenge and became the first participant in the Kazakhstan Banking Sector Financial Sustainability Enhancement Program.

2018

The Bank obtained the third tranche of 1.875 billion tenge from the Development Bank of Kazakhstan under the domestic auto industry support program.

Together with MasterCard, the Bank launched smartphone payment s for iPhone (Apple Pay) and Android owners.

The Bank started accepting citizens' applications under the 7-20-25: New Opportunities to Purchase Housing for Each Family housing program.

2019

Kazakhstan Deposit Insurance Fund selected Eurasian Bank as an agent for payment of compensation for deposits, current and card accounts of individuals and individual entrepreneurs placed in the liquidated Bank of Astana.

The Bank took part in the National Bank of the Republic of Kazakhstan project called Suńqar. The Bank implemented transfers using the Suńqar system in the Smartbank mobile app.

The Bank joined The Economy of Simple Things state program for subsidizing loans to domestic entrepreneurs.

The Bank launched instant transfers by card number in the Smartbank mobile app for Android and iOS users.

Moody's assigned to the Bank B2 rating on long-term deposits in national and foreign currencies. The credit rating agency also assigned the independent credit rating at b3, the long–term counterparty risk rating at B1, short-term deposit rating and counterparty risk rating at Not Prime. The outlook – stable.

For the first time in Kazakhstan, the Bank started using artificial intelligence in customer interaction. At the first stage, the Bank launched robots in Soft Collection to call borrowers whose loans are overdue.

2020

In February, the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market issued to Eurasian Bank a license to conduct banking and other operations and activities on the securities market. The new license dated 3 February 2020 has the number 1.2.68/242/40.

On 28 February 2020, the results of the asset quality review (AQR), which was conducted by the National Bank of the Republic of Kazakhstan with the participation of independent international consultants and auditors, were announced. The AQR results fully comply with the forecasts and expectations of the Eurasian Bank shareholders and management.

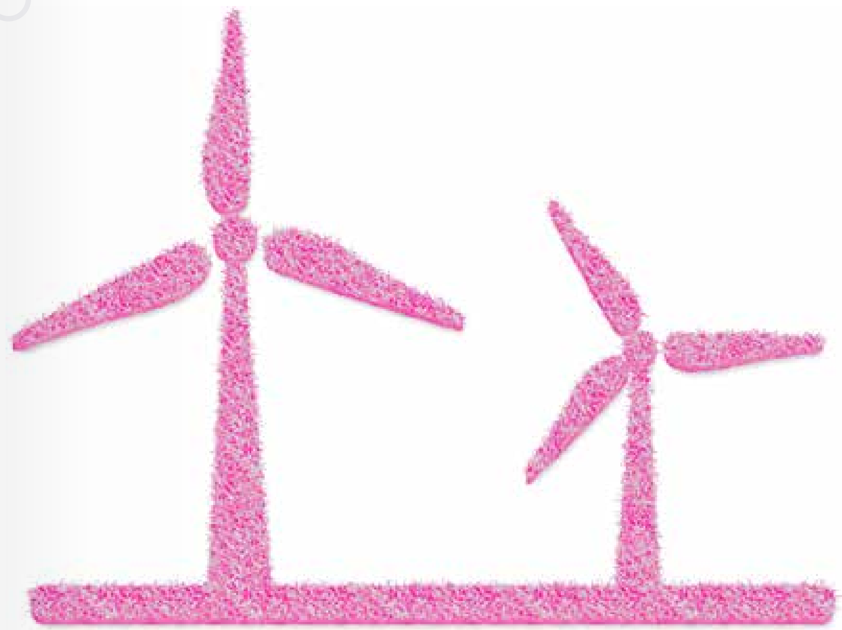
In March, the Bank offered the possibility of obtaining a deferral to its clients during the COVID-19 pandemic, joining the initiative of the Agency for Regulation and Development of Financial Market of the Republic of Kazakhstan to cancel fines and penalties, as well as to provide a deferral to individual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

In April, Eurasian Financial Company, the Bank's sole shareholder, contributed to the Bank's capital 4 billion tenge, fulfilling its obligations under the Program for Financial Sustainability Enhancement and Risk Reduction of the Banking Sector of the Republic of Kazakhstan.

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

In September, Eurasian Bank was selected by the Kazakhstan Deposit Insurance Fund JSC (KDIF) as an agent – bank to pay a guarantee compensation on deposits, current and card accounts of individuals and individual entrepreneurs, placed in Tengri Bank, deprived of its license.

In December, Eurasian Bank closed a deal on the sale of 100% of the shares of a subsidiary bank in Russia to a buyer Sovcombank PJSC.



Eurasian Bank

strategy report

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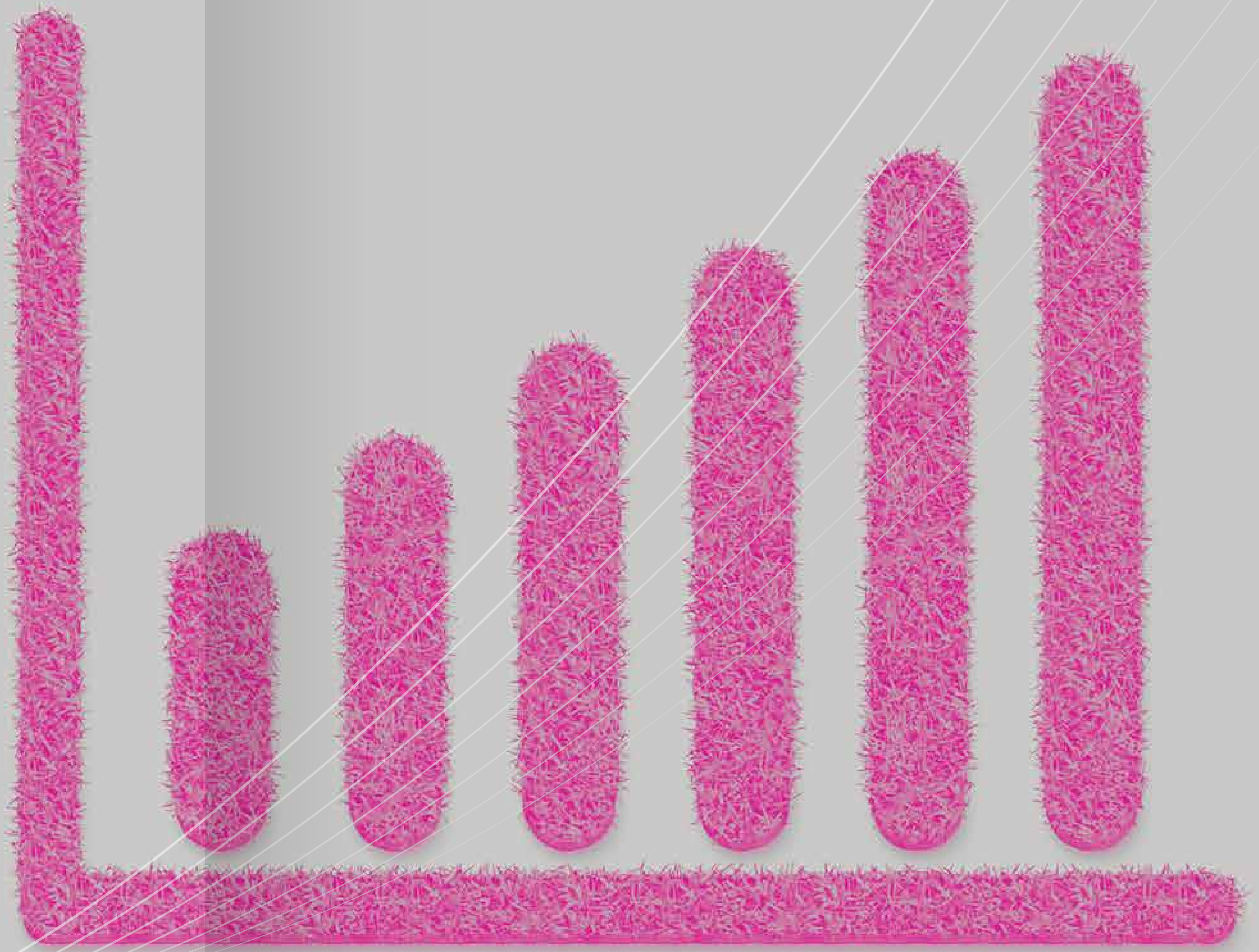


LETTER FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS

Aleksandr MASHKEVICH ,

Head of the Board of Directors of the Bank

DEAR SHAREHOLDERS, CUSTOMERS, PARTNERS!

Eurasian Bank has successfully passed the second pandemic year.

2021 became more positive for the economy and financial sector of Kazakhstan. Despite the concerns, caused by COVID-19, the economy entered a growth trajectory and at the end of the year, the GDP of the Republic amounted to 4%. Government measures taken to support businesses and the public helped to avoid serious consequences of the pandemic. The rise in oil prices, which supported the raw materials sectors of the economy, also had a positive impact.

In 2021, there was a widespread increase in inflation, which intensified in 2022. In Kazakhstan, the annual inflation rate last year was at the highest level in the last 5 years and amounted to 8.4%, largely due to the rise in price of food products. At the time of the publication of the annual report, there is already a surge in inflation all over the world, in some countries these indicators are at the highest levels in the last 40 years. In order to curb price growth, central banks began to tighten monetary policy and raise key rates. In Kazakhstan, according to the regulator's expectations, the inflation rate may reach 13-15% by the end of the year.

Kazakhstan's banking sector demonstrated high growth rates in 2021. Despite the fact that the number of players decreased from 26 to 22, the market as a whole ended the year on a positive note. Banks managed to improve their indicators: total assets of the sector increased by 21%, lending – by 27.9%, deposits – by 21%.

For Eurasian Bank, 2021 became effective both in terms of implementing digital business transformation, which we announced at the end of 2020, and in terms of financial results. The Bank's assets increased by 17.8% to 1.4 trillion tenge, the volume of accounts and deposits in the Bank exceeded one trillion tenge, increasing by 19.3% in 2021, which confirms the high degree of customer confidence in the Bank. In terms of corporate deposits, Eurasian Bank took 6th place (in 2020 – 7th place), and in terms of retail deposits, it retained 8th place among 22 STBs.

Against the background of the resumption of lending in 2021, the Bank's loan portfolio increased by 13% to 635.3 billion tenge. At the same time, there was an increase in both retail lending (by 11%) and corporate lending (by 27%).

In many segments, Eurasian Bank has held a leading position for many years: we occupy the 3rd place in the consumer lending market (excluding mortgages), the 1st place in the new car lending market, including by offering new programs for customers.

The Bank supports the global ESG agenda and, in partnership with MasterCard, was the first to launch an Eco–card made of recycled plastic on the market. It allows every citizen of Kazakhstan to support landscaping and garbage sorting in the country.

Today, the economy of Kazakhstan is influenced by factors related to rising prices and geopolitical tensions. However, we believe that Eurasian Bank, with a team headed by clear goals, an ambitious strategy, an up-to-date business model and the support of shareholders, will overcome this period.

We put the reliability of the Bank at the forefront. The capital adequacy of the first tier of Eurasian Bank at the end of the year was 12.2%, which is 3.7 percentage points higher than regulatory requirements. The level of highly liquid assets was 49.5%. We keep this "margin of safety" high by international standards to ensure the Bank's ability to adapt to market volatility and respond quickly to the emerging lending needs of our clients.

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

Aleksandr MASHKEVICH,
Head of the Board of Directors of the Bank

LETTER FROM THE CHIEF EXECUTIVE OFFICER

Valentin Morozov,

Chairperson of the Management Board of Eurasian Bank

DEAR SHAREHOLDERS, CUSTOMERS, PARTNERS!

I present to your attention the results of our work in 2021, as well as the audited IFRS statements for the past year.

I would like to share with you the results of the first year of implementation of the new development strategy, which was approved at the end of 2020. Its key task is to modernize the Bank, whose services and services must fully meet the modern needs of Kazakhstanis.

Investments in digital transformation in 2021 amounted to 371 million tenge. We invested about 214 million tenge in the modernization of key software and hardware complexes, which allowed us to increase the availability of critical applications to 99.8%, ensuring the smooth operation of basic products and services. 156.9 million tenge was invested in the development of new digital products and services, including the constantly developing flagship application – Smartbank, which allows you to receive all retail products and services of the Bank in a mobile format. Investments in the remuneration of colleagues from the IT Block increased, which allowed us to compete on equal terms for digital talents not only with sincerely respected colleagues from the banking sector, but also with companies from other high-tech sectors of the economy.

During the year of implementation of the strategy, digital changes are also visible to our customers. By the end of 2021, they were able to receive all our products in digital format, including the first online auto loan process in the CIS. As a result of the Smartbank mobile app update, the number of authorized users increased by 39%. There were credit cards with the option of installments up to 12 months – "Smartcard", cards for motorists and the country's first card made of recycled plastic – with an eco-program. In 2021, the Bank issued about 334 thousand new cards, of which more than 61 thousand are digital. We will continue to focus on developing knowledge about customers, understanding their profiles and needs. This will allow us to offer them relevant services.

Last year we actively digitized solutions for our clients – legal entities. First, we have improved Internet banking and launched a mobile application.

At the same time, we manage to balance investments in the future and current profitability for shareholders. The Bank's net profit increased almost 2 times, from 6.8 billion to 13 billion tenge. This was due to the growth of the loan portfolio, improved risk management practices and an emphasis on outpacing the growth of transaction income. This year, once again, the shareholders decided to direct the Bank's profits to its capitalization for further growth of financing the economy of Kazakhstan and investments in the development of banking technologies and customer services.

During the first four turbulent months, the Bank's profit amounted to 17 billion tenge, which once again confirms the Bank's ability to adapt to a difficult external environment.

We plan to continue the digital transformation, remain a reliable partner for our customers, and develop new solutions not only for individuals, but also for legal entities.

We have a clear business model, a strong team and the support of shareholders. We are working vigorously to remain a convenient, technological and fast bank even in times of turbulence.

On behalf of the shareholders and employees of the Bank, I thank our customers and partners for mutually beneficial cooperation and I am sure that all the best is ahead.

Valentin Morozov,
Chairperson of the Management Board of Eurasian Bank

BANK DEVELOPMENT STRATEGY TILL 2024

In December 2020, the Bank's Board of Directors approved the Eurasian Bank Development Strategy for 2021-2024.

As part of the strategy, the key factor of digital transformation and further growth will be the development of a universal banking model with a focus on retail customers and providing the best digital products for them, as well as the organic development of analog business segments.

THE MAIN PRIORITIES OF THE NEW STRATEGY ARE:

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

RESULTS OF THE STRATEGY IMPLEMENTATION IN 2021

In 2021, the Bank continued the digital transformation laid down in 2020: the rapid development of technology and fundamental changes in the behavior and expectations of consumers of financial services.

In 2021, Eurasian Bank launched new technological products and services: unsecured online lending, digital card, online auto loans, remote card issuance and biometrics. The Bank's business card became the introduction of the first fully remote car purchase on credit for the Kazakhstan market. There are no analogues of this product in the automotive industry of Kazakhstan and the CIS.

RETAIL BUSINESS DIRECTION

In 2021, the Bank maintained strong market positions in car loans (42% of the new car lending market and 52% of used car lending), POS-lending (12.8% of the market).

By the 2021 year end, the Bank managed to achieve key business targets, transfer the main banking services online in the shortest possible time, increase the customer base and improve customer service, increase the efficiency of collecting non-performing loans and reduce the non-performing loan portfolio, increase the volume of funding at the expense of customer funds, and launch new strategic products and additional services.

CORPORATE BUSINESS AND SME

The Bank continued the focused development of corporate lending, attracting the most reliable borrowers to cooperation, as well as increasing the volume of lending to SMEs and developing a transactional business model. The loan portfolio of corporate clients increased by 27%, current accounts and deposits of legal entities increased by 33.8%. According to this indicator, the Bank ranks sixth.

KEY INDICATORS FOR 2021:

- The Bank's operating profit amounted to 48.2 billion tenge.
- ROE: the Bank's return on equity indicator at 2021 year-end amounted to 11.4 %.
- Cost-to-Income ratio (CIR): at 2021 year-end amounted to 44.5%.

PLANS FOR 2022

In 2022, Eurasian Bank intends to follow the development strategy, based on this, it sets the following goals:

DIGITAL TRANSFORMATION

The Bank will continue to work on digitalizing the business and improving the customer experience. Today, digital channels are growing faster than traditional ones and are increasingly gaining popularity among customers. The driver of the growth of digital activity over the past 5 years is a mobile application.

In 2022, the Bank's marketing strategy will focus on digital promotion of digital products. The main goal is to convey to consumers the key advantages of digital products.

PROVIDING A BETTER DIGITAL EXPERIENCE FOR CUSTOMERS

In 2022, the Bank planned a record number of initiatives to improve the customer experience. In particular, it is planned to further improve the Smartbank mobile application, which will be replenished with a number of new services and products.

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

In 2022, attention will be paid to customer experience enhancement – Customer Journey Mapping and Usability Experience.

STRENGTHENING THE RETAIL DIRECTION

In 2021, there was a recovery in the retail business, which continues in 2022. During the pandemic, the Bank created one of the largest reserves in consumer lending in Kazakhstan, which means that the current business does not require such expenses, which gives room for maneuver and expansion of the funnel to attract new customers. The Bank expects extensive growth of the partner base and significant improvement of the line of digital solutions for customers.

The Bank still holds a leading position in the auto loan market. In 2022, Eurasian Bank plans to integrate with new partners for online auto loans, launch new unique products and improve the system of passing the customer path to create an efficient and convenient lending process.

WORK IN THE CORPORATE SECTOR

Cooperation with SME and corporate customers is also an important task of the Bank for 2022. Eurasian Bank will continue its balanced growth in those sectors of the economy in which it is well-versed and sees prospects for their development.

For corporate clients, the Bank is actively developing a remote service channel and provides them with new products and services. In 2022, a large amount of work is planned to develop a mobile version of the new remote banking system for business customers.

IMPROVING THE LOAN PORTFOLIO QUALITY

In 2022, the Bank will continue to work with non-performing debts to improve the quality of the Bank assets with the help of modern collection technologies and a flexible approach to work with domestic and foreign investors at selling the Bank collateral and balance sheet property. This work will significantly increase the healthy market loan portfolio and compensate for the losses on interest income of the non-performing loan portfolio.

EXPENDITURE CONTROL

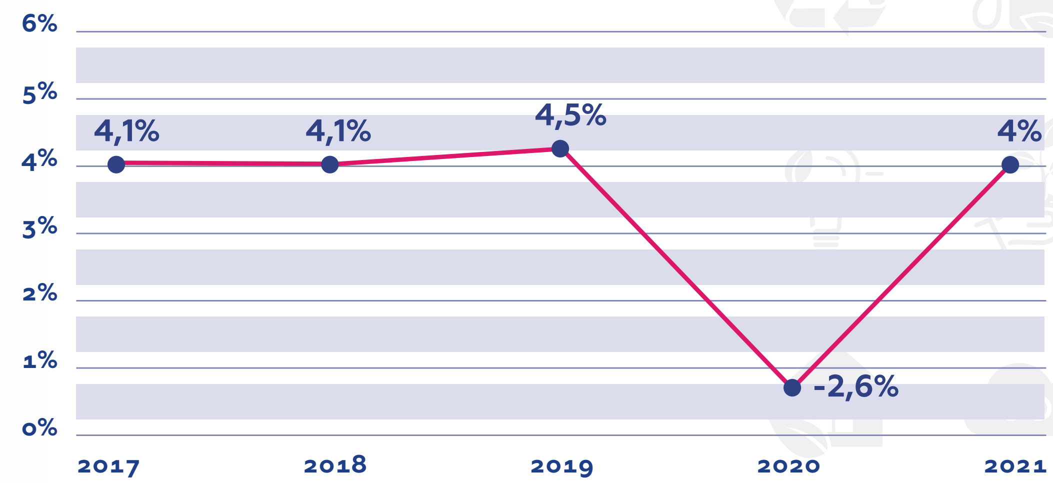
The Bank exercises control over administrative and economic expenses and personnel expenses, which corresponds to the approved strategy. It is important to understand that the customer, his/her needs and expectations are at the forefront of the Bank's strategic development. This means that the entire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

ECONOMY AT A GLANCE

According to the Ministry of National Economy of the Republic of Kazakhstan, Kazakhstan's economy entered a dynamic trajectory of sustainable growth in 2021. At the end of the year, Kazakhstan's GDP growth amounted to 4%. The volume of GDP according to operational data amounted to 82.2 trillion tenge at current prices.

The rise in oil prices in 2021 had a positive impact on the raw materials sectors of the economy (oil and gas sector and metallurgy), which together account for more than 70% of Kazakhstan's exports.

GROWTH DYNAMICS OF REAL GDP OF KAZAKHSTAN, %



The key growth factor was the real sector (3.5%). The service sector also showed positive dynamics and showed an increase of 3.9%. Growth was observed in the following industries: information and communications – by 12.9%, trade – by 9.2%, construction – by 7.6%, manufacturing – by 5.5%, electricity supply – by 4.8%. Foreign trade turnover increased by 11.4% and amounted to $101.5 billion.

By the end of 2021, the total volume of investments in fixed assets amounted to 16.5% of GDP or 13.2 trillion tenge. This is 7.3% more than the volume of 2020.

In 2022, the Government of the Republic of Kazakhstan developed new socio-economic programs in several key areas at once. For example, the Concept of the Investment Policy of the Republic of Kazakhstan and the Methodology for Assessing Investment Attractiveness of Regions were developed. The policy of reducing the excessive presence of the state in the economy continues. The comprehensive privatization plan until 2025 includes 721 state-owned enterprises. Now, the share of state participation in the economy has been reduced to 14.6%.

Work was performed to improve regional policy, within the framework of which two documents were approved within the new State Planning System: the Territorial Development Plan of the Republic of Kazakhstan until 2025 and the Strong Regions – the Driver of the Country's Development National Project. Six comprehensive plans of socio-economic development of North Kazakhstan Region, Turkestan Province, Kyzylorda, Atyrau, Mangystau Provinces and the city of Ekibastuz of Pavlodar Province were approved.

In the spring of 2022, a program to increase household incomes until 2025 was announced.

Currently, a draft Strategy for Achieving Carbon Neutrality until 2060 is being finalized, aimed at energy transition with an assessment of the impact on all sectors of the economy and maintaining a balance based on ESG sustainable development approaches.

CURRENT ACCOUNT POSITIONS

According to the assessment of the National Bank of the Republic of Kazakhstan, the current account at the end of 2021 was in deficit and amounted to $5.7 billion (in 2020 – $6.6 billion).

In 2021, due to the revival of the global economy and improvement of the situation in the commodity markets, the trade balance dynamics was also characterized by recovery. The trade surplus doubled to $20.7 billion. The increase in the surplus was due to growth in exports. Crude oil, which accounts for more than 50% of total exports, made the main contribution to its increase. Exports increased by 27.5% to $60.3 billion. Imports of goods increased by 7.1% to $39.7 billion.

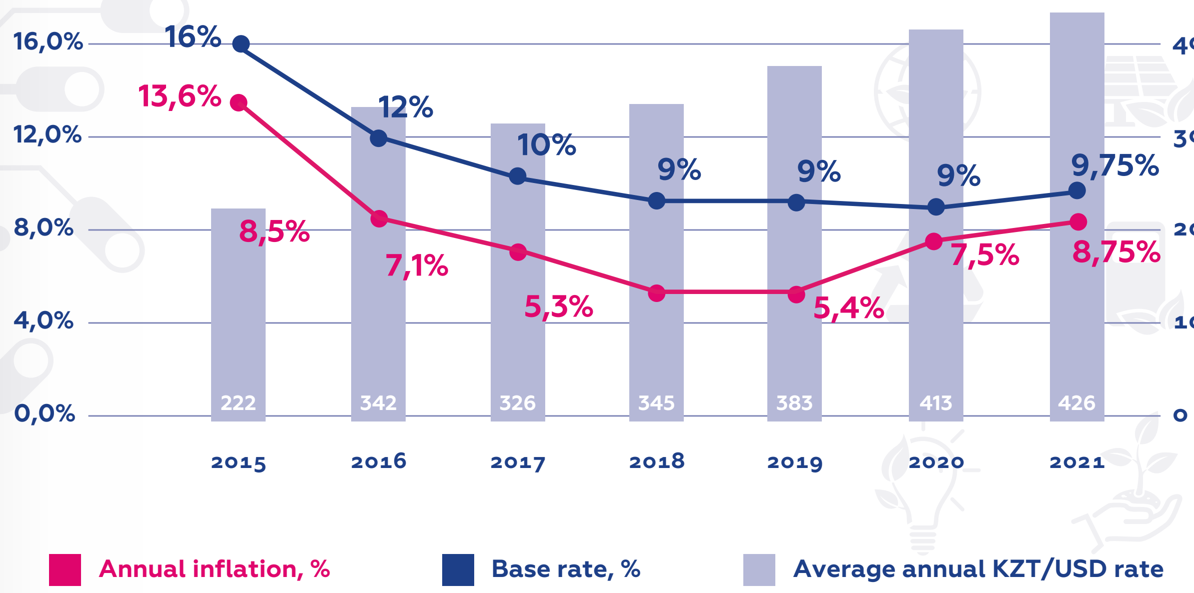
BASE RATE, INFLATION, NATIONAL CURRENCY EXCHANGE RATE

In 2021, the National Bank raised the prime rate three times: in July (from 9% to 9.25%), in September (up to 9.5%) and in October (up to 9.75%). In December 2021, the regulator kept the base rate at 9.75%, given some slowdown in inflation at the end of last year. An important factor was the increased uncertainty about the new strain of coronavirus – Omicron and its impact on inflation processes, external and domestic demand.

Since the beginning of 2022, the National Bank of Kazakhstan has decided three times to increase the prime rate. In April 2022 against the backdrop of negative developments the next decision was taken to raise the base rate to 14 percent per annum with an interest rate band of +/- 1.00 b.p., which reflects the conduct by the regulator of anti-inflationary policy in terms of rising inflationary pressures amid the implementation of geopolitical risks, rising prices in the world, as well as in countries that are trading partners of Kazakhstan and their transferring to domestic prices. A significant driver of inflationary processes remains the positive fiscal impulse observed for the third year in a row.

The annual inflation rate in 2021 was at the maximum level for the last 5 years and amounted to 8.4%, largely due to the rise in prices for food products. Additional pro-inflationary pressure on domestic pricing of food products was exerted by rising prices in the world market, which continued in 2022. The Government has developed a set of measures to control and reduce inflation in 2022-2024, which includes an increase in production volumes, storage and logistics of goods, retail sale of goods, pricing control, anti-monopoly and foreign trade regulation.

The average annual KZT/USD exchange rate increased from KZT 412.95 in 2020 to KZT 426.03 in 2021 (3% depreciation). In general, the tenge volatility in 2021 compared to 2020 was much lower. In the context of rising commodity prices, the National Bank of Kazakhstan is pursuing an active policy of currency corridor, and does not allow significant tenge strengthening. Since the beginning of 2022, the exchange rate has been influenced largely by geopolitical tensions between Russia and Western countries and rising inflation, which in the current outlook is offset by rising world commodity prices.



RATINGS AND POSITION OF INTERNATIONAL ORGANIZATIONS

In August 2021, the Fitch Ratings international credit rating agency affirmed Kazakhstan's long-term credit rating at "BBB" with a "stable" outlook, reflecting strong fiscal and external balances that demonstrated resilience to shocks caused by the coronavirus pandemic and oil prices. In 2022, Fitch reaffirmed the rating as well as the short-term foreign and local currency ratings at "F2" and the country ceiling at "BBB+". The credit rating agency noted that despite the events that occurred in the country in early January 2022, their impact on the growth trajectory of the economy as a whole is insignificant.

In September 2021 Standard & Poor's Global Ratings affirmed the sovereign credit rating of the Republic of Kazakhstan at "BBB-", outlook "Stable". In 2022, S&P announced that the sovereign credit rating of Kazakhstan will remain at this level. The outlook is justified by the short-term decline in the capacity of the Caspian Pipeline Consortium (CPC). According to the credit rating agency's expectations, Kazakhstan's strong fiscal position and substantial external reserves will neutralize the effects of the economic downturn in Russia over the next two years.

In August 2021, Moody's upgraded Kazakhstan's rating from "Baa3" to "Baa2" with a Stable outlook. The rating upgrade was because Kazakhstan's public finances and loan profile demonstrate stability corresponding to the countries of the "Baa2" rating level. The factors that made it possible to increase the rating were the volume and efficiency of the use of the country's assets, the low level of public debt, as well as the effectiveness of government measures to ensure macroeconomic stability.

THE POSITION OF INTERNATIONAL ORGANIZATIONS

The World Bank (WB) expects real GDP growth to slow to 1.5-2.0% in 2022. As noted in the WB report, Kazakhstan depends on Russia for 40% of its imports. Trade disruptions, lower business confidence and increased currency volatility will have an impact on GDP growth. Growth will also be lower because of the closure in March 2022 of Kazakhstan's main oil pipeline, which exports about 80% of Kazakhstan's oil. Further exchange rate depreciation, rising food prices and wage increases will keep inflation high in 2022.

The International Monetary Fund (IMF) in April this year reduced the GDP forecast for Kazakhstan from 3.8% to 2.3% in 2022. The Russian-Ukrainian conflict risks undermining global economic recovery from the effects of the COVID-19 pandemic, worsening the outlook for most nations of the world. Moreover, the COVID-19 pandemic, which has been the focus of IMF attention for the past two years, continues, and the possibility of new strains, including more dangerous ones, remains, which could create additional economic problems.

The Asian Development Bank (ADB) estimates that the effects of economic sanctions imposed against Russia, in addition to tight monetary policy, will slow growth in 2022. However, export revenues and support for economic activity will influence external negative factors and contribute to economic growth in 2023. Based on these assumptions, GDP growth is projected to slow to 3.2% in 2022 and then accelerate to 3.9% in 2023. The inflation rate is expected to be 7.8%.

THE BANKING SECTOR [1]

In general, the banking sector demonstrated high growth rates in 2021: assets increased by 21%, consumer lending – by 33%, deposits – by 21%. According to the results of last year, the ratio of assets of the banking sector to GDP increased to 46.3% from 44.7% in 2020.

In 2021, the number of banks decreased from 26 to 22, of which 14 are banks with foreign participation, including 11 subsidiary banks, 1 bank with 100% state participation.

Assets of the STBs as of January 1, 2022 amounted to 37.6 trillion tenge, having increased by 21% in 2021, which is a record figure for the last 5 years. As of January 1, 2022 Eurasian Bank ranked 8th in terms of assets, which is similar to the position by the beginning of 2021. The Bank's assets increased by 16.4% in the 12 months of 2021, which corresponds to the 15th place in the system.

In the structure of assets of the banking sector, the largest share – 53.7% of total assets – fell on the loan portfolio in the amount of 20.2 trillion tenge, which has increased by 27.9% since the beginning of the year. It is worth noting that 21 out of 22 banks demonstrated portfolio growth. By the end of 2021, Eurasian Bank held the 8th position in terms of the loan portfolio with a market share of 4%. The Bank's loan portfolio increased by 18.7% in 2021 and amounted to 720.8 billion tenge.

The level of provisions in the banking system as of January 1, 2022 amounted to 7.0% of the loan portfolio, having decreased by 4.6 percentage points since the beginning of 2021 due to the active dynamics of lending growth. The level of coverage of non-performing loans by reserves amounted to 132% in the sector and remains at a high level (119.8% at the beginning of 2021).

As of January 1, 2022, the liabilities of the country's second-tier banks amounted to 33.1 trillion tenge, an increase of 21.6% since the beginning of the year. In total liabilities, the largest share (78.6%) fell on customer deposits, which increased by 20.7% in 2021 and amounted to 26 trillion tenge. Deposits of legal entities in 2021 increased by 18.5% to 12.6 trillion tenge. Deposits of individuals for the year increased by 22.8% to 13.4 trillion tenge. By the end of 2021, Eurasian Bank ranked 6th in the country's banking sector in terms of corporate deposits and 5th in terms of their dynamics (43.9% since the beginning of the year). The share of deposits of legal entities in the Bank's liabilities increased over the 12 months of 2021 from 39.7% to 48.7%. Deposits of individuals in Eurasian Bank have increased by 4.5% since the beginning of 2021 and amounted to 479.9 billion tenge (8th place in the sector in terms of indicator and 20th place in dynamics). The share of retail deposits in the Bank's liabilities decreased over the 12 months of 2021 from 41.4% to 36.9%.

The net profit of the banking sector for 2021 amounted to 1.3 trillion tenge, an increase of 78% to the level of 2020. High lending growth rates in 2021 had a positive impact on the dynamics of the bank profitability indicators. According to the results of 2021, the net profit of Eurasian Bank amounted to 12.7 billion tenge (13th place in the banking sector)

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

PROSPECTS OF ECONOMY DEVELOPMENT [2]

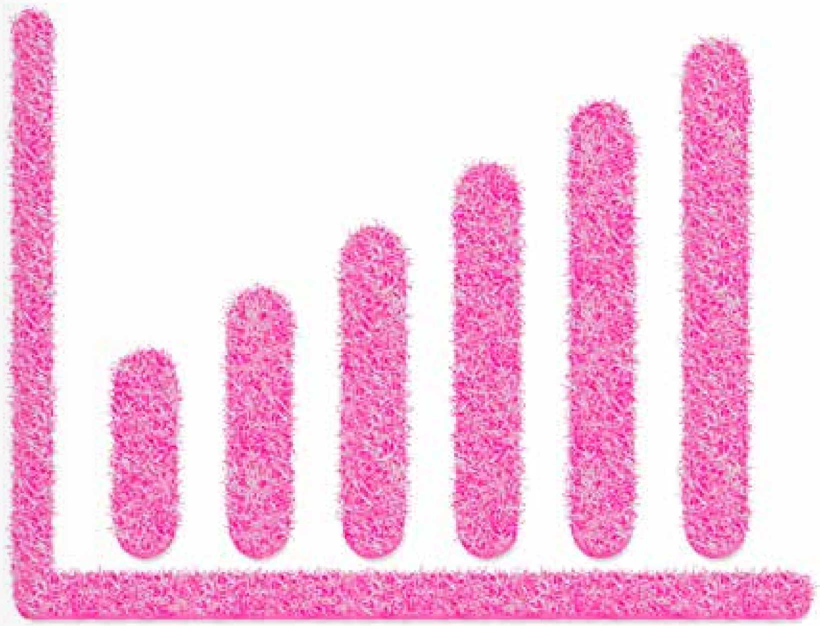
The economy of Kazakhstan in the medium-term horizon until 2025 expects three development scenarios:

The baseline scenario assumes a decrease in the growth rate of the economy in 2022 to 2.1% compared to 2021 due to a less expansionary policy. The direct impact of the events that occurred in January 2022 on the economy is small. An increase in oil production is projected in accordance with the OPEC+ agreement, higher global demand will support mining, and the likely normalization of agricultural production will be a favorable factor. The geopolitical crisis in the world has led to a change in the current dynamics of certain macroeconomic indicators of Kazakhstan. The uncertainty in the forecasts of these indicators has increased significantly and the risk profile of inflation is significantly deteriorating. Inflation is expected to slow down somewhat in the medium term. This will happen against the background of the exhaustion of the effect of the depreciation of tenge on domestic prices, primarily for non-food products.

The optimistic scenario assumes a more dynamic recovery of economic activity and a significant reduction in the level of uncertainty. Against the background of more favorable external and internal conditions, steady growth is expected in all segments of the economy, which will accelerate the GDP growth rate to 4.1% in 2022. The inflation rate is expected to be within the lower threshold of the NBRK corridor of 8%-10% with a gradual slowdown in the horizon of 3-5 years in conditions of growing optimism and lower inflation expectations.

The pessimistic scenario assumes that the scale and impact of the final sanctions against Russia will be stronger than in the baseline scenario. In this case, there will be structural changes in the ways of doing business in Russia, the potential economic growth of the country will noticeably decrease, and the Russian ruble will significantly depreciate. These factors will have a negative impact on the economy of Kazakhstan due to close economic ties with Russia. Thus, there will be lower GDP growth rates, a more devalued exchange rate and higher inflation values. Economic growth in 2022 will slow down to 1.8%, and inflation will exceed the upper threshold of the established corridor 8%-10%.

2 According to the Forecast of Socio-Economic Development of the Republic of Kazakhstan for 2022-2026 (amended on 5 April 2022) and consensus-forecasts of international organizations



Eurasian Bank

review of results

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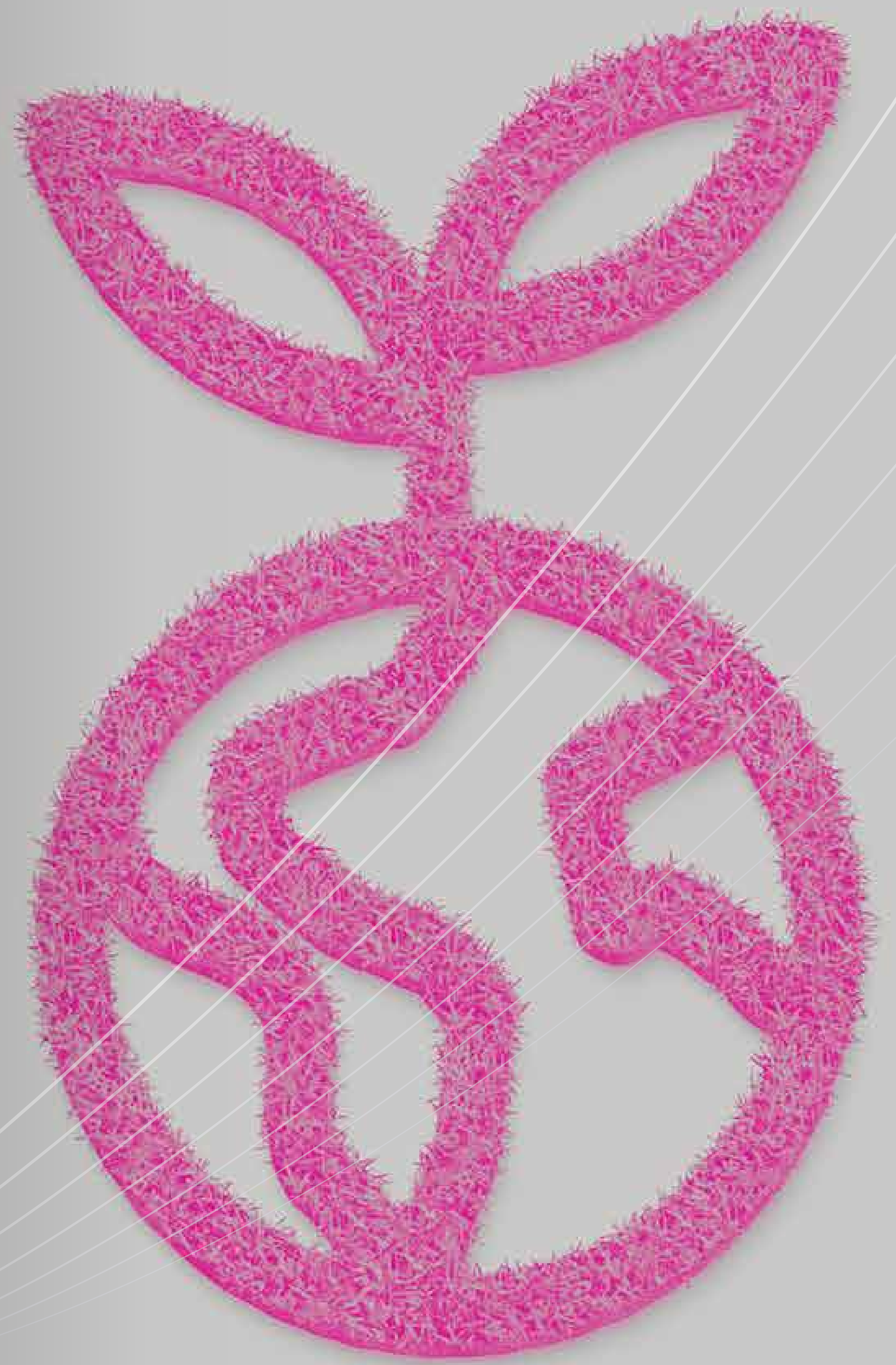


Digital transformation increases the efficiency of the Bank and improves the digital customer experience

DIGITALIZATION

OVER 370 MLN TENGE ACCOUNTED FOR THE BANK'S INVESTMENTS IN DIGITAL TRANSFORMATION

214 MLN TENGE – FOR THE MODERNIZATION OF KEY SOFTWARE AND HARDWARE COMPLEXES

156,9 MLN TENGE – FOR THE DEVELOPMENT OF NEW DIGITAL PRODUCTS AND SERVICES

856 THOUSAND WERE THE NUMBER OF AUTHORIZED SMARTBANK USERS

OVER **61** THOUSAND DIGITAL CARDS WERE ISSUED

RETAIL BUSINESS

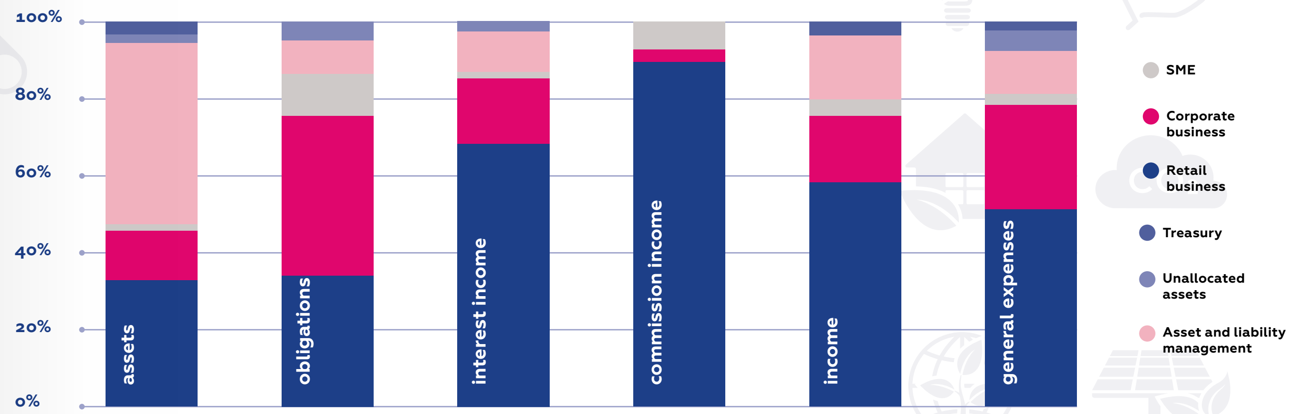
- Retail business loan portfolio grew by 11%
- 12.8% – the Bank's share in the consumer lending market of Kazakhstan
- 1.5 times increased number of network partners within consumer lending
- Auto loan portfolio increased by 12.6%
- Over 334 thousand payment cars issued by the Bank in 2021

SME AND CORPORATE BUSINESS

- Over 16.7 thousand active legal entities-clients of the Bank
- Loan portfolio of corporate clients increased by 27%
- Number of issued bid guarantees increased by 227%
- Bank started to support the production of cars by financing SaryarkaAvtoProm LLP
- Current accounts and deposits of legal entities increased by 33.8%

BUSINESS SEGMENTS

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



By the end of 2021, the share of **retail business** amounted to 30.5% (a year earlier – 32.3%) of assets and 37% (in 2020 – 42.2%) of liabilities. This segment accounted for 64.5% (in 2020 – 75.7%) of interest income and 88% (in 2020 – 87.1%) of commission income. Interest income of the retail unit decreased by 15.2% to 84.2 billion tenge, commission income, on the contrary, showed an increase of 15.6% to 25.6 billion tenge.

The segment revenue in 2021 decreased by 7.7% to 147.1 billion tenge. In general, the retail business accounts for 57.3% of revenues (63.7% a year earlier).

In the structure of retail banking expenses, 50.9% account for, a year earlier this figure was 62.6%.

The retail direction is the main driver of the financial result, which by the end of 2021 amounted to more than 22.8 billion tenge, which is 4.4 times more than in 2020.

The ratio of financial result to revenue for this segment in 2021 was 15.5%, in 2020 this indicator was at the level of 3.3%.

Corporate business accounts for 14.6% of assets and 42% of liabilities. A year earlier, these figures were 14.1% and 32.2%, respectively.

In 2021, the share of the corporate segment in revenue increased by 3.9 percentage points and amounted to 17.9% (in 2020 – 14%) due to the growth of this business area in the Bank.

In the structure of interest income, this segment accounts for 17.9%, commission income – 3.6%. Interest income increased by 54.5% to 23.3 billion tenge, commission decreased by 3.8% to 1 billion tenge.

In the structure of expenses, corporate business accounts for 25% (a year earlier – 20.6%).

In 2021, the net financial result of the segment was at a negative level, the loss amounted to 14.9 billion tenge, in 2020 the loss was equal to 15.6 billion tenge. The excess of expenses over income in corporate business is explained by the excess of the portfolio of liabilities over assets.

SMEs occupy a share of 1.6% in assets and 10% in liabilities. In 2020, these figures were 1.2% and 9.9%, respectively. The share of SMEs in revenue did not change and remained at the level of 5.5%. By the end of 2021, the segment's profit increased by 41.9% and reached 5.3 billion tenge.

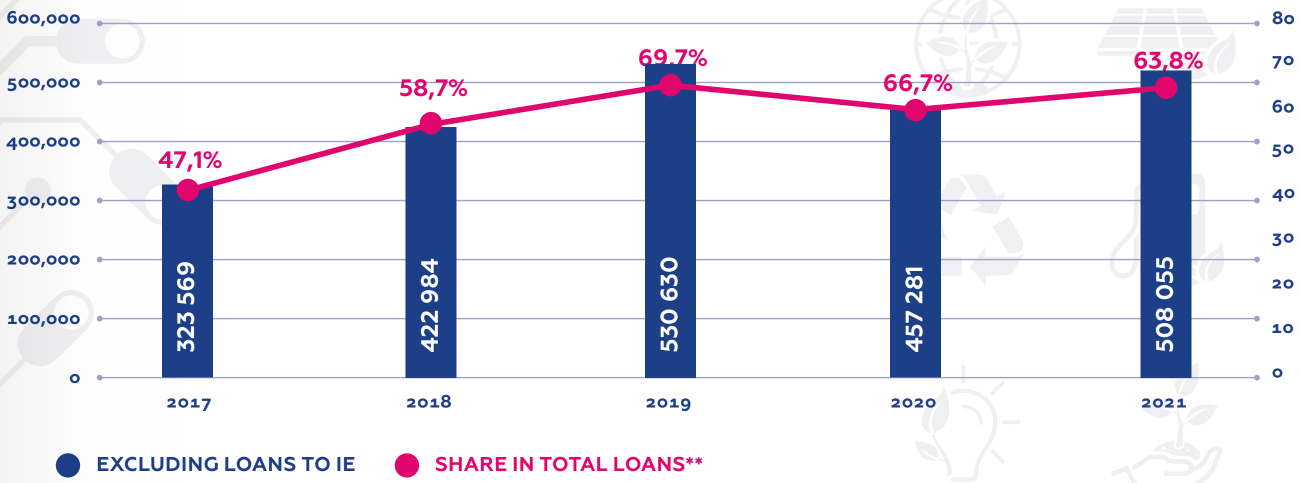
The financial result demonstrated by the **Treasury** in 2021 turned out to be positive and amounted to 4.9 billion tenge, which is 80.8% more than in 2020. The main activity of the Treasury is trading on the foreign exchange market on behalf of the bank and its clients. The Treasury is also involved in hedging and trading fixed income securities.

In 2021, the financial result of the **asset and liability management** segment amounted to 9.5 billion tenge, which is 8.4% lower than in 2020. Asset and liability management includes maintaining a portfolio of liquid assets (cash, nostro accounts with the NBRK and other banks, interbank financing (for up to 1 month), investments in liquid assets and managing the bonds issue.

RETAIL BUSINESS

In 2021, the share of retail business (excluding individual entrepreneur loans) in the Bank's loan portfolio decreased to 63.8% against 66.7% due to the activation of corporate lending. The portfolio showed an increase of 11.1%, up to 508 billion tenge. The volume of retail loans (including individual entrepreneur loans) also increased by 11% and amounted to 511.3 billion tenge.

RETAIL* LOANS OVER 5 YEARS



** Excluding loans for individual business activity*

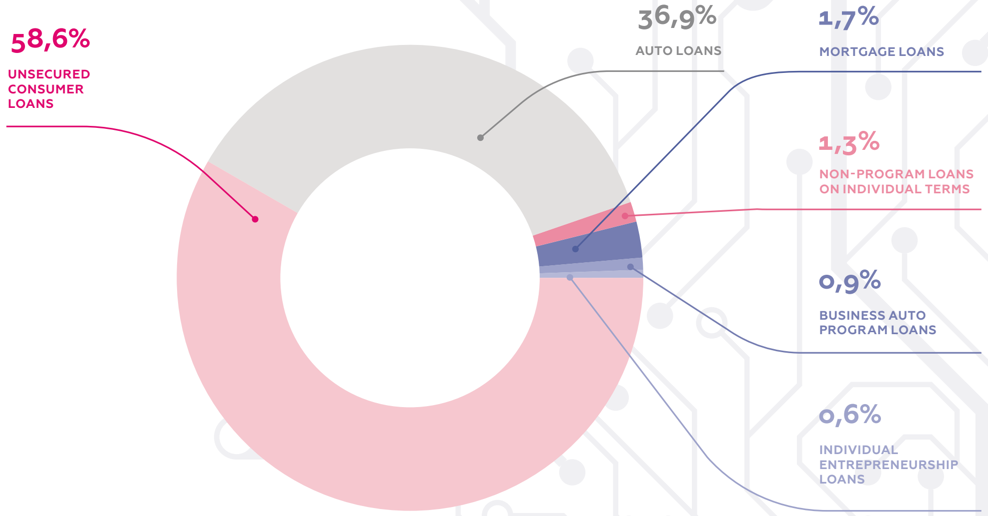
*** The total portfolio includes loans to customers measured at amortized cost before provision for expected credit losses*

BY THE RESULTS OF 2021:

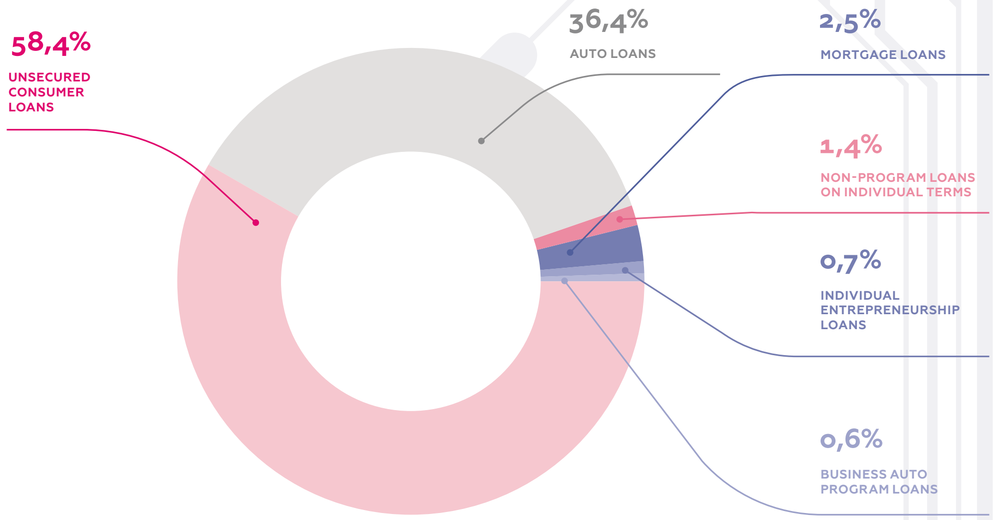
- the Bank took the 3rd place (without mortgages) in the retail business among Kazakhstan banks
- the Bank's share in the Kazakhstan consumer lending market amounted to 12.8%
- the Bank has maintained the 1st place in auto lending in the Republic

Unsecured consumer loans and car loans occupy the largest share (95.5%) in the structure of loans issued to retail customers (without Business Auto loans).

RETAIL LOANS STRUCTURE, 2021



RETAIL LOANS STRUCTURE, 2020



Unsecured loans. By the end of 2021, unsecured consumer loans occupy the largest share of 58.6% in the Bank's retail portfolio (in 2020 – 58.4%). Due to the activation of lending to the population in 2021, unsecured consumer loans in the reporting period increased by 11.3% to 299.4 billion tenge.

KEY INDICATORS OF 2021:

- The volume of sales on credit in network partners increased 1.4 times, in non–network partners decreased by 11%.
- The number of network partners increased 1.5 times and amounted to 1,140 with sales of 52.8 billion tenge. The number of non-network partners increased by 6% to 10,262 with sales of 19.4 billion tenge.
- Profitability of network consumer lending decreased by 1.2 percentage points, to 3.6%, on non-network consumer lending – by 6.4 percentage points, to 13.9%.

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

Auto Loans. The second largest direction in the Bank retail business is car loans. The volume of the auto loan portfolio increased by 12.6% – up to 188.7 billion tenge. Loans under the Business Auto program increased by 79.7% to 4.5 billion tenge.

KEY MARKETS IN WHICH THE BANK OPERATES:

The new car market. In 2021, the Bank's share in this market was 42% due to a 40% increase in sales of new cars on credit. The profitability in this direction was 5.3%%.

Used cars. In the used cars segment, the Bank's share increased 2.7 times and amounted to 52% by the end of 2021. The volume of sales of used cars on credit jumped by 61%. The growth is associated with the launch of flexible lending conditions, as well as the introduction of online lending of used cars between individuals and through the Bank's dealer partners. The profitability of this direction was 11%.

In addition to the current products there were developed and launched:

- The program of car purchase on a 24-month installment plan.
- Online application process for an auto loan with a decision to purchase a new car on the partner's website with an initial payment from 0%.
- Online lending process for purchase of used cars from individuals with a maximum loan amount of up to 15 million tenge.
- Conditions for initial payments were improved: for purchase of new cars from 5%, for purchase of used cars from 10%.
- Since September 2021, an additional Roadside Assistance customer service was launched in order to increase commission income.

IN 2021, LARGE-SCALE WORK WAS PERFORMED TO DEVELOP RETAIL BLOCK:

DIGITAL-DIRECTION. The Bank continued the digital transformation of the retail business, introducing new technological products and services that meet the needs of customers. Thus, the Smartbank mobile application was significantly upgraded, as a result of which new services and options were implemented:

- Digital and physical cards were added to Samsung Pay, Google Pay from Smartbank;
- QR Ashyq scanning was implemented;
- 12 tasks on consumer lending enhancement were implemented;
- Metal card was launched in Smartbank;
- Digital Auto Card online order was implemented.

Thanks to the work done in 2021, the number of authorized Smartbank users increased by 39% to 856,617 people.

CARD BUSINESS: B In 2021, the Bank issued 334,121 cards, of which 20.8% are credit cards, 79.2% are debit cards. The demand for digital cards is growing – more than 61 thousand have been issued. Thus, the portfolio of cards at the end of the year amounted to 1.308 million units. Net commission income on them increased by 30.5% compared to 2020 and amounted to 2.455 billion.

THE DEMAND FOR THE BANK'S PAYMENT CARDS WAS HIGH, AS THE LAUNCHED CARD PRODUCTS MEET THE NEEDS OF CERTAIN CUSTOMER SEGMENTS. SO, THE BANK BEGAN TO ISSUE:

- credit cards with installment of up to 12 months – "Smartcard",
- debit cards for motorists with increased benefits for purchases on auto theme – "Auto Card",
- new salary cards with better conditions for employees of the Bank's salary companies,
- Kazakhstan's first card made of recycled plastic – Eco-card.

In 2021, card activity increased by 14.7% compared to the previous year, which reflects the convenience and attractiveness of the Bank's products and services when servicing customers with payment cards.

CASH-LENDING. For the development of this product, the following projects were implemented in 2021:

- The online lending process was launched in the Smartbank application;
- Improved loan terms: increased maximum loan amount – up to 7 million tenge and up to 1 million tenge for the Pensioners category, increased maximum loan term – up to 72 months;
- Reduced minimum age of the borrower – from 21 years to 18 years.

POS-LENDING. Within this direction in 2021, the Bank:

- Launched online lending for purchase of goods/services through partner sites, including using aggregator technology.
- Improved loan terms: the maximum loan term was increased to 60 months, the minimum age of the borrower was lowered from 21 to 18 years.

OTHER LOANS: The portfolio of mortgage loans in 2021 decreased by 23.7% and amounted to 8.9 billion tenge. The Bank offers mortgage loans under the 7-20-25state program.

After a 22.8% decrease in 2020 in the individual entrepreneurship loan portfolio in 2021, these loans slowed down to 2.3% and amounted to 3.2 billion tenge due to resumption of activities of many companies, including individual entrepreneurs.

Building a digital ecosystem, presence of an extensive network of offices and sales channels, a base of bona fide borrowers, as well as significant market positions and prospects for their increase through a focus on digital channels make the retail direction quite attractive as part of the Bank's further development.

CORPORATE BUSINESS

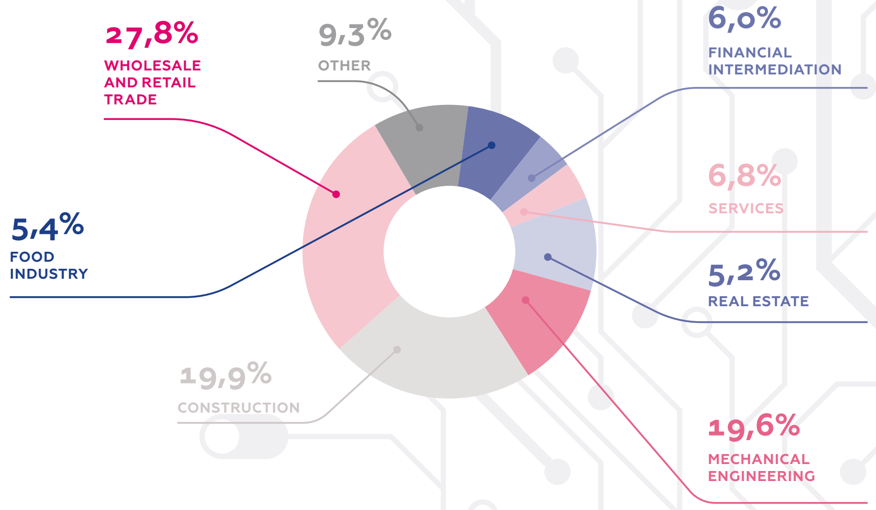
By 2021-year results, the Bank corporate customer base amounted to 16.7 thousand legal entities.

Eurasian Bank is focused on developing corporate lending, planning to become a major participant in this segment, as well as increase the volume of lending to SMEs and develop a transactional business model. In this segment, the Bank focuses on deepening relationships with customers whose business models, financial condition and business reputation meet the high requirements of the Bank. The Bank conducts targeted attraction of clients from areas of the economy in which the Bank has market-leading expertise. This strategy allows you to flexibly and quickly respond to customer needs and keep the risk level at an acceptable level.

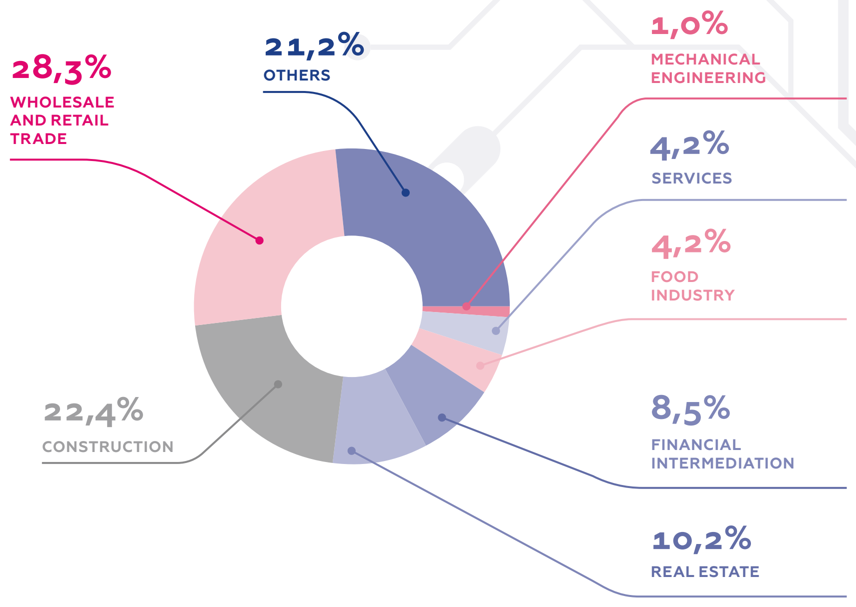
In 2021, the loan portfolio for corporate customers (including SMEs) increased by 27% and amounted to 285.3 billion tenge. Excluding SME loans, the corporate loan portfolio increased by 26.5% – to 267.5 billion tenge. SME loans grew by 34.4% and amounted to 17.8 billion tenge, which allowed to increase their share to 6.2% (in 2020 – 5.9%).

Last year there were changes in the structure of the corporate portfolio due to its diversification.

LOANS, ISSUED BY ECONOMIC SECTOR, 2021



LOANS, ISSUED BY ECONOMIC SECTOR, 2020



Retail and wholesale trade remains the largest sector in the corporate loan portfolio, which by the 2021 year end occupies 27.8% (a year earlier, 28.3% of the corporate loan portfolio accounted for at amortised cost). The portfolio of loans issued to commercial enterprises increased by 25.1% and amounted to 79.4 billion tenge.

The volume of construction lending increased by 12.6%, to 56.7 billion tenge. The share of this sector was 19.9% versus 22.4%, which is due to the rebalancing of the portfolio.

In 2021, the volume of financing of companies in the field of mechanical engineering increased 24 times, which provided the sector with a 19.6% share in the portfolio. The double growth was demonstrated by lending to companies operating in the service sector, the portfolio of loans issued to them amounted to 19.5 billion tenge.

The top 5 sectors also include lending to financial companies. The portfolio of loans to financial companies decreased by 10.7% to 17.1 billion tenge, which led to a decrease in this industry in the portfolio from 8.5% to 6%.

The volume of financing of food production increased by 62.2% to 15.3 billion tenge. While loans in the real estate sector decreased by 35.8%, to 14.8 billion tenge.

In 2021, the Bank actively attracted for servicing and financing companies whose activities are minimally subject to quarantine measures (FMCG, IT, pharmaceuticals, consumer goods supermarkets), with extensive experience in the industry and in the market, stable turnover.

The Bank does not aim to compete due to the cost of funding, paying special attention to the quality of customer service and the ability to respond quickly. Understanding the needs of the client, as well as the ability to quickly evaluate and make decisions, are often more important than low interest rates with slow decision-making.

One of the key projects in the corporate business block in 2021 was the financing of the largest automaker in Kazakhstan – SaryarkaAvtoProm LLP. Within the framework of a three-year credit line in the amount of 30 billion tenge, opened in 2020, the Bank finances SaryarkaAvtoProm LLP for the purchase of car kits for Chevrolet and KIA models. The Bank's support in increasing production is one of the basic factors in the development of the Bank's retail car loans.

In 2021, a deal was also completed to improve the project of the Shar KURYLYS Group of Companies, in which several persons became parties to the transaction. Due to the improvement of the project, an additional profit of 4.7 billion tenge was generated.

SME

In this segment, the Bank adheres to a conservative risk-oriented loan policy aimed at working with SME borrowers, including within the framework of lending programs through the DAMU state fund.

However, along with the classic financing of SME projects, the Bank pays attention to the development of products with simplified analysis. One of the first such products was Auto for SME Business, which in 2021 received the International Finance Banking Awards in the BEST SME AUTO BUSINESS LOAN nomination. The Auto for SME Business product became a successful example of process automation. It applies simplified and accelerated consideration of a loan application. In general, the process takes about 30 minutes. SME representatives can issue a car, commercial vehicle and special equipment worth up to 50 million tenge on credit for up to 60 months at a beneficial rate.

IN 2021, THE FOLLOWING PRODUCTS WITH SIMPLIFIED ANALYSIS WERE LAUNCHED:

- Business POS is a revolving credit line for SME to replenish working capital with a limit of up to 5 million tenge.
- Business Loan (in the amount of up to 30 million tenge) includes a quick review of the application and a minimum package of documents.

The Bank has a strong position in the documentary business – customers can receive both standard guarantees and express guarantees, covered or uncovered guarantees, blank bid guarantees or guarantees for turnover. Eurasian Bank was the first to issue an electronic bank guarantee on the mitwork.kz quasi-public sector procurement portal. The Bank issues electronic bank guarantees on all e-procurement portals.

In 2021, the number of bid guarantees issued by the Bank increased by 227%.

Digitalization of services for SME clients is key in the Bank's activities. In 2021, mobile banking for Smart Business entrepreneurs was launched, and the web version of remote banking services was updated with expanded functionality.

In 2022, the Bank plans to strengthen its position in the corporate business and SME market, in this regard, it plans to introduce a number of digital solutions for its customers, as well as products such as auto-balancing, e-factoring, business card, in order to expand the list of services for businessmen.

Eurasian Bank

financial statements highlights

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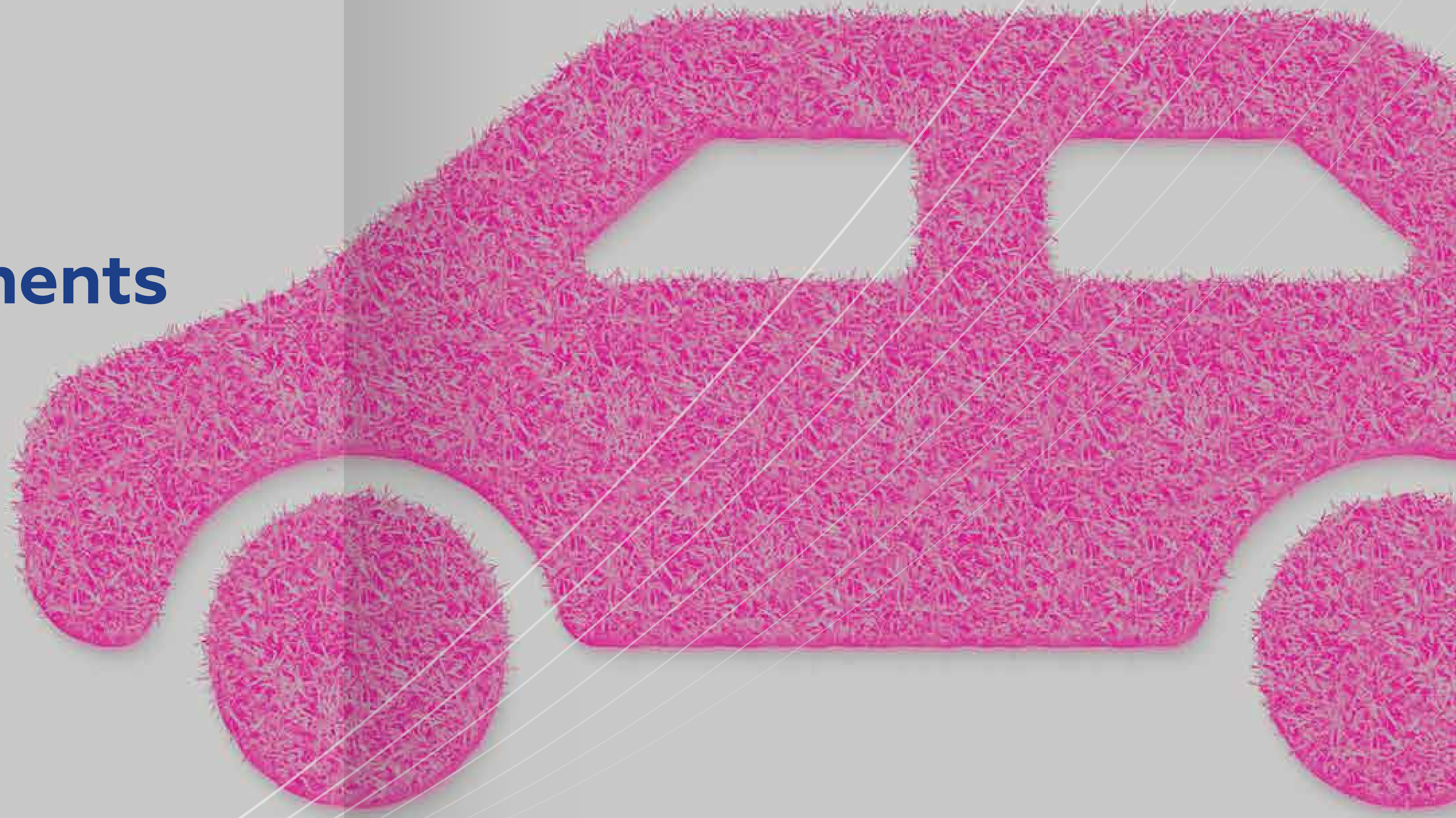


INCOME STATEMENT OVERVIEW

The Group's **net profit** in 2021 increased by 92.2% and amounted to 13 billion tenge. This was made possible thanks to improved risk management practices and an emphasis on outpacing the growth of transaction income. Net commission income increased by 16.3% to 21.9 billion tenge. Losses from the impairment of debt financial assets decreased by 37.4%. Profit before tax increased by 157.4% to 18.7 billion tenge.

KEY INDICATORS OF THE PROFIT AND LOSS STATEMENT, MLN TENGE*	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Interest income calculated using the effective interest method	119 366	120 842	123 462	-1,2%	-2,1%
Other interest income	146	642	829	-77,3%	-22,6%
Interest expense	-63 683	-60 512	-63 704	5,2%	-5,0%
Net interest income	**55 828**	**60 972**	**60 587**	**-8,4%**	**0,6%**
Net commission income	**21 938**	**18 861**	**29 868**	**16,3%**	**-36,9%**
Operations income	**86 882**	**88 650**	**91 611**	**-2,0%**	**-3,2%**
Losses from debt financial asset impairment	-29 364	-46 879	-50 402	-37,4%	-7,0%
Yield / (Losses) from impairment with respect to loan commitments and financial guarantee agreements	-172	271	743	-163,5%	-63,5%
Loss from disposal of a subsidiary	-	-2 131	-	-100%	-
Expenses on creation of evaluation liabilities	-3	-	-26	-	-100%
Personnel expense	-23 901	-19 816	-21 327	20,6%	-7,1%
Other general and administrative expense	-14 744	-12 830	-14 119	14,9%	-9,1%
Yield prior to taxation	**18 699**	**7 265**	**6 480**	**157,4%**	**12,1%**
Income tax expense	-5 650	-477	-1 988	1084,5%	-76,0%
Yield for year	**13 048**	**6 788**	**4 492**	**92,2%**	**51,1%**

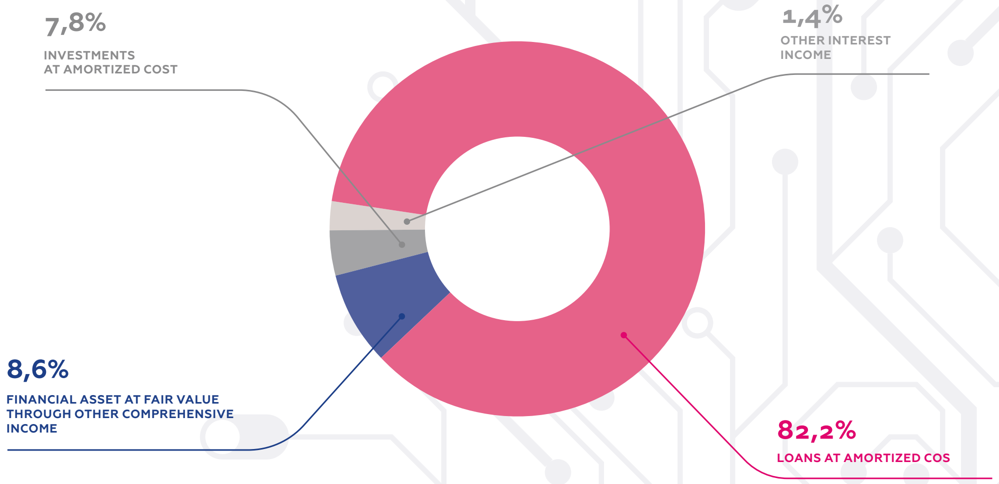
** In this chart and further, minor discrepancies between the total and the sum of the terms are explained by rounding up the data.*

The Group's **net interest income** decreased by 8.4% to KZT 55.8 billion in 2021. The decrease was due to a 1.2% decrease in interest income (down to 119.4 billion tenge), a 77.3% decrease in other interest income and a 5.2% increase in interest expenses. For comparison, in 2020 net interest income was almost 61 billion tenge.

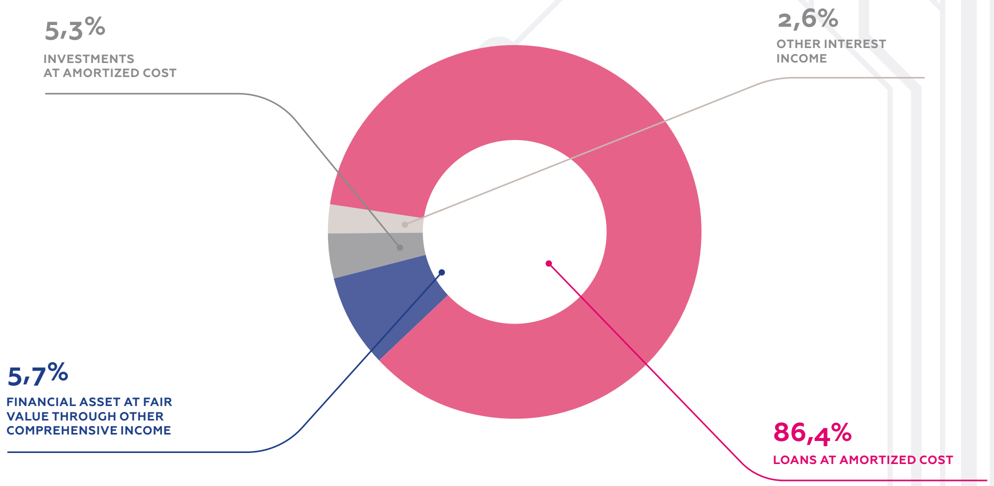
In the structure of interest income, 82.2% is accounted for loans issued to customers, accounted for at amortised cost. However, the income from these loans in 2021 decreased by 6.4% to 98.3 billion tenge. This was partially offset by an increase in income from financial assets at fair value, which increased by 48% (to KZT 10.2 billion) and income from investments at amortised cost, which increased by 45.9% (to KZT 9.3 billion).

INTEREST INCOME, MLN TENGE	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Loans at amortized cost	98 259	104 931	106 405	-6,4%	-1,4%
Financial asset at fair value through other comprehensive income	10 248	6 925	10 237	48,0%	-32,4%
Investments at amortized cost	9 350	6 408	4 863	45,9%	31,8%
Accounts receivable under reverse repo transactions	543	1 413	1 085	-61,6%	30,2%
Cash and their equivalents	718	894	829	-19,7%	7,8%
Accounts and deposits at banks	37	16	43	131,3%	-62,8%
Other financial assets	212	256	-	-17,2%	-
Interest income calculated using the effective interest method	**119 366**	**120 842**	**123 462**	**-1,2%**	**-2,1%**
Other interest income	146	642	829	-77,3%	-22,6%
Interest income	**119 511**	**121 484**	**124 291**	**-1,6%**	**-2,3%**

STRUCTURE OF INTEREST INCOME, 2021



STRUCTURE OF INTEREST INCOME, 2020



In 2021, the Group's interest expenses increased by 5.2% to 63.7 billion tenge. A year earlier, they fell by 5%. The main share of interest expenses falls on current accounts and deposits of customers, their share is 78.6%. This item of expenditure increased by 8.2% in 2021 – up to 50 billion tenge. The key item of interest expenses is servicing of debt securities (including subordinated debt) –their aggregate share is 19.1% of total interest expenses. These items of expenditure decreased by 1.5 percentage points.

In 2021, the Bank's expenses on subordinated debt securities increased by 7.2% to 11.1 billion tenge. In relation to debt securities issued and other borrowed funds, expenses decreased by 51.6% and 15.9%, respectively.

INTEREST EXPENSE, MLN TENGE	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Customer current accounts and deposits	-50 079	-46 263	-46 367	8,2%	-0,2%
Subordinated debt securities issued	-11 117	-10 375	-10 754	7,2%	-3,5%
Debt securities issued	-1 023	-2 115	-3 710	-51,6%	-43,0%
Other attracted funds	-731	-869	-1 296	-15,9%	-32,9%
Accounts payable under repo transactions	-475	-567	-1 206	-16,2%	-53,0%
Rental obligations	-259	-318	-370	-18,6%	-14,1%
Bank deposits and accounts	-	-6	-	-100%	-
Interest expense	**-63 683**	**-60 512**	**-63 704**	**5,2%**	**-5,0%**
Net interest income	**55 828**	**60 972**	**60 587**	**-8,4%**	**0,6%**

In recent years, the Bank has seen a decrease in impairment losses, which is associated with the application of best risk management practices. In 2021, these expenses decreased by 37.4% to 29.4 billion tenge, a year earlier they decreased by 7%. The reduction in expenses occurred for such items as loans issued to customers – they decreased by 29.8%.

IMPAIRMENT LOSS, MLN TENGE	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Loans to customers	31 878	45 429	48 479	-29,8%	-6,3%
Investment at amortized cost	47	1	4	4 600%	-75%
Financial assets at amortized cost through other comprehensive income	12	3	5	300,0%	-40,0%
Cash and their equivalents	8	-41	54	-119,5%	-175,9%
Other assets	-2 581	1 487	1 860	-273,6%	-20,1%
Total	**29 364**	**46 879**	**50 402**	**-37,4%**	**-7,0%**

In 2021, the Group's **net commission income** grew by 16.3% and amounted to 21.9 billion tenge compared with a decrease of 36.9% in 2020.

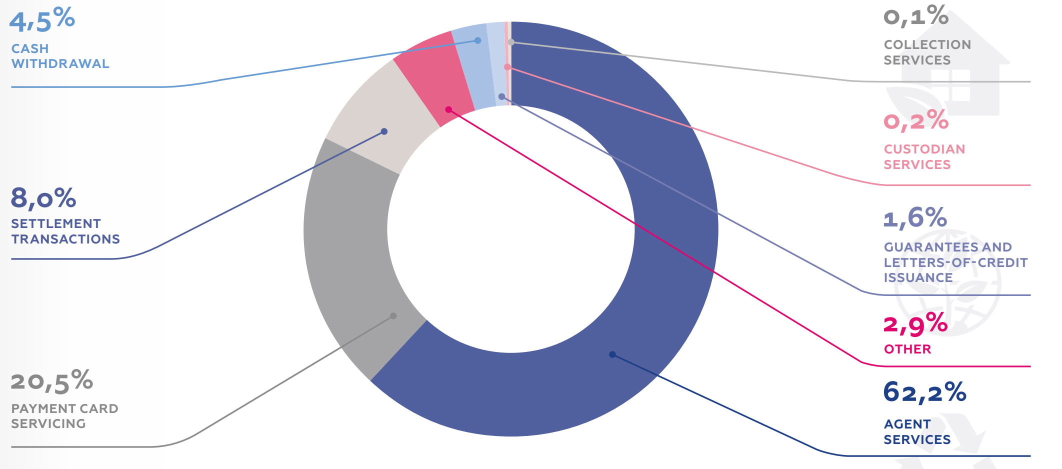
Commission income in the reporting year increased by 14.8% and amounted to 29 billion tenge. A year earlier, this figure was 25.3 billion tenge.

The growth was demonstrated by agency services, commission income from which increased by 22.2% – up to 18 billion tenge. The share of agency services in the commission income portfolio increased from 58.4% in 2020 to 62.2% in 2021. The Bank provides insurance agent services, offering life insurance policies of various insurance companies at its retail loan points of sale and receives an agency commission in proportion to the insurance premiums issued. The purchase of a life insurance policy is voluntary and is not a condition for obtaining a loan, therefore it does not affect the interest rate on the loan and is not considered part of the effective interest rate.

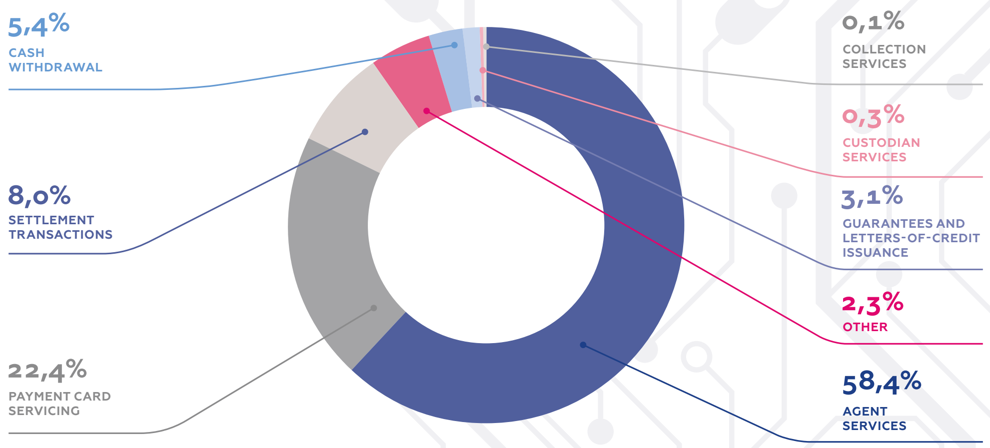
In 2021, commission income from servicing payment cards and settlement transactions increased by 5.1% and 14.3%, respectively. The decrease was demonstrated by income from cash withdrawals (by 4%), issuance of guarantees and letters of credit (by 41%) and collection services (by 7.1%).

COMMISSION INCOME, MLN TENGE	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Agent services	18 052	14 776	26 274	22,2%	-43,8%
Payment card servicing	5 958	5 670	4 730	5,1%	19,9%
Settlement transactions	2 333	2 041	2 151	14,3%	-5,1%
Cash withdrawal	1 304	1 358	1 258	-4,0%	7,9%
Guarantees and letters-of-credit issuance	468	793	1 067	-41,0%	-25,7%
Custodian services	64	38	48	68,4%	-20,8%
Collection services	26	28	33	-7,1%	-15,2%
Other	829	592	585	40,0%	1,2%
Total	**29 034**	**25 297**	**36 145**	**14,8%**	**-30,0%**

STRUCTURE OF COMMISSION INCOME, 2021



STRUCTURE OF COMMISSION INCOME, 2020



OPERATING EXPENSE, MLN TENGE	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Payroll, bonuses and relevant taxes	22 909	18 985	20 410	20,7%	-7,0%
Other personnel expense	993	831	917	19,5%	-9,4%
Personnel expense	**23 901**	**19 816**	**21 327**	**20,6%**	**-7,1%**
Other general and administrative expense					
Communication and information services	3 200	2 543	2 670	25,8%	-4,8%
Depreciation and amortization	2 794	2 943	3 194	-5,1%	-7,9%
Asset depreciation as a right of use	1 320	1 648	1 583	-19,9%	4,1%
Taxes except income tax	1 223	1 089	1 138	12,3%	-4,3%
Professional services	1 013	447	782	126,6%	-42,8%
Advertisement and marketing	964	354	751	172,3%	-52,9%
Security	857	826	805	3,8%	2,6%
Repair and maintenance	670	711	686	-5,8%	3,6%
Other	2 704	2 269	2 510	19,2%	-9,6%
Total	**14 744**	**12 830**	**14 119**	**14,9%**	**-9,1%**

In 2021, compared to 2020, **personnel expenses** increased by 20.6% – to 23.9 billion tenge.

Other general and administrative expenses in the reporting period increased by 14.9% and amounted to 14.7 billion tenge. Thus, expenses for communications and information services increased by 25.8% – up to 3.2 billion tenge due to the growing digitalization of the Bank's products. The item of expenses for depreciation and amortization decreased by 5.1% to 2.8 billion tenge, depreciation of assets in the form of right of use decreased by 19.9% to 1.3 billion tenge.

The growth was demonstrated by spending on professional services – by 126.6% and advertising and marketing – by 172.3%.

BALANCE SHEET OVERVIEW

In 2021, the Group's **assets** increased by 17.8% – to 1.4 trillion tenge. The growth is due to an increase in loans issued to customers – by 13%; cash and cash equivalents – by 35%.

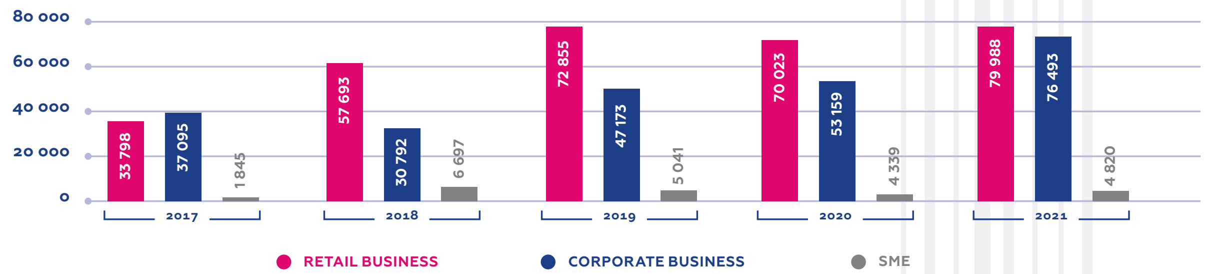
The loan portfolio on a net basis makes up 45% of the balance sheet. This indicator in 2021 decreased by 13% and amounted to 635 billion tenge.

BALANCE STRUCTURE, BLN TENGE	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Assets	**1 413,3**	**1 199,7**	**1 057,0**	**17,8%**	**13,5%**
Loans to customers	635,3	562,4	644,8	13,0%	-12,8%
Cash and their equivalents	413,1	305,9	225,8	35,0%	35,5%
Other assets	364,9	331,4	186,4	10,1%	77,8%
Liabilities	**1 294,0**	**1 090,6**	**958,2**	**18,7%**	**13,8%**
Current accounts and deposits	1 136,4	952,9	799,4	19,3%	19,2%
Subordinated debt securities issued	70,3	66,6	63,4	5,6%	5,0%
Other liabilities	87,3	71,1	95,4	22,8%	-25,5%
Equity	**119,3**	**109,1**	**98,8**	**9,3%**	**10,4%**

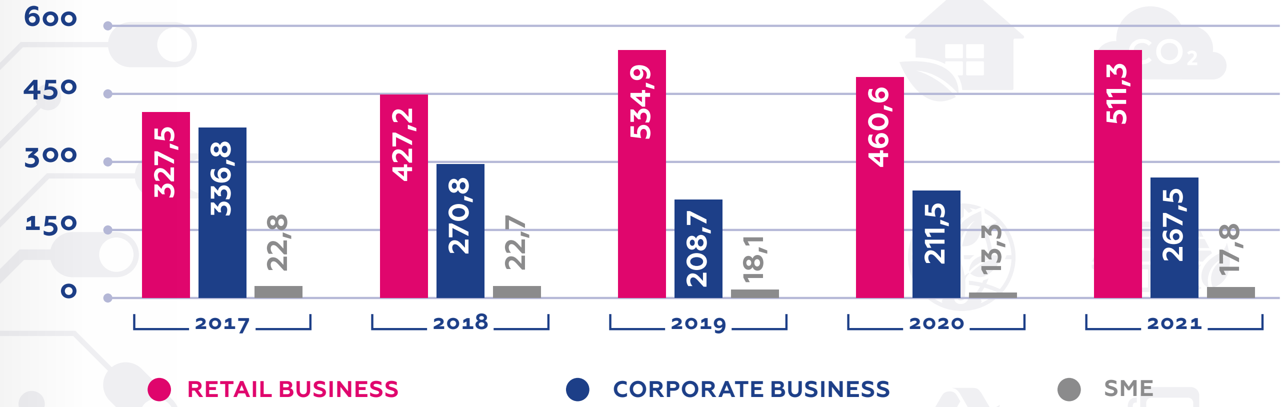
Provisions for expected credit losses on loans issued in 2021 increased by 26.5% and amounted to 161 billion tenge. During 2021, the Group wrote off loans for 7.1 billion tenge, which resulted in a decrease in the estimated provision for losses on loans assigned to stage 3 and POCI-assets, in the same amount (in 2020: 45.2 billion tenge).

LOANS, MLN TENGE	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Loans to customers assessed at amortized cost, prior to deduction of provisions for expected credit losses	**796 639**	**685 346**	**761 767**	**16,2%**	**-10,0%**
Provisions for expected credit losses	-161 301	-127 521	-125 069	26,5%	2,0%
Total loans to customers assessed at amortized cost, less provisions for expected credit losses	**635 338**	**557 825**	**636 698**	**13,9%**	**-12,4%**
Loans to customers assessed at fair value via profit or loss					
Loans to major ventures	-	4 608	8 080	-100%	-43,0%
Total loans to customers	**635 338**	**562 433**	**644 788**	**13,0%**	**-12,8%**

IMPAIRMENT PROVISIONS BY SEGMENT, MLN TENGE



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



** 2018-2021 – loans, issued to customers, assessed at amortized value*

In the loan portfolio structure, loans at amortized cost before reserve deduction, in 2021, retail business accounts for 64.2%, having decreased by 3 p.p.

LOANS TO RETAIL CUSTOMERS, ASSESSED AT AMORTIZED VALUE, MLN TENGE	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Unsecured consumer loans	299 437	269 123	336 964	11,3%	-20,1%
Auto loans	188 681	167 638	173 751	12,6%	-3,5%
Mortgage loans	8 877	11 637	12 371	-23,7%	-5,9%
Non-program loans on individual terms *	6 565	6 381	7 545	2,9%	-15,4%
Loans for individual business activities	3 237	3 311	4 289	-2,2%	-22,8%
Loans Business Auto program	4 495	2 502	-	79,7%	-
Total loans issued to retail customers	**511 292**	**460 593**	**534 919**	**11,0%**	**-13,9%**

** this loan category was first shown separately in the annual financial statements for 2018*

By the end of 2021, the corporate segment, taking into account SME loans, accounted for 35.8% (a year earlier – 32.8%) of the total gross loan portfolio. In comparison with 2020, the volume of loans to corporate clients increased by 27% to 285.3 billion tenge. This was due to the growth of the loan portfolio of large enterprises by 26.5% and SME by 34.4%.

LOANS TO CORPORATE CUSTOMERS, ASSESSED AT AMORTIZED VALUE, MLN TENGE	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Loans to major ventures	267 539	211 498	208 745	26,5%	1,3%
Loans to small and medium ventures	17 808	13 254	18 103	34,4%	-26,8%
Total loans to corporate customers	**285 347**	**224 753**	**226 848**	**27,0%**	**-0,9%**

Liabilities of the Group in 2021 increased by 18.7% – to 1.3 billion tenge. This was due to the growth of current accounts and customer deposits. This item occupies 87.8%, a year ago – 87.4% of the Bank's liabilities.

The volume of accounts and deposits in 2021 reached 1.1 trillion tenge, an increase of 19.3%, which confirms the high customer confidence in the Bank. The individuals and businesses significantly reduced their expenses during the pandemic, preferring to keep cash reserves in bank accounts and deposits.

The main part of the deposit portfolio consists of term deposits – 79.4%, the remaining 20.6% – current accounts and demand deposits. The latter became the main source of growth of the deposit portfolio in 2021, increasing by 47.7% over the year to 902.8 billion tenge.

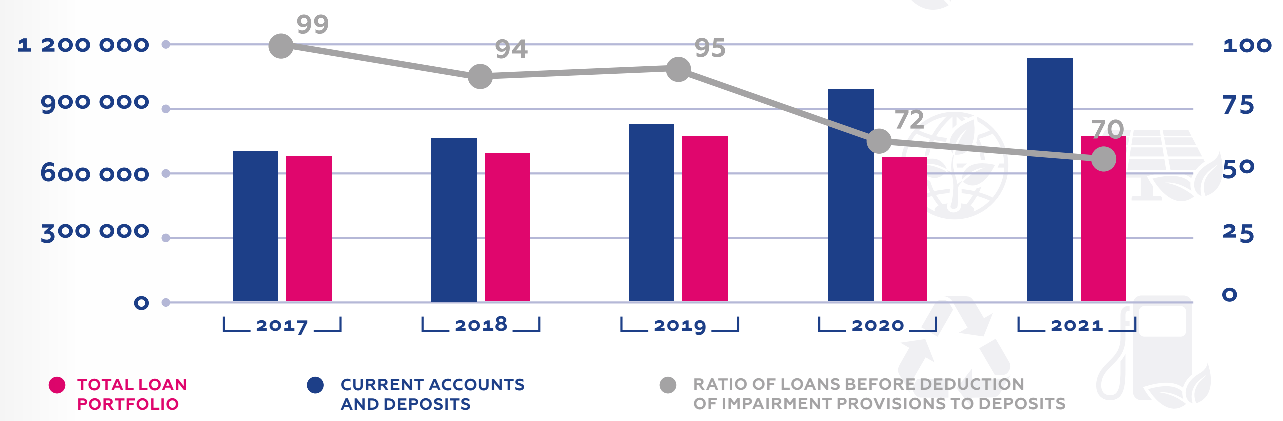
The growth is due to an increase in current accounts and demand deposits of retail customers by 16.5% – up to 94.5 billion tenge. Current accounts and demand deposits of corporate clients decreased by 46.6% to 139 billion tenge.

Term deposits of retail clients increased by 1.9% to 398 billion tenge, while term deposits of corporate clients increased by 128.6% to 505 billion tenge.

In 2021, the structure of the deposit portfolio changed, resulting in 56.7% of corporate clients (50.5% a year earlier), and 43.3% of retail clients (49.5% in 2020). This is due to the outpacing growth of current accounts and demand deposits of corporate clients.

CUSTOMER CURRENT ACCOUNTS AND DEPOSITS, MLN TENGE	2021	2020	2019	2021 / 2020 CHANGE	2020 / 2019 CHANGE
Current accounts and demand deposits					
Retail customers	94 533	81 140	61 595	16,5%	31,7%
Corporate customers	139 020	260 378	99 372	-46,6%	162,0%
Term deposits					
Retail customers	397 590	390 323	376 371	1,9%	3,7%
Corporate customers	505 238	221 033	262 039	128,6%	-15,6%
Total	**1 136 381**	**952 874**	**799 377**	**19,3%**	**19,2%**

TOTAL LOANS BEFORE DEDUCTION OF IMPAIRMENT PROVISIONS TO DEPOSITS



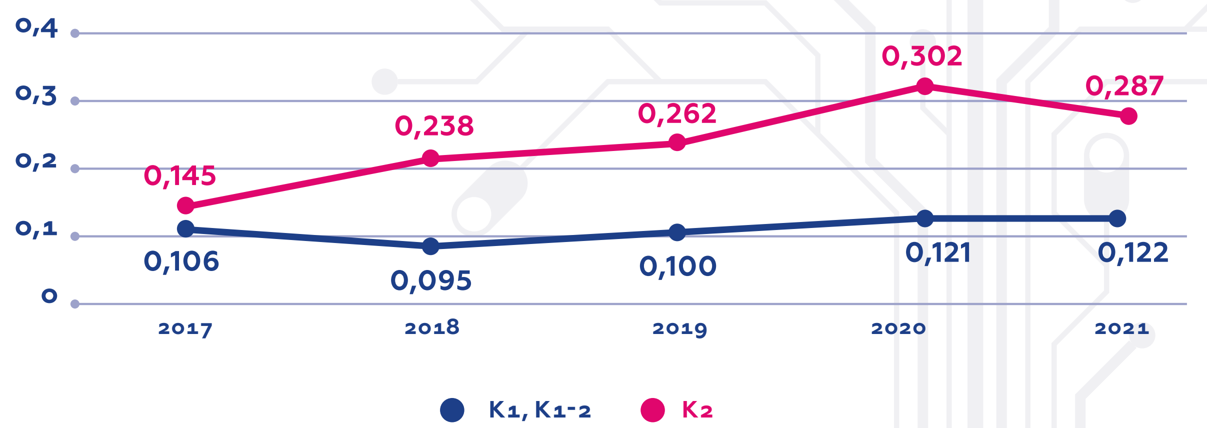
The Bank equity in 2021 amounted to 119.3 billion tenge, an increase of 9.4% due to the refusal to pay dividends for 2020.

The amount of equity taken into account when calculating regulatory standards, as of December 31, 2021, increased by 3.9% and amounted to 262.4 billion tenge. The amount of the first-tier capital as of December 31, 2021 amounted to 111.1 billion tenge, an increase of 10.2% over the year.

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

The capital adequacy ratios are at a high level. The coefficient k1 at the end of 2021 was 0.122. The coefficient k1-2 was formed at a similar level – 0.122. The ratio of total capital to risk-weighted assets (k2) was 0.287 at the end of 2021.

CAPITAL ADEQUACY RATIOS FOR 5 YEARS



Eurasian Bank

corporate governance

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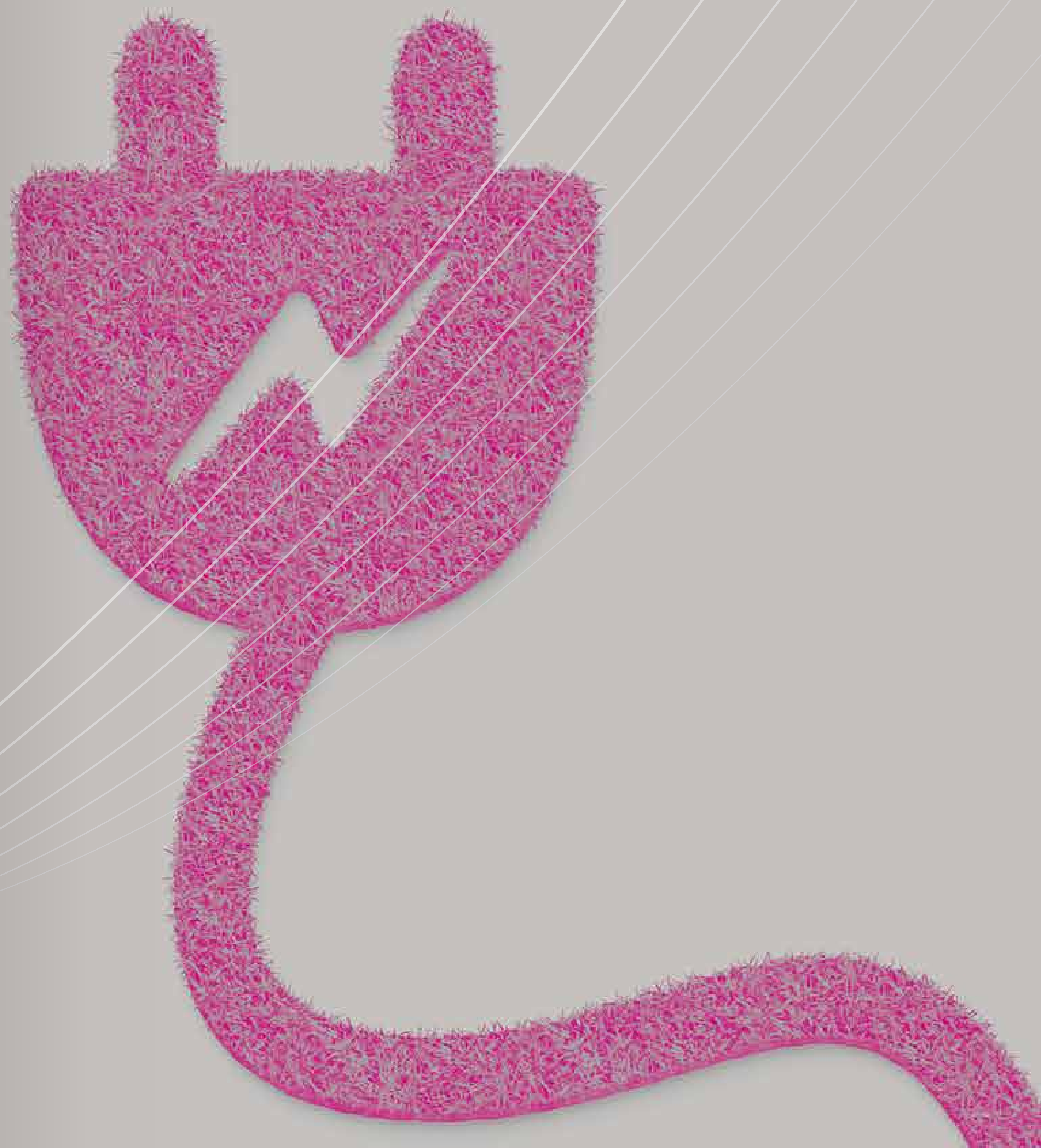


CORPORATE GOVERNANCE SYSTEM

THE EURASIAN BANK CORPORATE GOVERNANCE SYSTEM IS A SYSTEM OF RELATIONS BETWEEN SHAREHOLDERS, THE BOARD OF DIRECTORS, THE MANAGEMENT BOARD AND OTHER INVOLVED PARTIES.

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

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

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

OBSERVANCE OF THE CORPORATE GOVERNANCE CODE

THE CORPORATE GOVERNANCE CODE IS DESIGNED TO ENSURE A HIGH LEVEL OF BUSINESS ETHICS IN RELATIONS BETWEEN THE BANK SHAREHOLDER/S, ITS BODIES AND OFFICIALS, AS WELL AS IN RELATIONS BETWEEN THE BANK (ITS BODIES, OFFICIALS AND EMPLOYEES) WITH THIRD PARTIES AND IN ORDER TO PROTECT THE SHAREHOLDER INTERESTS.

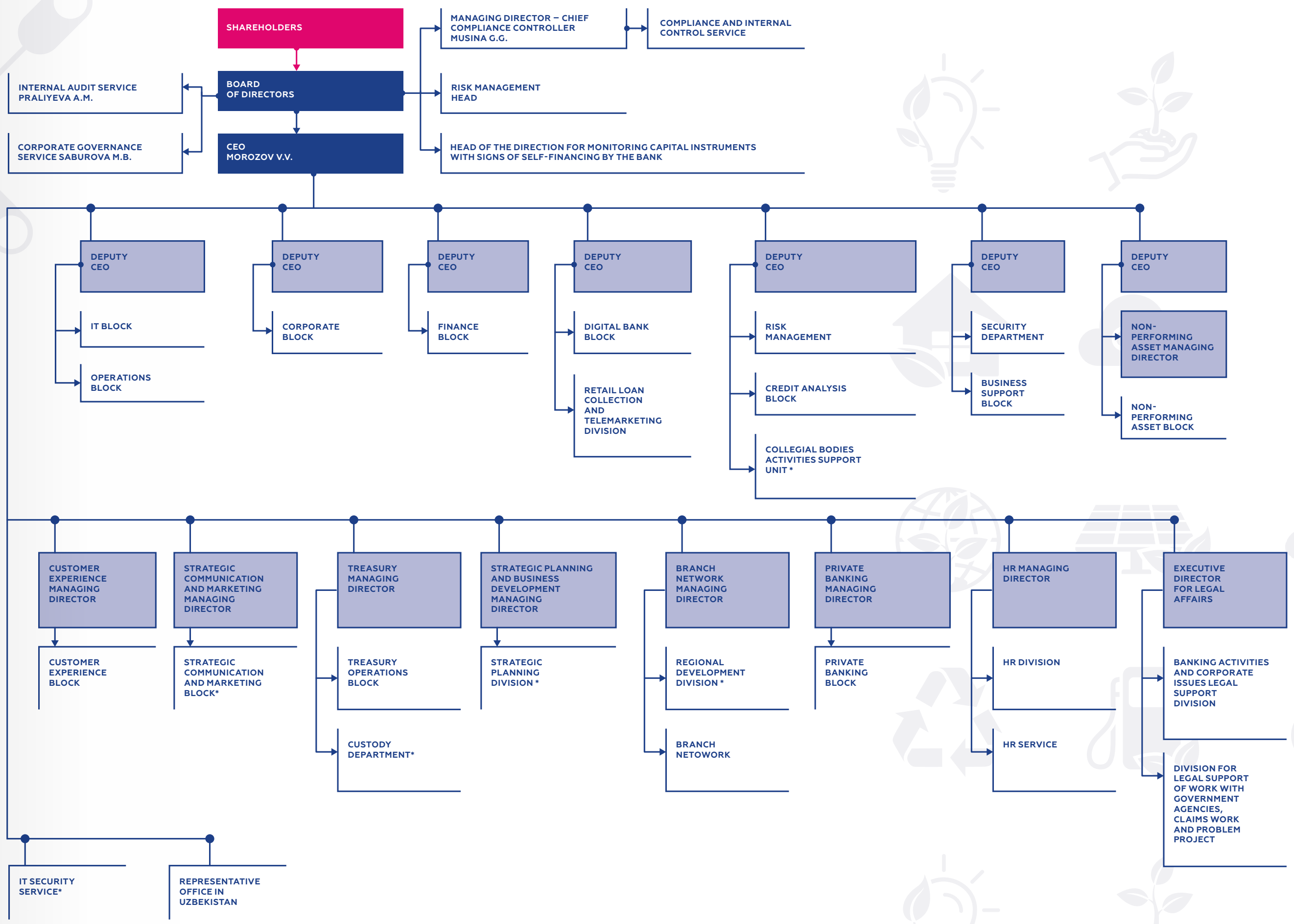
The Code was approved in a new version in June 2020 by Eurasian Financial Company JSC, the sole shareholder, which establishes the principles applied in the Bank management process, including relations between the Bank shareholder, the Bank Board of Directors, the Bank Management Board, senior employees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

THE CODE SETS OUT THE CORPORATE GOVERNANCE PRINCIPLES:

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

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

ORGANIZATIONAL STRUCTURE



CORPORATE GOVERNANCE STRUCTURE

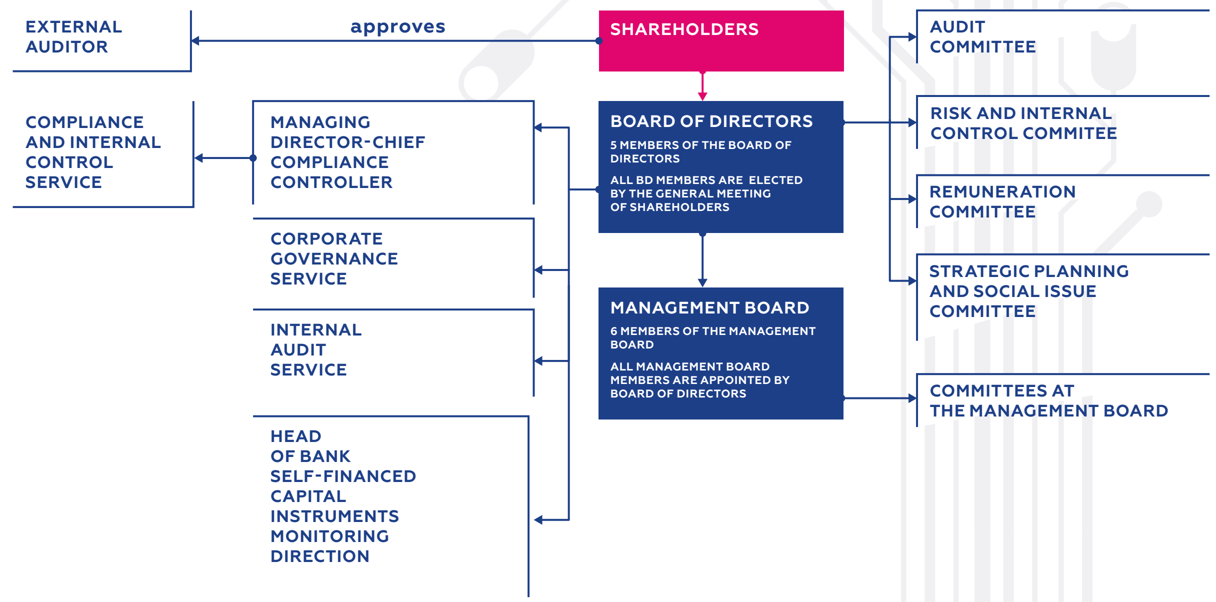
THE BANK BODIES ARE:

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

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

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

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



INFORMATION ABOUT SHAREHOLDERS

THE EURASIAN BANK JSC SOLE SHAREHOLDER IS THE EURASIAN FINANCIAL COMPANY JSC WITH 100% PARTICIPATION. THE ULTIMATE BENEFICIARIES IN EQUAL SHARES FROM 15 JULY 2021 ARE MUKADASKHAN IBRAGIMOVA, PATOKH SHODIEV, ALEKSANDR MASHKEVICH, EACH OF WHOM OWNS 33.3% OF SHARES.

As of 31 December 2021, the quantity of authorized ordinary shares of the Bank amounted to 2 096 038 900 (in 2020 – 2 096 038 900 items) and 3 000 000 non-redeemable cumulative preferred shares (in 2020 – 3, 000, 000 preferred shares).

In 2021, no shares were issued (in 2020 year, 612,314 ordinary shares were issued and paid at 6,532.60 per share).

The issued and outstanding share capital consisted of the following fully paid-up ordinary shares as of 31 December 2021:

SHARES	2021 QUANTITY OF SHARES	2020 QUANTITY OF SHARES
Issued at 955.98 tenge	8 368 300	8 368 300
Issued at 1, 523.9 tenge	2 631 500	2 631 500
Issued at 1, 092 tenge	2 930 452	2 930 452
Issued at 6 532,6 tenge	7 030 137	7 030 137
Total shares issued and outstanding	**20 960 389**	**20 960 389**

BOARD OF DIRECTORS

THE BOARD OF DIRECTORS PROVIDES GENERAL MANAGEMENT OF THE BANK ACTIVITIES AND IS ACCOUNTABLE TO THE GENERAL MEETING OF SHAREHOLDERS.

The Board of Directors performs overall management the Bank activities except for the issues referred by the Kazakhstan legislation and/or the Bank Charter to the exclusive competence of the General Meeting of Shareholders.

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

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

ACTIVITIES OF THE BOARD OF DIRECTORS IN 2021

In 2021, 78 meetings of the Board of Directors were held, during which issues related to the establishment of credit lines to the Bank's customers, related-party transactions, and agreements related to the digitalization of the Bank were considered and approved.

THE COMPOSITION OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2021:

- **Aleksandr Mashkevitch,** Chairperson of the Board of Directors;
- **Shukhrat Alidzhanovich Ibragimov,** Member of the Board of Directors;
- **Inessa Cher-Khvanovna Kim,** Member of the Board of Directors, Independent Director;
- **Zhanbota Temirgaliyevich Bekenov,** Member of the Board of Directors, Independent Director;
- **Vitaliy Nikolayevich Repey,** Member of the Board of Directors, Independent Director.
- **TOTAL: 5 members of the board of directors**

SHORT BIOS OF THE MEMBERS OF THE BOARD OF DIRECTORS

Aleksandr MASHKEVICH

- *Chairperson of the Board of Directors*
- *The ultimate beneficiary of Eurasian Bank JSC, owning 33.33% of the total number of outstanding shares of Eurasian Financial Company JSC*
- *Year of birth: 1954*

EDUCATION:

- *1976 – Kyrgyz State University named after the 50th anniversary of the USSR (Bishkek). He defended his PhD thesis on the topic of theory and history of pedagogy and psychology;*
- *1981 – recognized as the youngest candidate of science in his specialty in the Soviet Union;*
- *1981-1986 – Associate Professor, Dean of the Kyrgyz Pedagogical Institute.*

WORK EXPERIENCE:

- *November 2021 – current – Chairperson of the Supervisory Board of Eurasian Production Company LLP;*
- *2013 – current – Chairperson of the Board of Managers (Directors) of Eurasian Resources Group S.a.r.l.;*
- *2010 – October 2021 – Chairperson of the Board of Directors of Eurasian Production Company JSC;*
- *2009 – current – Member of the Board of Directors of Eurasian Industrial Company JSC;*
- *2008 – current – Chairperson of the Board of Directors of Eurasian Financial Company JSC;*
- *2002 – current – President of the Eurasian Industrial Association, Chairperson of the Board of Directors of the Eurasian Natural Resources Corporation Limited company (ENRC ltd);*
- *1998 – current – Chairperson of the Board of Directors of Eurasian Bank.*

ADDITIONAL INFORMATION:

- *2021 – awarded with the 1st degree Barys Order;*
- *2016 – Member of Foreign Investors Board at the President of the Republic of Kazakhstan;*
- *2011 – awarded with the 3rd degree Barys Order;*
- *2001 – awarded with the Qurmet Order.*
- *Membership in the Bank Committees: not a member to any Committee.*

Shukhrat Alidzhanovich IBRAGIMOV

- *Member of the Board of Directors*
- *Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates*
- *Year of birth: 1986*

EDUCATION:

- *2004 – British School in Brussels;*
- *2007 – EBS (The United Kingdom, London);*
- *2007 – Beijing Language and Culture University (China, Beijing).*

WORK EXPERIENCE:

- *2021 – current – Member of the Board of Managers (Directors) of Eurasian Resources Group S.a.r.l., member of the Audit Committee, Remuneration Committee and Sustainable Development, Mergers and Acquisitions Committee at the Board of Managers (Directors) of Eurasian Resources Group S.a.r.l., member of the Supervisory Board of Eurasian Production Company LLP; Vice-President of YABIAD Foreign Investors and Businessmen Association;*
- *2019 – current – Member of the Board of Directors of Eurasian Financial Company JSC, member of the Board of Directors of Eurasia Insurance Company JSC, Chairperson of the International Asian Film Festival (USA);*
- *2017 – current – Member of the Board of Directors of Eurasian Bank JSC;*
- *2015 – 2021 – Member of the Board of Directors of the Alliance Altyn Mining Company (Kyrgyzstan);*
- *2015 – 2021 – Business Development Director of Eurasian Resources Group S.a.r.l. (Luxembourg).*
- *Membership in the Bank Committees: the Audit Committee, the Remuneration Committee and Risk and Internal Control Committee.*

Inessa Cher-Khvanovna KIM

- *Member of the Board of Directors, Independent Director*
- *Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates*
- *Year of birth: 1966*

EDUCATION:

- *1988 – Kazakh Polytechnic Institute named after V. I. Lenin (Automated Management Systems)*
- *1997 – Market Institute at the Kazakh State Management Academy (Finances and Credit).*

WORK EXPERIENCE:

- *2017 – current – Member of the Board of Directors, Independent Director of Eurasian Bank JSC;*
- *Membership in the Bank Committees: Chairperson of the Remuneration Committee and the Risks and Internal Control Committee.*

Zhanbota Temirgaliyevich BEKENOV

- *Member of the Board of Directors, Independent Director*
- *Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates*
- *Year of birth: 1957*

EDUCATION:

- *1985 – Alma-Ata National Economy Institute (Finances and Credit);*
- *2001 – London Business School, Accelerated Development Program for Managers.*

WORK EXPERIENCE:

- *2020 – current – Member of the Board of Directors, Independent Director of KEGOK;*
- *2018 – current – Member of the Board of Directors, Independent Director of Eurasian Bank;*
- *2016 – 2018 – Co-Managing Partner of Grant Thornton LLP;*
- *1994 – current – Member of the Chamber of Auditors of the Republic of Kazakhstan;*
- *1994 – 2015 – Manager, General Director and Partner of PricewaterhouseCoopers LLP.*
- *Membership in the Bank Committees: Chairperson of the Audit Committee and the Strategic Planning and Social Issues Committee, Member of the Risks and Internal Control Committee.*

Vitaliy Nikolayevich REPEY

- *Member of the Board of Directors, Independent Director*
- *Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates*
- *Year of birth: 1976*

EDUCATION:

- *1998 – National University of Kyiv-Mohyla Academy (Bachelor's degree);*
- *2000 – National University of Kyiv-Mohyla Academy (Master's degree).*

WORK EXPERIENCE:

- *2020 – current – Head of Representative Office of TRENETU BV Limited Liability Private Company;*
- *2019 – current – Member of the Board of Directors, Independent Director of Eurasian Bank;*
- *2007 – 2019 – Economics Director of Investigations, Investments and Development LLP;*
- *2003 – 2006 – Corporate Finance Director at Brinkford CJSC;*
- *2000 – 2003 – Auditor at Arthur Andersen, Ernst & Young international auditing companies.*
- *Membership in the Bank Committees: Member of the Risks and Internal Control Committee.*

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

DIRECTORS' EXPERTISE

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

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

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

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

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

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

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

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

PREVENTING CONFLICTS OF INTEREST IN THE BANK ACTIVITIES

The Board of Directors should monitor and, if possible, eliminate potential conflicts of interest at the level of officials and shareholders, including misuse of the Bank property and abuse in transactions in which there is an interest; as well as monitor the effectiveness of corporate governance practices in the Bank.

Currently, the work of the Board of Directors and authorized collegial bodies of the Bank (ACB) has built and effectively operates the system and appropriate procedures that allow the Board of Directors to monitor at an early stage the occurrence of factors that may lead to a conflict of interest in the future, as well as timely apply preventive measures, prevent a conflict of interest, effectively manage it in case of its appearance in the Bank's activities. Conflict of interest prevention activities are based on the internal regulatory documents such as the Charter, the Code of Ethics and Business Conduct, the Corporate Governance Code, and the Rules for regulating conflicts of interest.

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

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

INFORMING THE BOARD OF DIRECTORS

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

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

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

COMMITTEES AT THE BOARD OF DIRECTORS

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

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

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

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

AUDIT COMMITEE

- ***Members:*** *Bekenov Zh. T. (chair), Ibragimov Sh. A.*
- ***Competence:*** *the main purpose of the Committee is to assist the Bank Board of Directors in carrying out its duties to improve the efficiency of the internal audit subdivision and interact with the external auditor on the quality of information provided about the Bank activities. The main tasks of the Committee are to ensure the completeness and reliability of the Bank financial statements provided to the Board of Directors, to supervise the activities of the IAS, to coordinate the process of the annual mandatory external audit of financial statements.*
- *In 2021, 45 issues were considered.*

RISK AND INTERNAL CONTROL COMMITTEE

- ***Members:*** *Kim I. Ch. – Kh. (chair), Bekenov Zh. T., Repey V. N., Ibragimov Sh. A.*
- ***Competence:*** *the main purpose of the Committee is to assist in the implementation by the Bank Board of Directors of its responsibilities for building an efficient risk management and internal control system.*
- ***The main tasks of the committee:***

1. development of risk management policies, procedures in the field of capital and liquidity management within the risk appetite level established by the Board of Directors and control of their implementation;
2. assessment of risks inherent in the Bank activities, and maintenance of the Bank risk profile relevance;
3. exercising control over:
   - *compliance with the risk appetite levels by the Management Board;*
   - *the system functioning: internal control, market risk management, liquidity risk management, business continuity management, information technology risk management, information security risk management, compliance risk management, credit risk management, operational risk management, and other significant risks for the Bank (legal, strategic, reputational risks);*

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

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

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

- *In 2021, 85 issues were considered.*

REMUNERATION COMMITTEE

- ***Members:*** *Kim I. Ch. – Kh. (chair), Ibragimov Sh. A., Gazyamova S. S.*
- ***Competence:*** *The main objectives of the Committee are to assist the Board of Directors in carrying out activities to minimize conflicts of interest, form the Bank's organizational structure, and ensure efficient management of remuneration of the Bank employees and remuneration of members of the Bank's Management Board and employees accountable to the Board of Directors (with the exception of the Internal Audit Service employees and the head).*
- ***The main tasks of the Committee are to ensure the development of:***

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

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

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

- *In 2021, 16 issues were considered.*

STRATEGIC PLANNING AND SOCIAL ISSUES COMMITTEE

- ***Members:*** *Bekenov Zh. T. (chair), Morozov V. V., Druzhinina N. M.*
- ***Competence:*** *The Strategic Planning and Social Issues Committee develops, analyzes and monitors the implementation of the Bank's strategy, and ensures that the Bank's strategic plans comply with current market and economic conditions, risk levels, financial strength, and legal and regulatory requirements. The Committee also ensures the implementation of the budget and monitors its implementation. In addition, the Committee is responsible for creating an efficient social policy of the Bank and assessment of the Bank policies and other INDs of the Bank for their compliance with the strategy, the current market and economic situation, the Bank risk profile, including the approved risk appetite strategy, and legislative requirements.*
- *In 2021, 16 issues were considered.*

THE MANAGEMENT BOARD

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

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

ACTIVITY OF THE MANAGEMENT BOARD IN 2021

In 2021, 176 meetings of the Management Board were held, including 45 in-person and 131 in absentia meetings, during which 898 issues were considered. Among them are issues related to the Bank operating activities, changes in the loan and deposit products terms, optimization of the Bank services and products terms, in particular, current account opening was optimized, the Business Auto SME product validity period was extended, the Project Management Information System – Advanta implementation was approved and the Auto Card and SMARTCARD products were implemented. Within the framework of the meetings, preferential terms were approved for clients – individuals affected by an emergency in the Zhambyl Province (during explosions at military warehouses near Taraz).

IN 2021, THE FOLLOWING CHANGES TOOK PLACE IN THE BANK MANAGEMENT BOARD:

- • *On 22 June 2021, Yerlanbek Kappar was elected as Deputy Chairperson of the Management Board.*

MEMBERS OF THE MANAGEMENT BOARD AS OF 31 DECEMBER 2021:

- ***Valentin Valentinovich Morozov,*** *Chairperson of the Management Board*
- ***Ivan Vladimirovich Belokhvostikov,*** *Deputy Chairperson of the Management Board – member of the Management Board*
- ***Nataliya Mikhaylovna Druzhinina,*** *Deputy Chairperson of the Management Board – member of the Management Board*
- ***Sabyrzhan Madiyevich Bekbosunov,*** *Deputy Chairperson of the Management Board – member of the Management Board*
- ***Aleksandr Vladimirovich Naumov,*** *Deputy Chairperson of the Management Board – member of the Management Board*
- ***Lyazzat Adylovna Satiyeva,*** *Deputy Chairperson of the Management Board – member of the Management Board*
- ***Yerlanbek Zhandarbekuly Kappar,*** *Deputy Chairperson of the Management Board – member of the Management Board*
- ***TOTAL:*** *7 members of the Management Board*
- *The members of the Management Board do not have a participation share in the capital of Eurasian Bank, subsidiaries and affiliates.*

SHORT BIOS OF THE MEMBERS OF THE MANAGEMENT BOARD

Valentin Valentinovich MOROZOV

- *Chairperson of the Management Board*
- *Year of birth: 1973*

EDUCATION:

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

SHORT BIO:

- *Valentin Morozov is a professional banker with long experience. Before joining Eurasian Bank Valentin Morozov held management positions in Russian banks, Basic Element Group of Companies, and worked as a consultant for McKinsey & Company and Arthur Andersen.*
- *Prior to joining Eurasian Bank, from January 2017 to February 2018, he worked at VTB + VTB24 as an adviser to the Senior Vice President and Head of the Department – Senior Vice President of the Department of Business Process Organization and Change Methodology. Created the Competence Center for Process Optimization and Digitalization and managed the Bank process optimization.*
- *From May 2008 to January 2017, he worked for the Joint-Stock Commercial Savings Bank of the Russian Federation and Sberbank of Russia. At Sberbank, as Vice President, he was responsible for continuous improvement of the Bank processes, development of innovations and customer experience. Managed the project office, internal communications, motivation and performance management system, etc. He also worked at Tinkoff Bank from June 2007 to April 2008.*
- *Year of introduction to the Management Board: 2019*

Ivan Vladimirovich BELOKHVOSTIKOV

- Deputy Chairperson of the Management Board
- Year of birth: 1978

EDUCATION:

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

SHORT BIO:

- Ivan Belokhvostikov is supervising the Digital Bank block.
- For more than 15 years, he worked in retail and corporate business in major international and Russian banking groups, including Société Générale, BNP Paribas, Rosselkhozbank, Probusinessbank and MTS Bank. He has experience in removing divisions from losses, controlling budget execution, ensuring revenue growth and guarantee portfolio, introducing new channels of attraction – partner and telemarketing, managing retail and small business sales in the Bank branch network (more than 100 offices). He was engaged in customer service modification, NPS implementation, change of approaches to claim work.
- Year of introduction to the Management Board: 2018

Natalya Mikhaylovna DRUZHININA

- Deputy Chairperson of the Management Board
- Year of birth: 1972

EDUCATION:

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

SHORT BIO:

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

Sabyrzhan Madiyevich BEKBOSUNOV

- *Deputy Chairperson of the Management Board*
- *Year of birth: 1954*

EDUCATION:

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

SHORT BIO:

- *At Eurasian Bank, Sabyrzhan Bekbosunov supervises the security service.*
- *He has 39 years of experience in law enforcement. From 2003 to 2006, he served as Vice Minister of Justice of the Republic of Kazakhstan.*
- *Mr. Bekbosunov is a State Counselor of Justice of the third class, a recipient of the awards – Order of Respect and Order of Glory of the second grade and the medals: Astana, For Distinguished Labor, 10 Years of Independence of Kazakhstan, 10 Years of the Constitution of the Republic of Kazakhstan, 10 years of Astana.*
- *Year of introduction to the Management Board: 2018*

Aleksandr Vladimirovich NAUMOV

- *Deputy Chairperson of the Management Board*
- *Year of birth: 1979*

EDUCATION:

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

SHORT BIO:

- *Aleksandr Naumov has 16-year experience in the banking sector; he has been engaged in retail business, IT, infrastructure projects, development of online services and marketing.*
- *Prior to joining Eurasian Bank, Alexander Naumov worked in Sberbank Kazakhstan SB (former Texakabank), and Deputy Chairman of the Management Board of BPS-Sberbank OJSC.*
- *Personal achievements include successful implementation of major IT projects (implementation of predictive online analytics tools, implementation of biometric customer identification services), development and launch of the unified modern platform for online banking services, and The Most Innovative Bank of Belarus Award.*
- *Year of introduction to the Management Board: 2020*

Lyazzat Adylovna SATIYEVA

- *Deputy Chairperson of the Management Board*
- *Year of birth: 1978*

EDUCATION:

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

SHORT BIO:

- *Lyazzat Satiyeva oversees the Corporate and SME Block activities at Eurasian Bank.*
- *She has many years of experience in the banking sector. Prior to joining Eurasian Bank, she held the position of Managing Director at ForteBank. Previously, for 10 years, she successfully managed SME financing at Kazkommertsbank. As Deputy Chairperson of BTA Bank, she participated in the BTA Bank and Kazkommertsbank integration project.*
- *She was awarded the 20 Years of Tenge government medal and the Honored Financier public order.*
- *Year of introduction to the Management Board: 2020*

Yerlanbek Zhandarbekuly KAPPAR

- *Deputy Chairperson of the Management Board*
- *Year of birth: 1984*

EDUCATION:

- *Almaty State University named after Abay (Finances and Credit)*

SHORT BIO:

- *Yerlanbek Kappar supervises the Treasury Transaction Block, including international relations, debenture and share stock issuance, and the Custodial Transaction Unit.*
- *Started his career in the banking sector in 2005. During this time, he has gained extensive experience in various areas of banking, including retail business, SME, and collateral evaluation. Over the past 10 years, he has managed treasury subdivisions in a number of Kazakhstan banks. Joined the Eurasian Bank team in early 2019 as Managing Director of Treasury Transaction and ALM Block.*
- *Year of introduction to the Management Board: 2021*

THE MANAGEMENT BOARD AFTER THE REPORTING DATE REMAIN UNCHANGED.

INFORMATION ABOUT REMUNERATION

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

By the 2021-year results, the amount* of remuneration paid to members of the Board of Directors amounted to 359.2 million tenge, and to members of the Management Board – 729.8 million tenge.

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

SUBSIDIARIES AND AFFILIATES

AS OF 31 DECEMBER 2021, THE BANK OWNS SHARES IN THE TWO COMPANIES:

EURASIAN PROJECT 1 LIMITED LIABILITY COMPANY

- ***Participation share:*** *100%*
- ***Types of activities:*** *acquisition of doubtful and hopeless rights of claim of the parent Bank, acquisition of movable and immovable property and (or) ownership of objects under construction from the parent Bank, management of acquired assets, including leasing, financial leasing and sales.*
- ***Legal and actual addresses:*** *The Republic of Kazakhstan, Almaty, Alimzhanov Str., 41.*
- ***The first head:*** *Mukushev Timur Tyulyubayevich (Director)*
- ***Investments in 2021:*** *No investments were made in the authorized capital.*

EURASIAN PROJECT 2 LIMITED LIABILITY COMPANY

- ***Participation share:*** *100%*
- ***Types of activities:*** *acquisition of doubtful and hopeless rights of claim of the parent Bank, acquisition of movable and immovable property and (or) ownership of objects under construction from the parent Bank, management of acquired assets, including leasing, financial leasing and sales.*
- ***Legal and actual addresses:*** *The Republic of Kazakhstan, Almaty, Alimzhanov Str., 41.*
- ***The first head:*** *Furtsev Ivan Anatoliyevich (Director)*
- ***Investments in 2021:*** *No investments were made in the authorized capital.*

INTERNAL CONTROL AND AUDIT

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

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

THE IAS:

- *reports directly to the Board of Directors and interacts directly with its members;*
- *acts as an important part of internal control and risk management systems;*
- *uses a risk-based approach at development of audit plans and programs.*

IN ITS ACTIVITIES, THE IAS ADHERES TO:

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

In 2021, in accordance with the International Internal Audit Standards, the IAS successfully passed an external independent assessment of the effectiveness of internal audit.

COMPLIANCE CONTROL

At present, the Bank has established and efficiently operates the Compliance and Internal Control Service of the Bank, which exercises systematic control over the compliance of the Bank activities with all requirements of the legislation of the Republic of Kazakhstan, regulatory legal acts of the authorized body, INDs of the Bank, regulating the Bank services and operations in the financial market, as well as foreign legislation affecting the activities of the Bank.

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

The Compliance and Internal Control Service is systematically transferring the process of managing the Bank compliance risk to an automated basis using the Bank's relevant modules and programs. Automation of the Bank compliance risk management process is currently a priority task of the subdivision.

The Bank Compliance and Internal Control Service, based on the results of its activities in 2021, is ranked among the top six compliance units among the 21 second-tier banks of the Republic of Kazakhstan in the rating of the Agency for Financial Monitoring of the Ministry of Finance of the RK for efficiency and effectiveness of the financial monitoring process of the Bank client operations organized in the Bank.

The management of the compliance subdivision of the Bank, being a member of the Compliance Council of the Association of Financiers of Kazakhstan on combatting money laundering and the financing of terrorism (hereinafter referred to as AML/CFT) is represented as one of the participants of the group of second-tier banks participating in an interview with representatives of the Eurasian Group on combatting money laundering and the financing of terrorism on mutual evaluation of the second round of AML/CFT in Kazakhstan.

Due to timely preventive control measures taken by the Compliance and Internal Control Service, preliminary compliance inspections of high-risk bank processes and development of appropriate proposals to minimize compliance risk in the Bank activities, during 2021, the total number of supervisory response measures applied to the Bank by the authorized body was reduced.

The Compliance and Internal Control Service organized an effective process of identifying and excluding facts of conflict of interests in the activities of the Bank subdivisions and employees in the Bank activities. For these purposes, the Bank applies the developed Code of Ethics and Business Conduct, as well as the Rules for Regulating Conflicts of Interest.

The Compliance and Internal Control Service maintains a list of insiders and related persons of the Bank, the Register of the Bank related persons, and maintains these registers up-to-date, which made it possible in 2021 to exclude any cases of violation of the requirements of the legislation of the Republic of Kazakhstan by the Bank when the Bank entered into transactions with related persons, as well as in terms of insider information.

The Compliance and Internal Control Service organizes systematic trainings and seminars among the Bank employees, including remote ones, on compliance risk management. Every year, the Bank conducts training and testing on compliance and internal control, as well as quarterly – on ALM/CFT. In 2021, training events were held on compliance issues, including on anti-money laundering and combatting the financing of terrorism.

The Compliance and Internal Control Service performs systematic checks to identify potential and realized compliance risks in the Bank activities for various types of business processes, followed by the development of recommendations for minimizing and/or eliminating the Bank risks. The Compliance and Internal Control Service is directly involved in the development and implementation of new banking products/services/procedures in the Bank activities.

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

The Bank has a "Hot Line" for customers to send appeals and complaints about violations of the requirements of the legislation of the Republic of Kazakhstan, the Bank's internal procedures in the provision of banking services. The Bank clients always have an opportunity to send a complaint in several convenient ways: by phone specified on the website, through the Bank Call Center, in written form through the Bank Office, by sending a complaint directly to the Bank's Chief Compliance Officer posted on the Bank website. All the complaints and appeals are registered in the Complaints Monitoring System and are put under control of the Compliance subdivision. Taking into account recent changes on the global financial markets, caused by global geopolitical processes, the Compliance and Internal Control Service is successfully implementing such new function as anti-sanctions compliance. The priority of its implementation for the Compliance subdivision is minimization of risks for the Bank customers when they make relevant payments, as well as compliance with all mandatory requirements of sanctions norms and regulations in the Bank activities.

INFORMATION ABOUT DIVIDENDS

THE BANK ADHERES TO THE PRINCIPLE OF EFFICIENT DIVIDEND POLICY.

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

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

By the decision of the sole shareholder, no dividends were declared or paid on the Bank own shares during 2019, 2020, 2021.

Designation	2019	2020	2021
Balance value of an ordinary share	4, 489.63 tenge	4, 815.42 tenge	5, 301.3 tenge
Consolidated balance value of an ordinary share	4, 527.42 tenge	4, 871.89 tenge	5, 372.84 tenge

INFORMATION POLICY AND RELATIONSHIP WITH RELATED PARTIES

RELATIONSHIP WITH SHAREHOLDERS

THE SYSTEM OF INTERACTION WITH SHAREHOLDERS AND INVESTORS IN THE BANK IS DESIGNED TO MAINTAIN INFORMATION TRANSPARENCY OF THE BANK ACTIVITIES.

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

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

RELATIONSHIP WITH ARDFR AND KASE

THE BANK MAKES EVERY EFFORT TO MAINTAIN FULL MUTUAL UNDERSTANDING WITH THE REGULATOR – THE AGENCY FOR REGULATION AND DEVELOPMENT OF FINANCIAL MARKET.

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

The Bank, on a periodic basis approved by the legislative acts of the Republic of Kazakhstan, provides the regulator with its profit and loss statement, balance sheet and loan portfolio quality indicators. These data are published by the National Bank of Kazakhstan on its website (www.nationalbank.kz).

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

RELATIONSHIP WITH THE POPULATION, COMMERCIAL COMPANIES AND MASS MEDIA

THE BANK REGULARLY AND PROMPTLY PUBLISHES INFORMATION RELATED TO ITS ACTIVITIES ON ITS WEBSITE HTTPS://EUBANK.KZ WHERE THE BANK'S CUSTOMERS AND PARTNERS CAN READ ABOUT THE CHANGES IN THE BANK ACTIVITIES, SERVICES, PRODUCTS, FINANCIAL INDICATORS, RATINGS AND OTHER INFORMATION.

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

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

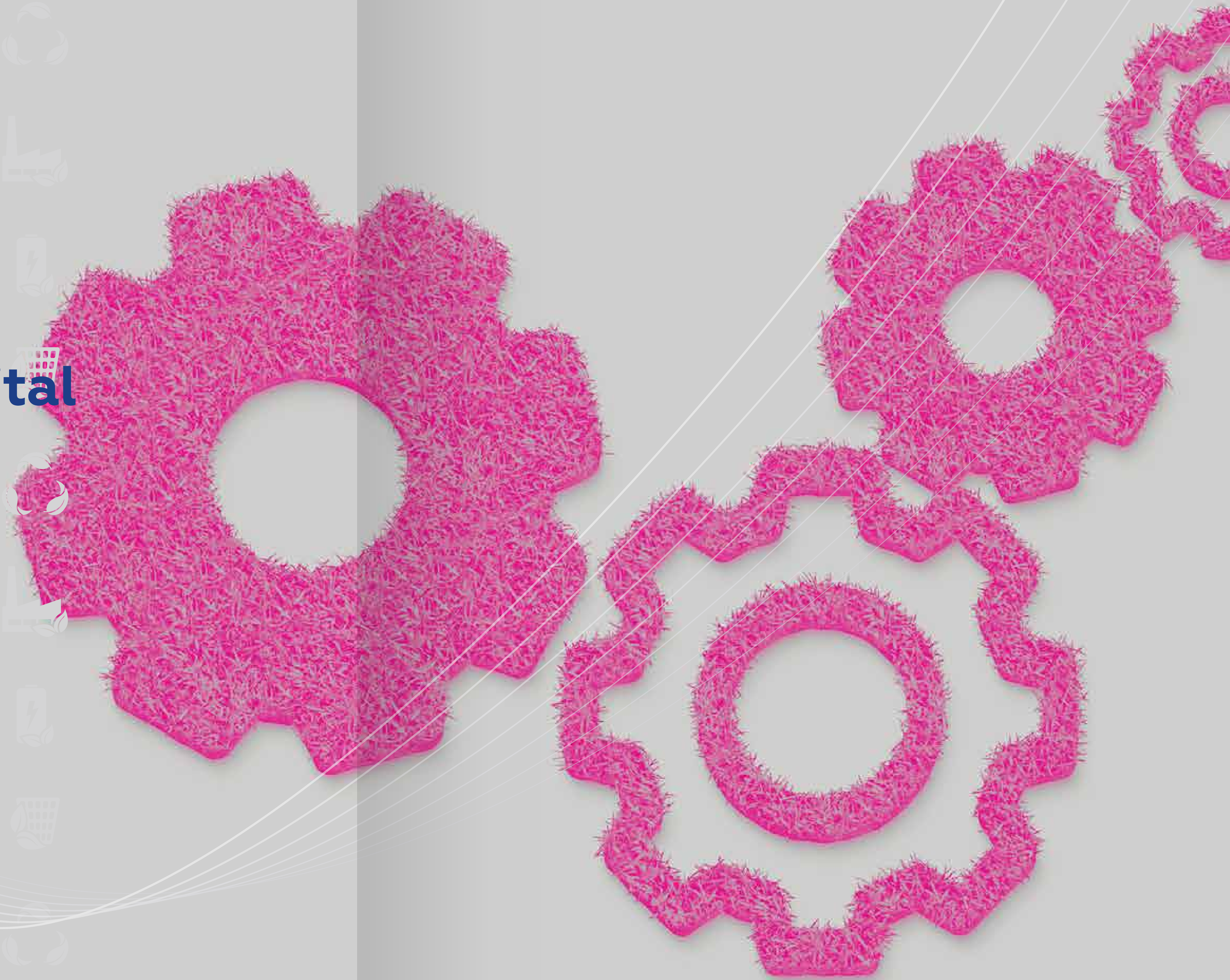
The response is provided to customers within 15 calendar days and in cases where additional information is required from other entities, officials, or on-site verification, the review period is extended, which is reported to the customer.

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

Eurasian Bank

#eufamily. creating digital future

6



PERSONNEL POLICY

BANK STAFF – A TEAM AIMED AT CREATING INNOVATIVE AND CONVENIENT SOLUTIONS FOR CUSTOMERS

On 31 December 2020, the Board of Directors adopted the Eurasian Bank development strategy until 2024, according to which the Bank intends to become the best employer, so the management pays great attention to the development of corporate culture, creating conditions for career growth, professional training and disclosure of personal potential of employees.

The Group's personnel activities are determined by the personnel policy approved by the Board of Directors. The Bank has a number of internal regulatory documents and instructions that regulate professional training, provision of social guarantees and benefits, as well as remuneration, rules for evaluating and awarding staff.

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

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

HR POLICY PRINCIPLES:

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

PERSONNEL STRUCTURE

- As of the 2021-year end, the Group had 6, 169 employees.
- 50.9% of the Bank employees are under 30 years of age.
- The percentage of women is 69.15% of the total team, which explains the large number of employees on maternity leave. In 2020, the number of employees on maternity and parental leave was 1, 116.
- The personnel has a high level of education: 66.2% of employees have received higher or postgraduate professional education.
- The Bank personnel is multinational and includes not only citizens of Kazakhstan, but also other employees from Russia, Kyrgyzstan, France, Lithuania, Uzbekistan, Armenia, Azerbaijan, Turkmenistan.

STAFF STRUCTURE

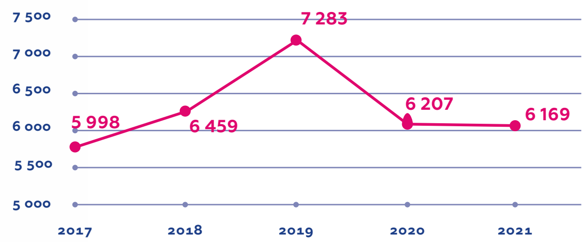
6 169 TOTAL NUMBER OF GROUP EMPLOYEES IN 2021

BREAKDOWN BY GENDE, %

69% WOMEN

31% MEN

TOTAL NUMBER OF GROUP EMPLOYEES OVER 5 YEARS



BREAKDOWN BY AGE, %

50,9% UNDER 30 YEARS

44,3% 30 TO 50 YEARS

4,8% AGE 50 AND UP

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

PAYMENT SYSTEM AND EVALUATION

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

The system of financial incentives for labor is one of the most efficient management tools that can influence the performance of employees and the Bank as a whole. The financial incentive system set up in accordance with the Bank's strategic and tactical guidelines allows management to purposefully manage employee motivation and increase staff productivity.

The total remuneration system is defined in such a way as to ensure external competitiveness to attract and retain highly qualified professionals.

24 BLN TENGE WERE PERSONNEL COSTS IN 2021

56,2% OF EMPLOYEES PERFORMED WELL IN 2021 AND WERE REWARDED

SHARE OF BONUSES ACCRUED BASED ON THE RESULTS OF PERFORMANCE EVALUATION, BROKEN DOWN BY GENDER

34% MALE

66% FEMALE

Eurasian Bank's remuneration system is based on a fixed base salary and a bonus. The payment of bonuses to employees is a right of the Bank. The frequency of bonus payments to the Bank employees varies depending on the specifics of their work and can be annual, quarterly or monthly. The employees engaged in retail, corporate, private banking, debt collection, cash segments, customer experience services, collection are paid bonuses on a monthly and quarterly basis. The amount of bonus payments to employees depends, first of all, on the performance of business units, as well as on the achievement of key goals and objectives set for them. In addition, incentive programs are being implemented for the most successful employees, based on the results of which they are awarded valuable prizes.

MOTIVATION OF EMPLOYEES

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

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

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

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

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

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

In addition, the Group does not allow discrimination in any of its manifestations, in 2021, there were no such cases.

The Bank supports employees. Our employees have access to attractive preferential terms of service in the Bank partner network and material aid in difficult life circumstances.

PERSONNEL TRAINING

GROUP STAFF TRAINING AND DEVELOPMENT ALLOWS EMPLOYEES TO DEVELOP CREATIVELY AND ADD VALUE FOR CUSTOMERS

The Group is actively developing both internal and external training programs. Information solutions allow all employees to be trained remotely.

Internal training. In 2021, the Training Center structural subdivision was created, the task of which is comprehensive training of employees, the balance of theory (offline trainings and distance courses) and post-training support (in the workplace).

The Bank employees developed trainings on the most relevant topics: Objections, Needs Identification, Sincere Service, Management, Negotiation Skills, and Active Sales.

The post-training support program, implemented in the Bank, allows honing the acquired skills in practice with feedback from the manager. Checklists for training were developed and implemented.

The internship program for POS employees was successfully implemented. 177 employees successfully completed their internship from June till December.

A total of 1,444 employees received offline training last year.

Distance learning allows employees to take courses from computers and smartphones in any city. In 2021, 6,042 employees were trained digitally. These included:

- 1,087 employees received training in the Compliance and Internal Control Service.
- Fundamentals of information security – 1,682 employees.
- At the request of the initiating subdivisions of the Bank – 3,273 employees.

By subdivisions, 2,070 employees at the head office and 3,972 employees at branches in the regions received training.

In June 2021, the system was updated and training programs were imported en masse. For the entire year 2021, 280 training programs were uploaded to the distance learning system. Of these, 93 training programs were assigned, mostly on knowledge of the Bank products and services.

External training. In 2021, more than 500 Bank employees participated in external training events in the following areas:

- Forums and conferences
- Information technologies and information security
- Finance, accounting, audit, taxes
- Digital transformation
- Management, personal growth trainings
- Workflow management
- Combatting money laundering and the financing of terrorism
- Labor Safety and Security, Fire Safety Technical Minimum
- Computer programs

LABOR RELATIONS

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

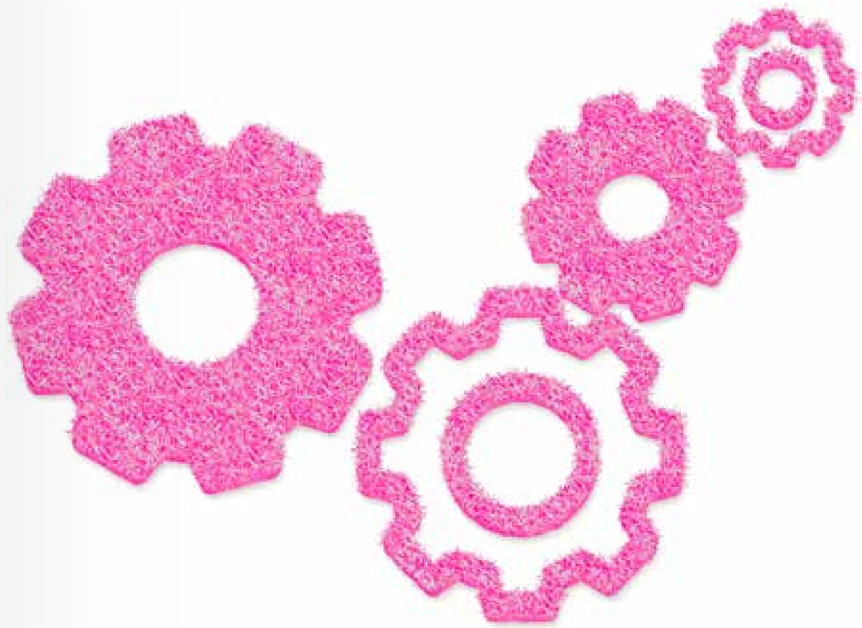
All the Group employees have the opportunity to file a complaint. The complaint filing system is arranged as follows: an employee's appeal/complaint is submitted by submitting in a memo in the database of the Bank internal normative documents or on paper signed by the immediate head who is responsible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

Safety of employees

Against the background of the spread of coronavirus, concern for employee well-being and health was at the forefront in 2021, so the Group made every effort to keep employees and customers safe. Preventive measures, including disinfection of office premises and common areas, were regularly carried out at the head office and branch network. In order to comply with quarantine requirements, all Bank buildings are connected to the Ashyq program.

The head office and branch network are equipped with fire extinguishing equipment in the required volume, and fire extinguishers are regularly recharged and fire hoses are rolled over.

In 2021, no injuries or occupational diseases received by the Bank employees in the performance of their duties were registered. A report on registration of accidents shall be provided under Form H-1 to state authorities in accordance with the Labor Code of the Republic of Kazakhstan, including information on fire safety.



Eurasian Bank

social report

7

ENVIRONMENTAL RESPONSIBILITY

As part of its strategy, Eurasian Bank considers sustainable development and social responsibility as one of the significant aspects of its activities. The Bank supports the global ESG agenda and, in this connection, implements a number of eco-projects aimed at careful use of non-renewable resources and preservation of the environment.

GREEN FINANCIAL TECHNOLOGIES

- In 2021, a partner project was launched to reduce the carbon footprint in Almaty. The parties to the project are the Eurasian Environmental Fund (EEF) non-profiting company, Mastercard, Eurasian Bank and the Green Economy Department of Almaty.
- The first stage of the project was the creation of a bank card unique for Kazakhstan together with Mastercard, an international payment system made of recycled plastic. The Eco-card gives everyone an opportunity to support greening and garbage sorting in the country. The Bank directs 0.5% of bonuses from non-cash transactions for using the Eco-card to the Eurasian Environmental Fund for the implementation of eco-projects. Additionally, the Bank credits 0.5% of bonuses to the client for contactless payments through Eurasian Pay, Apple Pay, and Samsung Pay. The more payments with the Eco-card, the more additional funds are directed to environmental programs.
- The second step was the planting of an alley of trees in the Esentai River recreational area. Eurasian Bank financed the planting of 75 young linden trees with a root ball for better rooting, and assumed the costs of caring for the alley for two years from the date of planting. Eurasian Bank will pay for the care of the alley for two years from the date of planting.
- The Bank presented Eco-card at the III Annual Green Growth Forum on July 3, 2021 in an online format at the Astana Finance Days conference. The Green Growth Forum was attended by representatives of more than 10 countries, including Russia, Germany, China, France, UK, India, Brazil and Kazakhstan.

- To promote the eco-initiative and the Eco-card, the bank actively cooperated with famous eco-bloggers of Kazakhstan. In addition, the Bank held a promotion event for Eco-card holders who made transactions amounting to at least 10 thousand tenge. As part of the promotion, from June to December 2021, 10 scooters were raffled off.
- In addition to issuing the Eco-card, the Bank presented a unique product NFC-poster, through which the holder of a payment card of any bank can send one or more payments of 500 tenge to the implementation of environmental actions with one touch. The location of NFC-posters is indicated on the eef.kz website. Eurasian Environmental Fund accumulates funds from accrued bonuses from Eco-cards and donations via NFC-posters.

ECO-FRIENDLY BANKING

The Bank's efforts are aimed not only at supporting green economy projects, but also at creating an environmentally friendly banking service. This means that by developing remote service channels and online payments, the Bank gradually reduces the use of plastic and paper, and optimizes the use of non-renewable resources. In particular, the Bank offers customers the ability to make contactless payments through Google Pay, Apple Pay and Samsung Pay.

The Bank is also actively offering digital cards, which also allows fewer payment cards. In 2021, the Bank issued 61,678 digital cards.

GREEN OFFICE

In 2021, the Bank implemented the Green Office principle, which is aimed at reasonable consumption and separate waste collection. Special boxes for sorting waste were installed at the Bank's Head Office and the Branch in the capital. The volume of waste sent by the Bank for recycling amounted to 830 kg. This reduces carbon emissions, saves forests, water, electricity.

In addition, Emco Network representatives conducted training seminars for the Bank employees, explained the rules of waste collection and sorting, and talked about eco-habits. The Eurasian Bank internal portal regularly posts materials on the basic principles of environmental behavior, "green" rules for sorting garbage, which the employees can read at any time.

As part of the environmental initiative, the Bank actively adheres to paperless document management, and a number of internal processes were transferred to electronic format, which allows abandoning the use of paper.

The Bank continued to implement the principle of thrifty attitude to energy consumption and transition to LED lamps, which have a number of advantages over conventional incandescent and fluorescent lamps. The water and heat supply systems installed in the Head Offices allow for rational use of these resources.

The environmental standards that the Bank applies in its activities did not go unnoticed. According to the results of 2021, the Bank became the winner in the III Green Office-2021 Republican Contest among financial companies, which is held by the Coalition for Green Economy PLE and G-Global Development with the support of the OSCE Program Office in Nur-Sultan and the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan. The competition has been held since 2019 in ten nominations, where representatives of public administration institutions, education, healthcare, commercial and trade structures, industry, international organizations, NGOs, etc. can participate. This year, the organizers received over 100 applications in ten directions.

EMPLOYEES' ECO-INITIATIVES

In April 2021, employees took part in a subbotnik (a clean-up day) under the #Ecoevraziets2021 (#EcoEurasian2021) brand and hashtag to clean up the nearby territory. Several branches and units participated. The Bank founded an Eco-club, to which employees from all over Kazakhstan can join.

SPONSOR AND CHARITY PROJECTS

The Group takes an active part in charity projects aimed at supporting socially vulnerable categories of citizens, helping veterans, developing culture, protecting the environment and the health of the nation.

IN 2021, THE GROUP IMPLEMENTED THE FOLLOWING PROJECTS:

- Eurasian Bank launched Kazakhstan's first metal card with a charitable bonus. The Bank transfers 1% of a transaction amount to the Miloserdiye (Mercy) Aruzhan Sain Voluntary Society. In the period from July to December 2021, over 6 million tenge was accumulated for the treatment of young children with serious diseases.

- A book by Dinmukhamed Kunayev with his personal autograph was sold for 750,000 tenge at a charity auction in Nur-Sultan. The event was organized by the Heart Center Foundation at the National Heart Surgery Center with the support of the Eurasian Bank Diamond Club and an exclusive Spectrum Visa metal card. The auction brought in 4.95 million tenge, and all funds raised were transferred to the Heart Center Foundation account. As a sign of appreciation for support in organizing valuable lots and holding the auction, the Heart Foundation awarded the Eurasian Bank Managing Director Tatiana Kurzhey and the Strategic Communications and Marketing Managing Director Larisa Kokovinets commemorative bages for their contribution to the development of cardiac surgery in Kazakhstan.
- In September, the Eurasian Bank Management Board decided to support the victims of the explosions that occurred in Zhambyl Province in August of this year, and write off existing loans of the Bank customers, including the widow of one of the deceased soldiers. The Bank reduced the interest rate to zero to several participants of the emergency.
- In 2021, employees of the Bank branches held the Road to School Action, with the help of which assistance was provided to children from socially vulnerable families. The Bank also provided charitable assistance to 21 companies, buying office furniture, office equipment, special equipment, play areas, disinfecting tunnels, etc. for them.

RESPONSIBILITY FOR PRODUCTS

There were no cases of non-compliance of Eurasian Bank with the requirements of legislation and codes in relation to the impact of services rendered on health and safety, in relation to information and labeling about the properties of products (products, services rendered), in relation to marketing communications, including advertising, promotion and sponsorship for 2021. Eurasian Bank does not sell products that are prohibited in certain markets and raise questions from interested parties or are the subject of public discussion. As a socially responsible organization, the Group provides customers with high-quality service and a decent service. To measure the quality of products and services, the Bank applies net promoter score (NPS). In all matters, the Group is guided by the principle of forming a socially sustainable society. The Group does not participate in financing of environmentally harmful industries, and at making loan decisions, it takes into account the impact of projects on the environment.

Eurasian Bank

risk management

8

RISK MANAGEMENT POLICY AND PROCEDURES

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

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

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

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

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

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

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

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

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

MARKET RISK MANAGEMENT

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

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

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

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

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

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

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

CREDIT RISK MANAGEMENT

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

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

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

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

THE BANK'S CREDIT POLICY DETERMINES:

- loan application review and approval procedures;
- borrower credit rating methodology (corporate and retail);
- counterparties, issuers and insurance companies credit rating methodology;
- proposed security evaluation and methodology;
- loan documentation requirements;
- procedures of continuous monitoring of loans and other credit risk-related products.

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

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

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

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

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

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

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

LIQUIDITY RISK MANAGEMENT

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

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

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

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

The ALM subdivision monitors the liquidity position on a daily basis, and the Risk Management Block regularly conducts "stress tests" taking into account a variety of possible market scenarios, both in normal and unbeneficial conditions. The ALM subdivision receives information from divisions about the liquidity structure of their financial assets and liabilities, as well as about the forecast of cash flows expected from the planned business in the future. Forecasting is performed on a short-and medium-term horizon, tactical steps are envisaged at each time interval of planning, taking into account the possibility of using various sources of funding, including external attraction and various ways of placing temporarily available funds. Based on the forecast of expected inflows and outflows of funds, the ALM subdivision evaluates the liquidity deficit/excess, as well as performs an operational forecast of liquidity ratios.

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

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

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

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

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

- Analysis by the management of the behavior of term deposit owners during the last three years indicates that the offer of competitive interest rates provides for high level of renewal of term deposit agreements.
- As of 31 December 2020, the remaining amounts on the accounts and deposits of related parties, the maturity of obligations of which occur within one year, amount to 406, 388, 901 thousand tenge (2020: 235, 953, 312 thousand tenge). The management believes that term deposit agreements will be extended when their obligations mature, and withdrawal by the customers of significant amounts from their accounts will be coordinated as part of the Liquidity Group objectives.

OPERATIONAL RISK MANAGEMENT

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

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

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

COMPLIANCE RISK MANAGEMENT

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

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

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

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

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

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

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

The Compliance and Internal Control Service managed to form and maintain in the Bank an attitude of intolerance and unacceptability to the facts of violations of the legislation of the Republic of Kazakhstan and the Bank INDs, awareness of the need to take measures to eliminate any violations of the legislation and the Bank INDs in the Bank activities at the level of each employee.

THE REGULATORY EXCHANGE PROCESS HAS THE FOLLOWING OBJECTIVES:

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

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

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

LEGAL RISK MANAGEMENT

Legal risk is the probability of losses due to non-compliance by the Bank or counterparty with the requirements of the civil, tax, banking legislation of the Republic of Kazakhstan, the legislation of the Republic of Kazakhstan on state regulation, control and supervision of the financial market and financial organizations, the legislation of the Republic of Kazakhstan on currency regulation and currency control, payments and payment systems, pension provision, securities market, accounting and financial statements, on credit bureaus and the formation of credit histories, about collection activities, on mandatory deposit guarantee, on countering the legalization (laundering) of proceeds from crime and the financing of terrorism, on joint–stock companies, and in relations with non-residents of the Republic of Kazakhstan – the legislation of the country of its origin, as well as the terms of concluded contracts.

LEGAL RISKS MAY ARISE AS A RESULT OF:

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

LEGAL RISKS ARE MANAGED BY THE BANK LEGAL SUBDIVISION BY:

- constant monitoring of the Bank's compliance with the current legislation;
- detection and minimization of legal risks at the stage of establishment of business relations with customers;
- protection of interests of the Bank at realization of legal risk.

BUSINESS CONTINUITY MANAGEMENT

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

Within the framework of business continuity management, the Bank analyzes the impact of non-standard situations on its transactions in order to identify critical activities and determine the time frame for restoring critical activities, as well as for:

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

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

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

IT AND IS RISK MANAGEMENT

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

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

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

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INFORMATION DISCLOSURE STATEMENTS

Financial figures in this annual report are taken from the corresponding year's audited consolidated financial statements and their accompanying notes. In the management discussion, numbers may be rounded, or represented graphically. The reader should read the accompanying audited financial statements and notes for the 2019 -2020 years. Prior years audited financial statements are available on the company website www.eubank.kz.

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

glossary

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GLOSSARY

JSC	Joint-Stock Company
ARDFM	Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market
STB RK	Second-tier banks of the Republic of Kazakhstan
WB	World Bank
GDP	Gross Domestic Product
IND	Internal normative documents
SSIF	State Social Insurance Fund
RBS	Remote banking service
MLRMCO	Market and Liquidity Risk Management Committee
KDIF JSC	Kazakhstan Deposit Insurance Fund JSC
mln	million
bln	billion
SME	Small and medium enterprise
IFRS	International Financial Reporting Standards
NB RK	The National Bank of the Republic of Kazakhstan
OJSC	Open Joint-Stock Company
AML/CFT (AML)	anti-money laundering and combating the financing of terrorism
p.p.	percentage point
RB	retail business

IAS	The Internal Audit Service
RK	The Republic of Kazakhstan
RMS	Risk Management System
USA	The United States of America
LLP	Limited Liability Partnership
thou	thousand
ACB	Authorized collegial bodies of the Bank
EDF/Damu	Fund Damu Entrepreneurship Development Fund JSC
SE	State of emergency
AQR	Asset quality review
ENRC	Eurasian Natural Resources Corporation
KASE	Kazakhstan Stock Exchange
KPI	Key Performance Indicators
KYC	Know Your Customer
Moody's	Investors Service international credit rating agency
NPL	Non-Performing Loans
NPS	Net Promoter Score
ROE	Return on equity
SWIFT	Society of Worldwide Interbank Financial Telecommunications
VaR	Value at Risk

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contacts for investors

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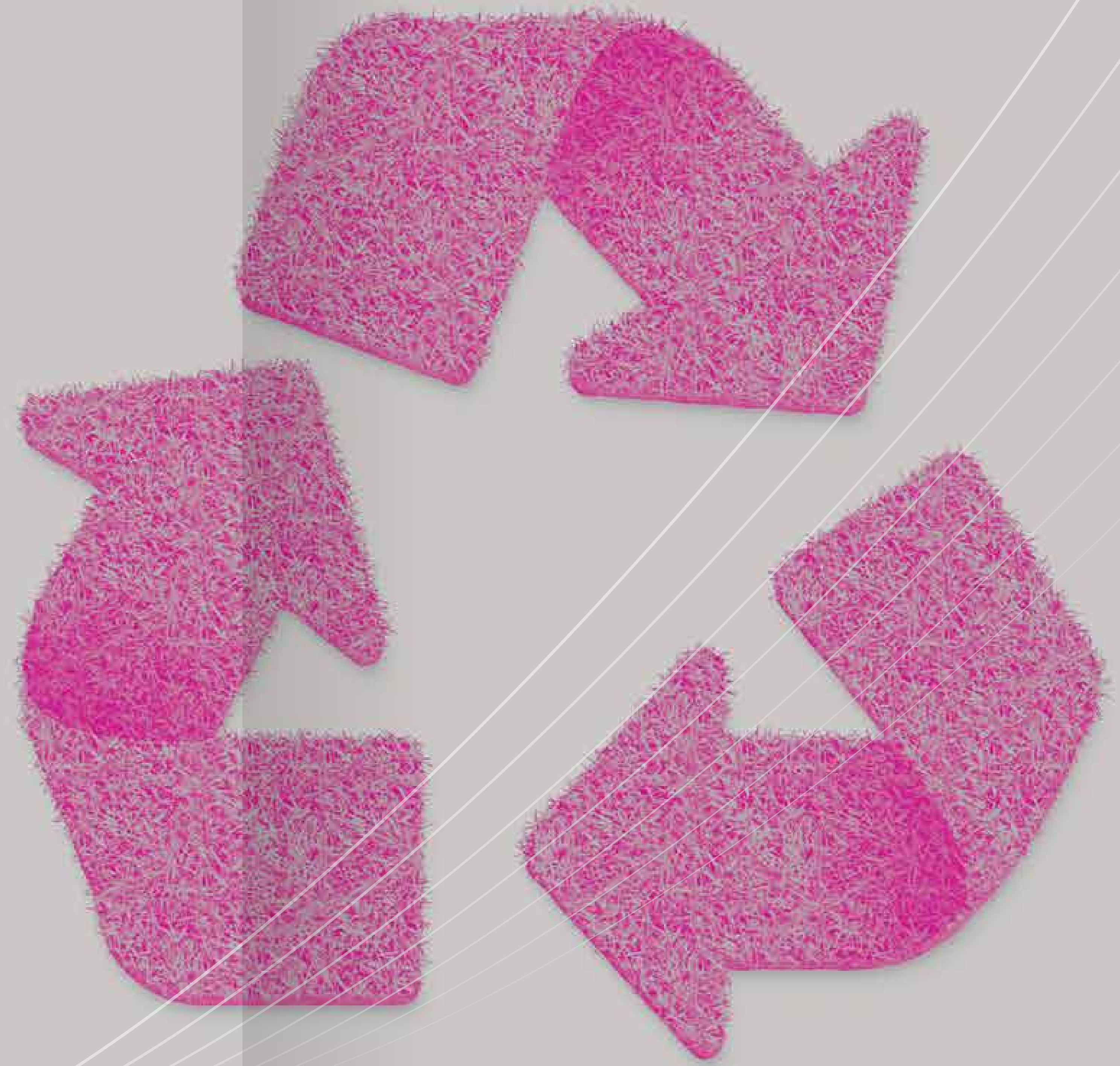

CONTACTS FOR INVESTORS

Eurasian Bank JSC

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

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

AUDITORS

KPMG Audit LLC

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

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

Registered address:	Registered address: 30/8, Satpayev Street, NRP 163, Almaty, 050040, Kazakhstann
Telephones:	+7 (727) 262 08 46, 355 47 60

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Eurasian Bank JSC

Consolidated Financial Statements

for the year ended 31 December 2021

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180 Dostyk Avenue,
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Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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 Group applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of adjustment to incorporate forward-looking information and evaluation of expected cash flows for loans allocated to Stage 3. 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 Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including involvement of our own specialists in financial risk management. To analyse the adequacy of professional judgement and assumptions made by management in relation to the allowance for ECL estimate, we performed the following procedures: - For loans to corporate customers, we assessed and tested the design and 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 consolidated financial statements we tested whether Stages are correctly assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. - For a sample of loans to corporate customers, we tested the correctness of data inputs for PD calculation. - For a sample of Stage 3 loans to corporate customers, where ECL are assessed individually we critically assessed assumptions used by the Group to forecast future cash flows, including the estimated value of realisable collateral 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 Group 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 Group's forecasts with those we have simulated.

	We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ashley Clarke
Engagement partner

Mukhit Kossayev
Certified auditor,
of the Republic of Kazakhstan Auditor's Qualification Certificate
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	5	119,365,774	120,841,962
Other interest income		145,650	642,393
Interest expense	5	(63,683,023)	(60,512,379)
Net interest income	5	**55,828,401**	**60,971,976**
Fee and commission income	6	29,033,584	25,297,380
Fee and commission expense	6	(7,095,479)	(6,436,115)
Net fee and commission income		**21,938,105**	**18,861,265**
Net gain/(loss) on financial instruments at fair value through profit or loss	7	1,914,659	(499,101)
Net foreign exchange gain	8	7,701,664	8,246,120
Net gain/(loss) on financial assets at fair value through other comprehensive income		1,667,241	(11,828)
Net other operating (expenses)/income		(2,167,609)	1,081,932
Operating income		**86,882,461**	**88,650,364**
Impairment losses on debt financial assets	9	(29,363,767)	(46,878,972)
(Impairment losses)/reversal of impairment losses on loan commitments and financial guarantee contracts		(171,880)	270,635
Loss on disposal of subsidiary	4	-	(2,131,283)
Estimated liabilities expenses		(2,686)	-
Personnel expenses	10	(23,901,283)	(19,816,155)
Other general and administrative expenses	11	(14,744,062)	(12,829,659)
Profit before income tax		**18,698,783**	**7,264,930**
Income tax expense	12	(5,650,332)	(477,150)
Profit for the year		**13,048,451**	**6,787,780**
Other comprehensive loss			
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)
Foreign currency translation differences		-	(2,612,513)
Total items that are or may be reclassified subsequently to profit or loss		*(2,769,755)*	*(575,540)*
Total other comprehensive loss for the year		**(2,769,755)**	**(575,540)**
Total comprehensive income for the year		**10,278,696**	**6,212,240**
Earnings per share			
Basic earnings per share (KZT)	28	**622.53**	**326.63**

The consolidated financial statements as set out on pages 7 to 94 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 consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Note	31 December 2021 KZT'000	31 December 2020 KZT'000
ASSETS			
Cash and cash equivalents	13	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	14	124,000,016	94,084,577
Deposits and balances with banks	15	6,934,753	42,847,205
Loans to customers	16	635,338,323	562,432,857
Investments measured at amortised cost	17	170,290,941	145,102,359
Current tax asset		357,244	3,652
Property, plant and equipment and intangible assets	18	20,314,158	20,105,644
Right-of-use assets	18	2,157,005	2,443,436
Other assets	19	40,813,687	26,773,866
Total assets		**1,413,344,071**	**1,199,689,263**
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	1,136,380,599	952,874,394
Debt securities issued	23	16,462,157	10,147,295
Subordinated debt securities issued	24	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	12	11,747,533	6,111,707
Other liabilities	26	29,954,975	22,756,170
Total liabilities		**1,294,014,975**	**1,090,638,863**
EQUITY			
Share capital	27	61,135,197	61,135,197
Share premium		25,632	25,632
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		50,106,159	37,057,708
Total equity		**119,329,096**	**109,050,400**
Total liabilities and equity		**1,413,344,071**	**1,199,689,263**
Book value per ordinary share (KZT)	27(c)	5,372.84	4,871.89

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

	2021 KZT'000	2020 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income	128,749,588	107,107,280
Interest expense	(59,788,931)	(57,559,293)
Fee and commission income	28,711,858	25,980,606
Fee and commission expense	(7,095,479)	(6,436,514)
Net receipts/(payments) from financial instruments at fair value through profit or loss	466,312	(815,088)
Net receipts from foreign exchange	9,419,638	7,341,807
Other (payments)/receipts	(602,450)	319,460
Personnel expenses	(21,800,741)	(19,335,439)
Other general and administrative expenses	(9,602,765)	(8,930,889)
(Increase)/decrease in operating assets		
Obligatory reserve	-	(21,169)
Deposits and balances with banks	36,075,609	(37,079,864)
Loans to customers	(111,757,088)	53,950,450
Other assets	(14,600,044)	1,452,382
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	(292,546)	(706,655)
Amounts payable under repurchase agreements	(1,147,560)	1,286,598
Current accounts and deposits from customers	173,685,393	125,658,217
Other liabilities	3,195,545	265,825
Cash flows from operating activities before income tax paid	**153,616,339**	**192,477,714**
Income tax paid	(3,924)	(4,044)
Cash flows from operating activities	**153,612,415**	**192,473,670**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of a subsidiary, net of cash outflows (Note 4)	-	(4,806,507)
Acquisition of financial assets at fair value through other comprehensive income	(151,306,064)	(111,367,284)
Sale and redemption 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)	(267,452,153)
Repayment of investment at amortised cost	246,881,614	156,119,699
Acquisition of property, plant and equipment and intangible assets	(3,380,678)	(3,819,262)
Sale of property, plant and equipment and intangible assets	137,962	126,900
Cash flows used in investing activities	**(55,144,065)**	**(105,169,395)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated 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)	(1,447,713)
Proceeds from issue of share capital	-	4,000,003
Cash flows from/(used in) financing activities	**3,613,484**	**(25,696,785)**
Net increase in cash and cash equivalents	**102,081,834**	**61,607,490**
Effect of movements in exchange rates on cash and cash equivalents	5,151,207	18,485,481
Effect of movements in expected credit losses	(7,606)	41,230
Cash and cash equivalents at the beginning of the year	305,893,609	225,759,408
Cash and cash equivalents at the end of the year (Note 13)	**413,119,044**	**305,893,609**

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

KZT'000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Revaluation reserve for financial assets at fair value through other comprehensive income**	**Cumulative presentation currency translation reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2020	57,135,194	25,632	8,234,923	559,967	2,612,513	30,269,928	98,838,157
Other comprehensive income/(loss)							
Profit for the year	-	-	-	-	-	6,787,780	6,787,780
Other comprehensive income/(loss)							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	2,027,313	-	-	2,027,313
Net change in fair value of financial assets at fair value through other comprehensive income, transferred to profit or loss	-	-	-	11,828	-	-	11,828
Change in deferred tax	-	-	-	(2,168)			(2,168)
Foreign currency translation differences	-	-	-	-	(2,612,513)	-	(2,612,513)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	*2,036,973*	*(2,612,513)*	-	*(575,540)*
Total other comprehensive income/(loss)	-	-	-	2,036,973	(2,612,513)	-	(575,540)
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**2,036,973**	**(2,612,513)**	**6,787,780**	**6,212,240**
Transactions with owners, recorded directly in equity							
Shares issued (Note 27(a))	4,000,003	-	-	-	-	-	4,000,003
Balance at 31 December 2020	**61,135,197**	**25,632**	**8,234,923**	**2,596,940**	**-**	**37,057,708**	**109,050,400**

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

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 2021	61,135,197	25,632	8,234,923	2,596,940	37,057,708	109,050,400
Total comprehensive income						
Profit for the year	-	-	-	-	13,048,451	13,048,451
Other comprehensive (loss)/income						
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	(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 (loss)/income	-	-	-	(2,769,755)	-	(2,769,755)
Total comprehensive income for the year	-	-	-	**(2,769,755)**	**13,048,451**	**10,278,696**
Balance at 31 December 2021	**61,135,197**	**25,632**	**8,234,923**	**(172,815)**	**50,106,159**	**119,329,096**

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

1 Background

(a) Principal activities

The accompanying consolidated financial statements include the financial statements of Eurasian Bank JSC (the "Bank") and of its subsidiaries - Eurasian Project 1 LLP and Eurasian Project 2 LLP (31 December 2020: Eurasian Bank PJSC, Eurasian Project 1 LLP and Eurasian Project 2 LLP) (jointly referred to as the "Group").

The Bank was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank 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 Group 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 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.

(б) 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 2021 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 Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Kazakhstan.

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Group operates. The functional currency of the Bank and its subsidiaries and presentation currency for the purpose of these consolidated financial statements is the Kazakhstan tenge (KZT).

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

(d) Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is 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 16(b);
- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 3(g)(iv);
- recognition of a fee and commission income from agency services - Note 3(m);
- estimates of fair values of financial assets and liabilities – Note 35.

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

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

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combination

The Group applies the Definition of a business (Amendments to IFRS 3) to business combinations with acquisition dates at or after 1 January 2020 when determining whether an acquisition made is of a business or a group of assets.

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

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

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

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

(iv) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets.

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

(b) Foreign currency

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are 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 Group decided to present subsequent changes in fair value within other comprehensive income. Foreign currency differences on such equity instruments are recognised in other comprehensive income.

The following exchange rates have been applied by the Group in preparation of the consolidated financial statements:

	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 consolidated 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 Group 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". Receiving contractual cash flows is secondary to the objective of this model.

In order to define a business model for specific financial assets the Group 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised. In this case, the Group 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 Group 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 Group reclassifies financial assets if the Group changes its business model for managing those financial assets. Reclassification is applied perspectively from the next reporting period preceding the period, in which a business model changes.

The Group classifies its financial assets as follows:

- *loans and receivables* are classified as assets measured at amortised cost as they are managed within a business model 'Held for collecting contractual cash flows', which meet the SPPI criterion, except for the loans that do not meet the SPPI criterion;
- *correspondent account balances, interbank loans and deposits, REPO transactions* are classified as assets measured at amortised cost since they are managed within the business model "Holding to collect contractual cash flows" that 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 Group 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 consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

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

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction 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 versus gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. Premiums and discounts, including 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 inputs). Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(v) Fair value measurement principles

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

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

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account 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 Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

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

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

(vi) Gains and losses on subsequent measurement

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 at fair value through profit or loss is recognised in profit or loss;

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

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

(vii) Derecognition

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

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

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

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

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

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

(viii) Repurchase and reverse repurchase agreements

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

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

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

(ix) Derivative financial instruments

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

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

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

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

(x) Offsetting

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

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property 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;
- Computer software and other intangibles up to15 years.

(g) Impairment of assets

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

(i) Impairment

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

- interbank deposits and interbank loans;
- cash placed in correspondent accounts;
- financial assets that are debt instruments;
- 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 Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- 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 Group considers:

- a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade';
- a financial asset to have low credit risk when a loan transaction is made with a 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.

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

For the purpose of determining significant increases in credit risk of a financial asset, the Group:

- 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 increases in credit risk of a financial asset mean occurrence of one or several cases listed below:

- 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 Group and the counteragent and consists of the following:

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

(iii) Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due for individual financial assets and 90 days past due for homogenous financial assets;
- the restructuring of a loan by the Group 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 Group considers the following factors:

- downgrade of the bonds' long-term sovereign credit rating below B in accordance with Standard&Poor's credit agency scale or in scale of other agencies transferred to Standard&Poor's scale;
- Internal economic reasons (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 the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive;
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount of 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 Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

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

For debt securities and financial assets arising from 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 Group and other historical data, considering forward-looking information on macroeconomic factors.

Individual financial assets

PD for financial assets referred to individual financial assets is estimated on the basis of historic data on the borrowers' ratings assigned while considering the matter of financing and exercising the quarterly monitoring, and historic data on the borrowers' defaults for at least 5-year observation period.

The level of PD corresponding to the borrower' rating is estimated by determining a ratio of total balance sheet debt of the defaulted borrowers to the total balance sheet debt (average for the year) of a borrower having certain rating, for 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)	Unemployment 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 Group 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 Group 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.

(iv) Recognised impairment losses

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

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

(v) 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 Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(vii) Non-financial assets

Non-financial assets, other than deferred 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.

Any 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 consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the 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 Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. Future operating costs are not provided for.

(i) Credit related commitments

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

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

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. *Subsequently they are 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 in the consolidated financial statements, except in the following cases:

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

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

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

– commitments to provide 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 Group to declare and pay dividends is subject to acting legislation of the Republic of Kazakhstan.

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

(k) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

– temporary differences related to initial recognition of goodwill not deductible for tax purposes;

– temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

– temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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

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

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

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

(l) Income and expense recognition

(i) Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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

(ii) Calculation of interest income and expense

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

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

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

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

(iii) Presentation

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

(m) Fee and commission income

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

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

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

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

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

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

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

(n) Segment reporting

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

(o) Leases

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

Definition of a lease

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

As a lessee

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

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

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

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

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

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

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

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

(p) New standards and interpretations

A number of new amendments to standards and interpretations are effective from 1 January 2021. The amended standards and interpretations have no significant impact on the Group's consolidated 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 standards and amendments to standards are effective for annual periods beginning after 1 January 2021 with earlier application permitted. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements:

– *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 Disposal of subsidiary

On 29 December 2020, the Group 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. The Group also assigned to Sovcombank PJSC the rights of claim on its subordinated loans issued to the subsidiary.

Assets and liabilities of the subsidiary as at the date of loss of control are as follows:

	29 December 2020 (unaudited) KZT'000
ASSETS	
Cash and cash equivalents	12,243,520
Financial instruments at FVTPL	304,624
Deposits and balances with banks	56,931
Loans to customers	112,189
Property, plant and equipment and intangible assets	248,808
Right-of-use assets	852,272
Deferred tax assets	10,335
Other assets	123,828
Total assets	**13,952,507**
LIABILITIES	
Deposits and balances from banks	318,819
Current accounts and deposits from customers	3,344,070
Other borrowed funds	4,362,211
Lease liabilities	913,849
Other liabilities	102,948
Total liabilities	**9,041,897**
Net disposed assets	**4,910,610**

	At the date of disposal
Net assets and liabilities of subsidiary	(4,910,610)
Previously recognised goodwill relating to subsidiary	(243,480)
Effect of inter-group transactions	(12,477)
Consideration received settled in cash	3,035,284
Loss on disposal	**(2,131,283)**
Disposed cash	(12,189,850)
Cash consideration received for assignment of the rights of claim on subordinated loans	4,348,059
Net cash outflow	**(4,806,507)**

The effect of the results of the subsidiary's activities on profit for the 2020 year amounted to a loss of 552,161 thousand tenge.

5 Interest income and expense

	2021 KZT'000	2020 KZT'000
Interest income calculated using the effective interest method		
Loans to customers measured at amortised cost	98,258,695	104,931,089
Financial assets at fair value through other comprehensive income	10,247,727	6,925,348
Investments measured at amortised cost	9,349,759	6,407,648
Cash and cash equivalents	717,569	893,668
Amounts receivable under reverse repurchase agreements	543,198	1,412,710
Other financial assets	211,599	255,935
Deposits and balances with banks	37,227	15,564
	119,365,774	**120,841,962**
Other interest income		
Loans to customers measured at fair value	145,650	634,549
Securities measured at fair value through profit or loss	-	7,844
	119,511,424	**121,484,355**
Interest expense		
Current accounts and deposits from customers	(50,078,544)	(46,262,778)
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)	(317,914)
Deposits and balances from banks	-	(6,167)
	(63,683,023)	**(60,512,379)**
	55,828,401	**60,971,976**

6 Fee and commission income and expense

	2021 KZT'000	2020 KZT'000
Agency services	18,052,323	14,776,266
Payment card maintenance fees	5,958,017	5,670,134
Settlement	2,332,618	2,040,839
Cash withdrawal	1,304,174	1,358,426
Guarantee and letter of credit issuance	468,015	792,503
Custodian services	63,720	38,480
Cash collection	25,566	28,246
Other	829,151	592,486
	29,033,584	**25,297,380**
Fee and commission expenses		
Payment card maintenance fees	(5,416,345)	(4,902,292)
Settlement	(798,583)	(628,159)
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)	(52,299)
Guarantee and letter of credit issuance	(8,029)	-
Other	(125,133)	(140,781)
	(7,095,479)	**(6,436,115)**
	21,938,105	**18,861,265**

7 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 loans to customers measured at fair value	1,433,376	13,968
Net unrealised gain/(loss) on financial instruments measured at fair value through profit or loss	23,749	(1,690)
Net realised gain/(loss) on financial instruments at fair value through profit or loss	457,534	(511,379)
	1,914,659	**(499,101)**

8 Net foreign exchange gain

	2021 KZT'000	2020 KZT'000
Dealing operations, net	9,419,638	7,341,807
Translation differences, net	(1,717,974)	904,313
	7,701,664	**8,246,120**

9 Impairment losses on debt financial assets

	2021 KZT'000	2020 KZT'000
Loans to customers (Note 16)	31,877,974	45,429,321
Investments measured at amortised cost (Note 17)	47,069	860
Financial assets measured at fair value through other comprehensive income (Note 14)	11,851	3,347
Cash and cash equivalents (Note 13)	7,618	(41,230)
Deposits and balances with banks (Note 15)	42	86
Other assets (Note 19)	(2,580,787)	1,486,588
	29,363,767	**46,878,972**

10 Personnel expenses

	2021 KZT'000	2020 KZT'000
Wages, salaries, bonuses and related taxes	22,908,694	18,985,368
Other employee costs	992,589	830,787
	23,901,283	**19,816,155**

11 Other general and administrative expenses

	2021 KZT'000	2020 KZT'000
Communication and information services	3,200,330	2,543,336
Depreciation and amortisation	2,793,555	2,943,010
Depreciation of right-of-use assets	1,320,225	1,647,512
Taxes other than income tax	1,222,665	1,088,788
Professional services	1,013,267	446,858
Advertising and marketing	964,322	353,855
Security	856,539	825,861
Repair and maintenance	669,738	710,592
Cash collection	320,046	275,334
Operating lease expense	302,427	223,746
Business travel	206,712	121,254
Stationary and office supplies	200,632	192,471
Training	80,546	7,320
Transportation	78,874	78,725
Insurance	57,295	72,545
Other	1,456,889	1,298,452
	14,744,062	**12,829,659**

12 Income tax expense

	2021 KZT'000	2020 KZT'000
Current income tax expense		
Current period	332	4,044
Adjustment of current income tax expenses for prior periods	-	761
	332	**4,805**
Deferred income tax expense		
Origination and reversal of temporary differences	5,650,000	472,345
Total income tax expense	**5,650,332**	**477,150**

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	**18,698,783**		**7,264,930**	
Income tax at the applicable tax rate	3,739,757	20.00	1,452,986	20.00
Tax-exempt income on securities	(3,979,197)	(21.28)	(2,629,802)	(36.20)
Adjustment of current income tax expenses for prior periods	-	-	761	0.01
Impairment losses	4,792,472	25.63	513,588	7.07
Non-deductible expense/(non-taxable income)	1,097,300	5.87	1,139,617	15.69
	5,650,332	**27.70**	**477,150**	**6.57**

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 Group 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 of the Republic of Kazakhstan.

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 othercomprehensive income**	**Effect of disposal of subsidiary**	**Balance at 31 December 2020**
Loans to customers	87,413	1,023,540	(9,819)	-	1,101,134
Property, plant and equipment	(1,018,737)	(57,845)	(625)	(7,666)	(1,084,873)
Securities measured at fair value through other comprehensive income and at amortised cost	533	-	(2,168)	-	(1,635)
Other assets	60,094	(38,886)	-	-	21,208
Subordinated debt securities issued	(20,553,556)	508,267	-	-	(20,045,289)
Guarantees	46,459	(40,581)	(3,209)	(2,669)	-
Other liabilities	375,238	(51,186)	(2,976)	-	321,076
Right-of-use assets	(596,916)	108,229	-	-	(488,687)
Lease liabilities	635,586	(79,001)	-	-	556,585
Interest payable on deposits and balances with banks	1,730	(1,688)	-	-	42
Tax loss carry-forwards	15,351,926	(1,843,194)	-	-	13,508,732
	(5,610,230)	**(472,345)**	**(18,797)**	**(10,335)**	**(6,111,707)**

13 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 Group has 2 banks (31 December 2020: 2 banks), whose balances 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 Group entered into reverse repurchase agreements with counterparties on the Kazakhstan Stock Exchange and Non-banking Credit Organisation "National Clearing Centre" JSC. The agreements have been secured mainly by the treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, discount notes of the NBRK and the federal bonds of the Russian Federation. As at 31 December 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).

14 Financial assets at fair value through other comprehensive income

	31 December 2021 KZT'000	31 December 2020 KZT'000
Held by the Group		
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, loss allowance for expected credit losses on financial assets measured 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 financial assets at fair value through other comprehensive income are overdue or impaired as at 31 December 2021 and 2020.

15 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 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 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 enterprises affected by the introduction of a state of emergency, to replenish working capital at a rate of up to 8% per annum for a period of no more than 12 months (but no later than December 31, 2021). In accordance with the terms of the program, the funds from repayment of loans are returned to the current account and can be withdrawn from the conditional deposit only after the approval of “KSF JSC”.

Movements in the loss allowance for expected credit losses for deposits and balances with banks for the year ended 31 December 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 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 deposits and balances with banks

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

16 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	267,538,980	211,498,310
Loans to small- and medium-size companies	17,808,032	13,254,381
Total loans to corporate customers	**285,347,012**	**224,752,691**
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	**796,639,341**	**685,345,620**
Allowance for expected credit losses	(161,301,018)	(127,521,016)
Loans to customers measured at amortised cost net of allowance for expected credit losses	**635,338,323**	**557,824,604**
Loans to customers measured at fair value through profit or loss		
Loans to corporate customers		
Loans to large corporates	**-**	**4,608,253**
Total loans to customers measured at fair value through profit or loss	**-**	**4,608,253**
Total loans to customers	**635,338,323**	**562,432,857**

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**	**100,047,970**	**689,683**	**127,521,016**
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)	31,253,216	(581,807)	13,645,950
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	31,829	9,775,123
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**	**132,951,227**	**1,202,668**	**161,301,018**

* 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**	**49,238,585**	**551,087**	**57,497,893**
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	20,986,752	(86,324)	25,307,639
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	21,939	4,984,925
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**	**75,574,120**	**856,448**	**81,313,415**

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 off 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	19,895,077	1,801,229	102,952,832	419,846	125,068,984
Transfer to Stage 1	5,787,213	(2,541,684)	(3,245,529)	-	-
Transfer to Stage 2	(3,221,445)	6,462,876	(3,241,431)	-	-
Transfer to Stage 3	(1,161,651)	(6,016,439)	7,178,090	-	-
Net remeasurement of loss allowance*	(15,792,986)	9,531,477	39,753,192	534,521	34,026,204
New financial assets originated or purchased	11,403,117	-	-	-	11,403,117
(Write-offs of loans)/recovery of previously written off loans	-	-	(44,788,749)	(419,581)	(45,208,330)
Unwinding of discount on present value of expected credit losses	-	-	1,970,152	154,897	2,125,049
Recognition of POCI-assets	-	-	(266,517)	-	(266,517)
Disposal of subsidiary	(11)	(795)	(11,705)	-	(12,511)
Foreign exchange and other movements	(179,193)	816,578	(252,365)	-	385,020
Loss allowance for expected credit losses at the end of the year	**16,730,12**	**10,053,242**	**100,047,97**	**689,683**	**127,521,016**

* 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	**1,781,217**	**548,741**	**49,464,179**	**419,846**	**52,213,983**
Transfer to Stage 1	516	(516)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(65,293)	(138,693)	203,986	-	-
Net remeasurement of loss allowance*	(712,086)	5,510,188	16,280,805	439,851	21,518,758
New financial assets originated or purchased	317,137	-	-	-	317,137
Write-offs of loans	-	-	(18,005,837)	(462,633)	(18,468,470)
Unwinding of discount on present value of expected credit losses	-	-	1,612,908	154,023	1,766,931
Recognition of POCI-assets	-	-	(1,162)	-	(1,162)
Disposal of subsidiary	(11)	(795)	(11,705)	-	(12,511)
Foreign exchange and other movements	394,491	73,325	(304,589)	-	163,227
Loss allowance for expected credit losses at the end of the year	**1,715,971**	**5,992,250**	**49,238,585**	**551,087**	**57,497,893**

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

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

During 2021, the Group has written off loans of KZT 7,139,978 thousand, which resulted in decrease in loss allowance for expected credit on loans referred to as Stage 3 and POCI-assets for the same amount (2020: KZT 45,208,330 thousand).

The high volume of loans to customers originated during the year has caused increase in the gross book value of the loan portfolio by KZT 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 18,232,024 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 16,429,356 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	267,538,980	(76,493,453)	191,045,527
Loans to small- and medium-size companies	17,808,032	(4,819,962)	12,988,070
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	**796,639,341**	**(161,301,018)**	**635,338,323**

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	211,498,310	(53,158,956)	158,339,354
Loans to small- and medium-size companies	13,254,381	(4,338,937)	8,915,444
Loans to retail customers			
Uncollateralised consumer loans	269,122,585	(58,207,915)	210,914,670
Car loans	167,638,429	(7,318,294)	160,320,135
Mortgage loans	11,637,155	(1,593,826)	10,043,329
Non-program loans on individual terms	6,381,350	(1,352,974)	5,028,376
Loans for individual entrepreneurship	3,311,473	(1,347,446)	1,964,027
Loans used under *Business Auto* Program	2,501,937	(202,668)	2,299,269
Total loans to customers	**685,345,620**	**(127,521,016)**	**557,824,604**

(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
Increased risk	-	-	62,978,039	-	62,978,039
Problem	-	-	5,567,675	-	5,567,675
High risk	-	-	30,519,141	990,449	31,509,590
Total loans to large corporates	**157,636,367**	**5,799,536**	**102,314,548**	**1,788,529**	**267,538,980**
Loss allowance	(3,859,519)	(984,644)	(70,792,968)	(856,322)	(76,493,453)
Carrying amount	**153,776,848**	**4,814,892**	**31,521,580**	**932,207**	**191,045,527**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets on initial recognition	Total
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	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	-	-	5,045,448	-	5,045,448
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**	**5,590,150**	**379,687**	**17,808,032**
Loss allowance	(38,684)	-	(4,781,152)	(126)	(4,819,962)
Carrying amount	**11,420,872**	**378,639**	**808,998**	**379,561**	**12,988,070**

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
Increased risk			68,288,429		68,288,429
Problem	-	-	3,139,521	227,963	3,367,484
High risk	-	-	36,057,321	457,252	36,514,573
Not rated (secured with cash)	2,402,863	-	-	-	2,402,863
Total loans to large corporates	**71,881,939**	**26,055,297**	**112,611,417**	**949,657**	**211,498,310**
Loss allowance	(1,686,934)	(5,992,250)	(44,928,685)	(551,087)	(53,158,956)
Carrying amount	**70,195,005**	**20,063,047**	**67,682,732**	**398,570**	**158,339,354**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets on initial recognition	Total
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	3,226,628	-	-	-	3,226,628
Low risk	3,397,723	-	-	-	3,397,723
Medium risk	-	-	526,866	-	526,866
Problem	-	-	47,793	-	47,793
High risk	-	-	5,238,022	-	5,238,022
Not rated	479,169	-	42,640	-	521,809
Not rated (secured with cash)	295,540	-	-	-	295,540
Total loans to small- and medium-size companies	**7,399,060**	**-**	**5,855,321**	**-**	**13,254,381**
Loss allowance	(29,037)	-	(4,309,900)	-	(4,338,937)
Carrying amount	**7,370,023**	**-**	**1,545,421**	**-**	**8,915,444**

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

(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 2,040,336 thousand lower/higher.

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

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

- migration rates are constant and can be estimated based on historic loss migration pattern for the past 5-8 years; a 12-month PD for groups of products referred to as Stage 1 in terms of credit quality was 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.

(c) Analysis of collateral

(i) Loans to corporate customers

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

31 December 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 unimpaired loans	**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 the reporting date	Fair value of collateral: for collateral assessed as of loan inception date	Fair value of collateral not determined
Credit-impaired loans				
Real estate	33,466,707	33,466,707	-	-
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 or other credit enhancement	1,000	-	-	1,000
Total credit-impaired loans	**33,642,346**	**33,628,959**	**-**	**13,387**
Total loans to corporate customers at amortised cost	**204,033,597**	**125,983,785**	**4,332,602**	**73,717,210**

31 December 2020 KZT'000	Carrying amount of loans to customers	Fair value of collateral: for collateral assessed as of the reporting date	Fair value of collateral: for collateral assessed as of loan inception date	Fair value of collateral not determined
Loans at amortised cost				
Loans not credit-impaired				
Real estate	43,077,940	41,813,820	1,264,120	-
Vehicles	19,581,524	19,567,155	14,369	-
Corporate guarantees and guarantees of individuals	5,513,711	-	-	5,513,711
Construction-in-progress	-	-	-	-
Cash and deposits	5,663,102	5,663,102	-	-
Insurance	3,526,072	-	-	3,526,072
Goods in turnover	2,538,151	2,538,151	-	-
Equipment	1,657,282	1,657,282	-	-
Mineral rights	354,181	354,181	-	-
Property/money in the future	65,398	65,398	-	-
Other collateral	4,781	4,781	-	-
No collateral or other credit enhancement	15,645,933	-	-	15,645,933
Total unimpaired loans	**97,628,075**	**71,663,870**	**1,278,489**	**24,685,716**
Credit-impaired loans				
Real estate	62,857,708	62,645,188	212,520	-
Construction-in-progress	4,794,464	4,794,464	-	-
Equipment	942,039	942,039	-	-
Corporate guarantees and guarantees of individuals	474,720	-	-	474,720
Vehicles	163,043	163,029	14	-
Other collateral	71,281	71,281	-	-
Cash and deposits	9,809	9,809	-	-
No collateral or other credit enhancement	313,659	-	-	313,659
Total credit-impaired loans	**69,626,723**	**68,625,810**	**212,534**	**788,379**
Total loans to corporate customers at amortised cost	**167,254,798**	**140,289,680**	**1,491,023**	**25,474,095**
Loans at fair value				
Real estate	**4,608,253**	**4,608,253**	**-**	**-**
Total loans to corporate customers at fair value	**4,608,253**	**4,608,253**	**-**	**-**
	171,863,051	**144,897,933**	**1,491,023**	**25,474,095**

The tables above exclude overcollateralisation.

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 Group engages third-party appraisers to value more significant and specialised items of collateral.

The Group also has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which the fair value of collateral 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, 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 Group does not necessarily update the valuation of collateral as at each reporting date.

(ii) Loans to retail customers

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

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 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 Group updates the appraised collateral values obtained at inception of the loan to the present value considering the approximate changes in the value of properties. The Group obtains specific individual valuation of collateral for individual loans once a half-year in case there are indications of impairment.

The fair value of collateral for mortgage loans with a net carrying amount of 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 Group updates the appraised collateral values obtained at inception of the loan to the present value considering the approximate changes in the value of properties. The Group obtains specific individual valuation of collateral for individual loans once a half-year in case there are indications of impairment.

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

The fair value of collateral for 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 to customers 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	45,281,034	44,243,107
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
Real estate	14,778,756	23,019,058
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
Mining and metals industry	2,304,695	2,130,720
Transport	912,245	1,976,777
Lease, rental, 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	676,354	426,034
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
Non-programme loans issued on individual terms	6,565,039	6,381,350
Loans for individual entrepreneurship	3,236,875	3,311,473
Loans under Business Auto Programme	4,494,794	2,501,937
	796,639,341	**685,345,620**
Allowance for expected credit losses	(161,301,018)	(127,521,016)
Total loans to customers at amortised cost	**635,338,323**	**557,824,604**
Loans to corporate customers at fair value		
Mining and metals industry	-	4,608,253
Total loans to customers at fair value	**-**	**4,608,253**
	635,338,323	562,432,857

As at 31 December 2021, the Group 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 148,578,479 thousand (31 December 2020: KZT 111,442,376 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 2020, as part of its participation in the state mortgage programmes ‘7-20-25’ and Market Mortgage Product (“Baspana Hit”) the Group transferred to Kazakhstan Sustainability Fund JSC the mortgage loans of KZT 1,282,955 thousand (2020: KZT 1,917,990 thousand). The Group determined that it has not transferred risks and rewards to the buyer of the assets and therefore, retains control and continues recognising loans in its consolidated statement of financial position. The liability from continuing involvement with the asset is included in ‘other liabilities’ and amounts to KZT 3,619,095 thousand (2020: KZT 3,437,654 thousand).

During 2021, the Group did not sell other consumer loans to third parties (during 2020: the Group did not sell other consumer loans to third parties).

In December 2013 and in June 2014, the Group sold to another third party a portfolio of mortgage loans with a carrying value of KZT 3,820,407 thousand for KZT 3,969,928 thousand and provided 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 consolidated statement of profit or loss and other comprehensive at the date of transfer was KZT 149,521 thousand. The Group has determined that it has transferred some but not substantially all of the risks and rewards to the transferee; as such, the Group 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 Group’s continuing involvement with the transferred portfolio is recorded in the consolidated 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 includes also an interest strip receivable of KZT 0.00 (31 December 2020: KZT 0.00) which represents the right to withhold from the loan buyer a portion of interest receivable on mortgage loan portfolio sold. The Group has a right to receive 1.7% p.a. of the mortgage loan portfolio sold on a monthly basis.

(g) Loans issued under the Government programmes

During 2021, the Group 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 include funds used 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).

17 Investments at amortised cost

	31 December 2021 KZT'000	31 December 2020 KZT'000
Held by the Group		
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 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.

None of the NBRK discount notes and bonds are overdue or impaired as at 31 December 2021 and 31 December 2020.

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

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademarks	Software and other intangible assets	Total
Cost									
Balance at 1 January 2021	11,830,093	16,394,300	554,658	856,961	2,098	787,305	1,075,716	18,347,513	49,848,644
Additions	-	1,736,007	100,885	60,360	30	489	-	1,216,259	3,114,030
Disposals	(104,186)	(2,043,045)	(45,742)	(23,734)	-	-	-	(404,225)	(2,620,932)
Balance at 31 December 2021	**11,725,907**	**16,087,262**	**609,801**	**893,587**	**2,128**	**787,794**	**1,075,716**	**19,159,547**	**50,341,742**
Depreciation and amortisation									
Balance at 1 January 2021	(2,426,780)	(12,881,455)	(537,106)	(623,278)	-	(784,934)	(937,984)	(11,551,463)	(29,743,000)
Depreciation and amortisation for the year	(149,022)	(1,116,764)	(18,057)	(70,042)	-	(1,928)	(137,732)	(1,300,010)	(2,793,555)
Disposals	6,917	2,029,255	45,742	22,877	-	-	-	404,180	2,508,971
Balance at 31 December 2021	**(2,568,885)**	**(11,968,964)**	**(509,421)**	**(670,443)**	**-**	**(786,862)**	**(1,075,716)**	**(12,447,293)**	**(30,027,584)**
Carrying amount									
At 31 December 2021	**9,157,022**	**4,118,298**	**100,380**	**223,144**	**2,128**	**932**	**-**	**6,712,254**	**20,314,158**

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademarks	Software and other intangible assets	Total
Cost									
Balance at 1 January 2020	11,830,093	15,715,284	590,297	861,425	461	787,305	1,075,716	16,991,900	47,852,481
Additions	-	1,590,686	15,939	44,583	1,637	46,985	-	2,226,550	3,926,380
Disposals	-	(898,672)	(50,581)	(47,612)	-	(46,858)	-	(844,903)	(1,888,626)
Effect of movements in exchange rates	-	(12,998)	(997)	(1,435)	-	(127)	-	(26,034)	(41,591)
Balance at 31 December 2020	**11,830,093**	**16,394,300**	**554,658**	**856,961**	**2,098**	**787,305**	**1,075,716**	**18,347,513**	**49,848,644**
Depreciation and amortisation									
Balance at 1 January 2020	(2,276,702)	(12,561,656)	(540,726)	(594,931)	-	(777,078)	(834,573)	(10,519,264)	(28,104,930)
Depreciation and amortisation for the year	(150,078)	(1,185,711)	(34,549)	(72,709)	-	(7,856)	(103,411)	(1,388,697)	(2,943,011)
Disposals	-	854,871	37,208	42,945	-	-	-	341,440	1,276,464
Effect of movements in exchange rates	-	11,041	961	1,417	-	-	-	15,058	28,477
Balance at 31 December 2020	**(2,426,780)**	**(12,881,455)**	**(537,106)**	**(623,278)**	**-**	**(784,934)**	**(937,984)**	**(11,551,463)**	**(29,743,000)**
Carrying amount									
31 December 2020	**9,403,313**	**3,512,845**	**17,552**	**233,683**	**2,098**	**2,371**	**137,732**	**6,796,050**	**20,105,644**

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**	**4,661,580**
Additions	1,033,794	1,659,715
Disposals	(493,488)	(1,040,319)
Disposal of the subsidiary	-	(1,025,485)
Foreign exchange difference	-	(48,793)
Balance at 31 December	**4,747,004**	**4,206,698**
Depreciation and amortisation		
Balance at 1 January	(1,763,262)	(1,311,805)
Depreciation and amortisation for the year	(1,320,225)	(1,647,512)
Disposals	493,488	1,001,528
Disposal of the subsidiary	-	173,213
Foreign exchange difference	-	21,314
Balance at 31 December	**(2,589,999)**	**(1,763,262)**
Carrying amount		
At 31 December	**2,157,005**	**2,443,436**

19 Other assets

	31 December 2021 KZT'000	31 December 2020 KZT'000
Plastic cards settlement	12,845,184	9,255,098
Guarantee coverage provided	7,164,330	-
Settlements with professional participants of securities market	6,520,180	1,725,578
Debtors on loan operations	3,339,537	2,254,439
Finance lease receivables	3,210,524	2,974,741
Debtors on guarantees and letters of credit	1,115,462	1,115,462
Fee and commission income accrued	765,772	444,046
Asset from continuing involvement in transferred assets (Note 16 (f))	18,048	18,583
Other	963,202	1,368,464
Allowance for expected credit losses	(3,939,747)	(3,856,793)
Total other financial assets	**32,002,492**	**15,299,618**
Collateral carried on balance sheet	4,003,959	5,695,030
Non-current assets held for sale	1,868,378	2,541,229
Prepayments	1,160,742	1,009,832
Taxes prepaid other than income tax	865,118	1,640,251
Capital expenditure advances	526,459	259,811
Raw materials and supplies	292,851	242,587
Precious metals	93,688	85,508
Total other non-financial assets	**8,811,195**	**11,474,248**
Total other assets	**40,813,687**	**26,773,866**

An asset from continuing involvement in transferred assets of KZT 18,048 thousand (31 December 2020: KZT 18,583 thousand) originated as a 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 are as follows:

	31 December 2021 KZT'000	31 December 2020 KZT'000
Balance at the beginning of the year	3,856,793	10,366,460
Net (recovery) /charge of ECL allowance	(2,580,787)	1,486,588
Write-off of bad debt	(169,536)	(8,091,746)
Recovery of assets previously written-off	2,830,915	76,127
Disposal of the subsidiary	-	(6,937)
Effect of movements in exchange rates	2,362	26,301
Balance at the end of the year	**3,939,747**	**3,856,793**

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 are nil (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 Group has no securities pledged as collateral under repurchase agreements (31 December 2020: the Group 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	139,019,643	260,378,109
Term deposits		
- Retail	397,590,199	390,322,933
- Corporate	505,238,164	221,033,132
	1,136,380,599	**952,874,394**

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

As at 31 December 2021, the Group 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, 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:

					Carrying amount	
	The first issue registration date	Maturity date	Coupon rate	Effective interest rate	31 December 2021 KZT'000	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 Group 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 Group. In case of bankruptcy, the subordinated debt securities is repaid once all other liabilities of the Group are repaid in full.

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

					Carrying amount	
	The first issue registration date	Maturity date	Coupon rate	Effective interest rate	31 December 2021 KZT'000	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").

In accordance with 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 into 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 as income in the consolidated 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 government 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, terms and repayment schedule of outstanding borrowings 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 repayment schedule of outstanding borrowings 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 KazAgro Rules under the programme for financial recovery of companies operating in the agriculture industry. Borrowed funds from Agrarian Credit Corporation JSC ("ACC") were received under the financing programme for agricultural entities. Borrowed funds from EDF DAMU JSC and DBK JSC were received under the Government financing programme ("the Programme") for large corporates, and small- and medium-size enterprises (SMB) operating in certain industries.

Under the loan agreements between KazAgro and the Group, the Group 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 Group, the Group is responsible to extend loans to companies operating in the agricultural sector.

Under the loan agreements with EDF DAMU JSC and DBK JSC, the Group 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 Group 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 Group is liable for compliance with covenants of loan agreements stated above. The Group was in compliance 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 as 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 as 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 as at 1 January 2020	**33,571,380**	**63,437,257**	**32,043,765**	**3,557,051**	**132,609,453**
Changes from financing cash flows					
Repayment of other borrowed funds	(6,137,646)	-	-	-	(6,137,646)
Repayment /repurchase of debt securities issued	-	-	(22,111,429)	-	(22,111,429)
Payments under lease agreements	-	-	-	(1,447,713)	(1,447,713)
Total changes from financing cash flows	**(6,137,646)**	**-**	**(22,111,429)**	**(1,447,713)**	**(29,696,788)**
The effect of changes in foreign exchange rates	35,029	-	-	(28,600)	6,429
Other changes					
Interest expense	868,802	10,375,143	2,114,971	317,914	13,676,830
Interest paid	(1,002,347)	(7,182,921)	(1,900,012)	(321,051)	(10,406,331)
Recognition of lease liabilities	-	-	-	1,659,718	1,659,718
Disposal of the subsidiary	-	-	-	(954,393)	(954,393)
Balance as 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
Liability from continuing involvement (Note 16 (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	750,400	340,581
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	2,606,336	2,020,340
Total other financial liabilities	**23,962,039**	**19,558,687**
Payables to employees	3,322,737	1,616,095
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	479,223	423,577
Total other non-financial liabilities	**5,992,936**	**3,197,483**
Total other liabilities	**29,954,975**	**22,756,170**

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, no ordinary shares were 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 and the Bank's charter documents, distributable reserves are subject to the rules and regulations of the Republic of Kazakhstan.

During the year ended 31 December 2021, no dividends were declared or paid (2020: no dividends were declared or paid).

(c) Book value per share

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

The book value per 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 share was KZT 5,372.84 (31 December 2020: KZT 4,871.89).

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

- Corporate banking- includes loans, deposits and other transactions with corporate customers;
- Retail banking – includes loans, deposits and other transactions with retail customers;
- Assets and Liabilities management – includes maintaining of liquid assets portfolio (cash, nostro accounts with the NBRK and other banks, interbank financing (up to 1 month), investments 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 Group 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		
Retail banking	432,140,024	392,998,515
Assets and liabilities management	674,733,725	585,296,280
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 of reportable segments	1,418,199,696	1,217,866,218
The effect of consolidation	3,058,299	1,015,393
Gross presentation of foreign currency swaps	(6,044,050)	(18,949,464)
Other adjustments	(1,869,874)	(242,884)
Total assets	**1,413,344,071**	**1,199,689,263**

	2021 KZT'000	2020 KZT'000
Total liabilities of reportable segments	1,300,381,741	1,110,112,553
The effect of consolidation	(141,284)	(168,155)
Gross presentation of foreign currency swaps	(6,044,050)	(18,949,464)
Other adjustments	(181,432)	(356,071)
Total liabilities	**1,294,014,975**	**1,090,638,863**

Segment information for the main reportable segments for the year ended 31 December 2021 is presented 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 on securities, dealing and translation differences	2,454,343	885,389	679,638	5,460,754	376,318	-	9,856,442
Other (expenses)/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)
Operating costs (direct)	(2,290,748)	(1,033,213)	(10,473,812)	(503,234)	(37,503)	(11,933,377)	(26,271,887)
Operating 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	-	-	-	-	-	3,114,030	**3,114,030**
Depreciation and amortisation	(9,636)	(11,118)	(514,318)	(1,360)	(285)	(3,577,063)	**(4,113,780)**

In 2021 the Group 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 presented 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)
Operating costs (direct)	(749,272)	(940,287)	(9,631,978)	(362,107)	(30,303)	(1,673,141)	(13,387,088)
Operating 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
The effect of consolidation	(101,835)	2,803,758
Funds transfer pricing	(87,601,588)	(87,786,044)
Other adjustments	(12,905,716)	(10,088,855)
Total revenue	**156,246,672**	**155,027,855**

	2021 KZT'000	2020 KZT'000
Reportable segments profit	12,722,371	4,044,429
Other adjustments	(1,689,955)	112,979
The effect of consolidation	2,016,035	2,630,372
Total profit	**13,048,451**	**6,787,780**

The effect of consolidation arises as management of the Chairman reviews internal reports on unconsolidated basis.

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

Funds transfer pricing: for the purpose of internal management reporting, transfer pricing represents the allocation of income and expense between segments that 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 Group 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 Group's business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to credit risk, market risk, liquidity risk and operational risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions 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 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 thereof by the Board of Directors.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within established risk parameters. Risk management executives are responsible for the overall risk management and compliance functions, ensuring the 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). To improve decision-making process, the Group established a hierarchy of credit committees, depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Group. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over 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 respective areas of expertise.

(b) Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market and liquidity risk is vested in MRLMC. MRLMC performs review of the market risk limits based on recommendations of the Risk Management Block and submits it to the Management Board and Board of Directors for approval.

The Group 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 the Board of Directors.

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

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

The Group also utilises Value-at-Risk (“VaR”) methodology to monitor market risk of its trading positions.

(i) Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring and forecasting interest rate gaps, reduction in time gaps of interest-bearing assets and liabilities. A summary of the interest gap position as at 31 December 2021 and 2020 for major interest bearing 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 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	120,313,235	41,259,409	133,179,372	311,350,487	29,235,820	-	635,338,323
Investments at amortised cost	37,794,301	34,089,656	39,573,121	58,833,863	-	-	170,290,941
	418,615,914	**78,086,581**	**181,156,213**	**446,167,294**	**51,221,934**	**174,454,041**	**1,349,701,977**
LIABILITIES							
Financial instruments at fair value through profit or loss	-	-	-	-	-	1,871	1,871
Deposits and balances from banks	-	-	-	-	-	566,311	566,311
Current accounts and deposits from customers	302,007,127	220,502,306	306,154,034	132,809,743	23,704,172	151,203,217	1,136,380,599
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	**220,951,851**	**330,396,683**	**149,449,020**	**95,844,670**	**151,771,399**	**1,252,312,467**
	114,717,070	**(142,865,270)**	**(149,240,470)**	**296,718,274**	**(44,622,736)**	**22,682,642**	**97,389,510**

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 at fair value through profit or loss	-	-	-	-	-	2,058	2,058
Financial assets at fair value through other comprehensive income	1,313,009	16,341,515	2,869,615	72,907,267	653,171	-	94,084,577
Deposits and balances with banks	3,789,570	-	-	1,707,699	-	37,349,936	42,847,205
Loans to customers	122,927,644	41,290,040	98,314,341	273,970,801	25,930,031	-	562,432,857
Investments at amortised cost	59,237,647	33,452,797	-	52,411,915	-	-	145,102,359
	291,207,161	**91,084,352**	**101,183,956**	**400,997,682**	**26,583,202**	**239,306,312**	**1,150,362,665**
LIABILITIES							
Deposits and balances from banks	-	-	-	-	-	862,012	862,012
Amounts payable under repurchase agreements	1,139,662	-	-	-	-	-	1,139,662
Current accounts and deposits from customers	247,873,224	107,832,918	218,392,552	93,422,966	15,197,994	270,154,740	952,874,394
Debt securities issued	82,125	-	8,064,558	-	2,000,612	-	10,147,295
Subordinated debt securities issued	106,038	-	14,572,141	2,205,966	49,745,334	-	66,629,479
Other borrowed funds	631,023	622,460	508,261	5,797,837	19,775,637	-	27,335,218
Lease liabilities	11,692	41,227	243,829	2,486,178	-	-	2,782,926
	249,843,764	**108,496,605**	**241,781,341**	**103,912,947**	**86,719,577**	**271,016,752**	**1,061,770,986**
	41,363,397	**(17,412,253)**	**(140,597,385)**	**297,084,735**	**(60,136,375)**	**(31,710,440)**	**88,591,679**

Average effective interest rates

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

	2021 Average effective interest rates, %			2020 Average effective interest rates, %		
	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 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 government 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 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	209,788	209,788	78,712	78,712
100 bp parallel rise	(209,788)	(209,788)	(78,712)	(78,712)

An analysis of the sensitivity of profit or loss and equity as a result of changes in the fair value of debt securities at FVOCI and loans issued measured at fair value due to changes in the interest rates, based on positions existing as at 31 December 2021and 2020 and a simplified scenario of a 100 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)	(2,303,303)

(ii) Currency risk

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

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

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

	USD KZT'000	**RUB KZT'000**	**EUR KZT'000**	**Other currencies KZT'000**	**Total KZT'000**
ASSETS					
Cash and cash equivalents	282,211,624	8,775,928	14,815,321	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	4,357,407	3,487,635	-	48,021,810
Investments at amortised cost	94,469,110	-	-	-	94,469,110
Other financial assets	13,741,017	3,023	5,347	-	13,749,387
Total assets	**472,211,394**	**13,247,380**	**20,370,674**	**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	12,209,292	19,234,303	2,587,518	484,637,050
Other borrowed funds	190,360	-	-	-	190,360
Other financial liabilities	13,793,054	36,977	705,191	1,921	14,537,143
Total liabilities	**465,075,948**	**12,246,269**	**19,940,163**	**2,590,262**	**499,852,642**
Net position at 31 December 2021	**7,135,446**	**1,001,111**	**430,511**	**174,209**	**8,741,277**
The effect of derivative financial instruments held for risk management purposes**	(8,204,200)	-	(63,583)	-	(8,267,783)
Net position as at 31 December 2021 with the effect of derivatives held for risk management	**(1,068,754)**	**1,001,111**	**366,928**	**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	RUB KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS					
Cash and cash equivalents	236,974,337	8,973,512	18,404,010	457,978	264,809,837
Financial assets at fair value through other comprehensive income	39,427,921	-	655,095	-	40,083,016
Deposits and balances with banks	3,789,570	1,707,699	-	-	5,497,269
Loans to customers	75,249,739	3,359,058	1,437,958	-	80,046,755
Investments at amortised cost	42,038,234	-	-	-	42,038,234
Other financial assets	761,455	562	87	-	762,104
Total assets	**398,241,256**	**14,040,831**	**20,497,150**	**457,978**	**433,237,215**
LIABILITIES					
Deposits and balances from banks	703,824	398	132,826	12,378	849,426
Amounts payable under repurchase agreements	-	1,139,662	-	-	1,139,662
Current accounts and deposits from customers	386,659,019	10,906,562	19,737,195	346,176	417,648,952
Other borrowed funds	276,629	-	-	-	276,629
Other financial liabilities	10,326,733	66,039	607,926	52	11,000,750
Total liabilities	**397,966,205**	**12,112,661**	**20,477,947**	**358,606**	**430,915,419**
Net position at 31 December 2020	**275,051**	**1,928,170**	**19,203**	**99,372**	**2,321,796**
The effect of derivative financial instruments held for risk management purposes**	(7,997,290)	-	-	-	(7,997,290)
Net position as at 31 December 2020 with the effect of derivatives held for risk management	**(7,722,239)**	**1,928,170**	**19,203**	**99,372**	**(5,675,494)**

** including spot transactions

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 a net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2021 KZT'000		2020 KZT'000	
	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 RUR against KZT	160,178	160,178	308,507	308,507
20% appreciation of EUR against KZT	58,708	58,708	3,072	3,072
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 Group takes a long or short position in a financial instrument.

(iv) Value at Risk estimates

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

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

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

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

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

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

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

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

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

Corporate loan credit applications are sent by the relevant client managers and are then passed on to the Corporate Business Block, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the reports are then independently reviewed by the Corporate Credit Risks Unit and a second opinion is given accompanied by verification that credit policy requirements are met. The Credit Committee makes decisions based on opinions of the Bank's internal business units. 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 Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its borrowers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed through the use of scoring models and application data verification procedures developed by the Retail Business Block together with the General Banking Risk Block.

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

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

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

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

	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	635,338,323	562,432,857
Investments measured at amortised cost	170,290,941	145,102,359
Other financial assets	32,002,492	15,299,618
Total maximum exposure	**1,349,206,240**	**1,135,563,387**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 16.

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

As at 31 December 2021 the Group 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 Group's consolidated statement of financial position, or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

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

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

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

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

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

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

The securities pledged under repurchased agreements (Note 17) represent the transferred financial assets that are not derecognised in their entirety. The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of any default by the Group, but the counterparty has an obligation to return the securities when the contract matures. The Group has determined that it retains substantially all the risks and rewards related to these securities and therefore has not derecognised them. Because the Group sells the contractual rights to the cash flows on the securities, it cannot use the transferred assets during the term of the agreement.

(d) Liquidity risk

Liquidity risk is a probability of financial losses if the Group 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 Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity management regulation is reviewed and approved by the Management Board.

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

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 Group's management regularly receives information on the liquidity position. Frequency of information submission depends on the Group'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 Group's liquidity position as a whole and in individual areas (currencies, customers, etc.) that also enables the Group's collective bodies and business units to make informed decision on the Group'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	267,685,677	196,750,332	228,611,166	316,235,104	175,142,874	1,184,425,153	1,136,380,599
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	23,715,780	-	246,240	19	-	23,962,039	23,962,039
Derivative financial liabilities*							
- Inflow	(20,375,052)	-	-	-	-	(20,375,052)	(18,019)
- Outflow	20,357,033	-	-	-	-	20,357,033	-
Total liabilities	**292,181,347**	**199,278,831**	**230,084,282**	**325,462,008**	**453,547,817**	**1,500,554,285**	**1,276,254,616**
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 was as follows:

KZT'000	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total gross amount outflow/ (inflow)**	**Carrying amount**
Non-derivative financial liabilities							
Deposits and balances from banks	862,011	-	-	-	-	862,011	862,012
Accounts payable under repurchase agreements	1,139,662	-	-	-	-	1,139,662	1,139,662
Current accounts and deposits from customers	371,108,836	156,687,575	113,758,660	225,667,755	129,710,070	996,932,896	952,874,394
Debt securities issued	-	434,256	-	434,256	12,512,912	13,381,424	10,147,295
Subordinated debt securities issued	112,276	-	606,469	6,718,744	236,456,802	243,894,291	66,629,479
Other borrowed funds	172	696,393	210,726	971,679	30,385,194	32,264,164	27,335,218
Lease liabilities	111,431	212,887	302,144	508,739	1,871,688	3,006,889	2,782,926
Other financial liabilities	19,432,670	-	118,720	7,099	-	19,558,489	19,558,687
Derivative financial liabilities*							
- Inflow	(27,372,168)	-	-	-	-	(27,372,168)	(4,504)
- Outflow	27,367,664	-	-	-	-	27,367,664	-
Total liabilities	**392,762,554**	**158,031,111**	**114,996,719**	**234,308,272**	**410,936,666**	**1,311,035,322**	**1,081,325,169**
Credit related commitments	78,965,152	-	-	-	-	78,965,152	78,965,152

* including SPOT transactions.

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 34,206,811 thousand are categorised to 'demand deposits' and those which mature within less than one month (31 December 2020: KZT 30,317,424 thousand);

– KZT 196,746,170 thousand are categorised to deposits, which mature within one to three months (31 December 2020: KZT 156,278,567 thousand);

– KZT 228,542,873 thousand are categorised to deposits, which mature within three to six months (31 December 2020: KZT 113,534,638 thousand);

– KZT 316,235,104 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 Group indicates that these customer accounts provide a long-term and stable source of funding.

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

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position, excluding derivative instruments, as at 31 December 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
Securities 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	37,584,927	64,309,247	175,521,648	313,168,545	30,080,648	-	14,673,308	635,338,323
Securities measured at amortised cost	25,228,665	12,565,636	73,662,777	58,833,863	-	-	-	170,290,941
Current tax asset	357,244	-	-	-	-	-	-	357,244
Property, plant and equipment and intangible assets	-	-	-	-	-	20,314,158	-	20,314,158
Right-of-use assets	-	-	-	-	-	2,157,005	-	2,157,005
Other assets	30,779,324	437,063	134,206	73,021	3,218,123	6,165,188	6,762	40,813,687
Total assets	**515,707,572**	**86,310,398**	**260,459,867**	**448,058,373**	**59,472,540**	**28,636,351**	**14,680,070**	**1,413,325,171**
Deposits and balances from banks	566,311	-	-	-	-	-	-	566,311
Current accounts and deposits from customers	263,619,221	189,584,097	526,657,446	132,814,443	23,705,392	-	-	1,136,380,599
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	29,688,216	-	246,259	20,500	-	-	-	29,954,975
Total liabilities	293,986,180	191,605,405	529,517,231	171,310,865	95,845,890	11,747,533	-	1,294,013,104
Net position	**221,721,392**	**(105,295,007)**	**(269,057,364)**	**276,747,508**	**(36,373,350)**	**16,888,818**	**14,680,070**	**119,312,067**
Accumulated net position	**221,721,392**	**116,426,385**	**(152,630,979)**	**124,116,529**	**87,743,179**	**104,631,997**	**119,312,067**	**119,312,067**

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

KZT'000	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**	**Overdue**	**Total**
Cash and cash equivalents	305,893,609	-	-	-	-	-	-	305,893,609
Securities measured at fair value through other comprehensive income	938,276	374,733	19,211,130	72,907,267	653,171	-	-	94,084,577
Deposits and balances with banks	37,283,936	-	-	1,707,699	3,855,570	-	-	42,847,205
Loans to customers	54,838,205	36,598,377	137,616,871	273,362,651	25,360,604	-	34,656,149	562,432,857
Securities measured at amortised cost	8,721,209	50,516,438	33,452,797	52,411,915	-	-	-	145,102,359
Current tax asset	3,652	-	-	-	-	-	-	3,652
Property, plant and equipment and intangible assets	-	-	-	-	-	20,105,644	-	20,105,644
Right-of-use assets	-	-	-	-	-	2,443,436	-	2,443,436
Other assets	17,236,104	219,269	302,256	5,789,805	2,974,741	242,587	9,104	26,773,866
Total assets	**424,914,991**	**87,708,817**	**190,583,054**	**406,179,337**	**32,844,086**	**22,791,667**	**34,665,253**	**1,199,687,205**
Deposits and balances from banks	862,012	-	-	-	-	-	-	862,012
Accounts payable under repurchase agreements	1,139,662	-	-	-	-	-	-	1,139,662
Current accounts and deposits from customers	367,662,817	150,358,864	326,227,937	93,424,713	15,200,063	-	-	952,874,394
Debt securities issued	-	296,825	-	7,849,859	2,000,611	-	-	10,147,295
Subordinated debt securities issued	106,038	-	1,452,696	15,325,412	49,745,333	-	-	66,629,479
Other borrowed funds	137	630,886	747,718	6,180,840	19,775,637	-	-	27,335,218
Lease liabilities	1,478	15,260	280,010	2,486,178	-	-	-	2,782,926
Deferred tax liabilities	-	-	-	-	-	6,111,707	-	6,111,707
Other liabilities	22,630,351	-	125,819	-	-	-	-	22,756,170
Total liabilities	392,402,495	151,301,835	328,834,180	125,267,002	86,721,644	6,111,707	-	1,090,638,863
Net position	**32,512,496**	**(63,593,018)**	**(138,251,126)**	**280,912,335**	**(53,877,558)**	**16,679,960**	**34,665,253**	**109,048,342**
Accumulated net position	**32,512,496**	**(31,080,522)**	**(169,331,648)**	**111,580,687**	**57,703,129**	**74,383,089**	**109,048,342**	**109,048,342**

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 406,388,901 thousand (2020: KZT 235,953,312 thousand). Management believes that the term deposits will be extended when they fall due and withdrawals of significant customer accounts, if required, will be coordinated with the Group's liquidity management objectives.

(e) Operational risk

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

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

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

31 Capital management

The NBRK sets and monitors capital requirements for the Bank.

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

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

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

Total capital is the sum of tier 1 and tier 2 capital as at 31 December 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 Group has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

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

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

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

	2021 KZT'000	2020 KZT'000
Contracted amount		
Loan and credit line commitments	95,658,028	61,179,984
Financial 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 Group 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	234,670	-	65,531	300,201
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	45,265	(45,265)	-
Net remeasurement of loss allowance	(205,164)	(45,265)	(20,266)	(270,695)
New financial assets originated or purchased	60	-	-	60
Disposal of subsidiary	(13,343)	-	-	(13,343)
Foreign exchange and other movements	(16,206)	-	-	(16,206)
Loss allowance for expected credit losses at the end of the year	**17**	**-**	**-**	**17**

During 2021, the Group 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 thousand, 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 Group 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 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 Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and consolidated financial position.

(b) Litigation

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

(c) Taxation contingencies

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

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

34 Related party transactions

(a) Control relationships

The Group's parent company is Eurasian Financial Company JSC (the "Parent company"). The Parent Company is controlled by the group of individuals, Mr A.A. Mashkevich, Mr P.K. Chodiyev, 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 contractual interest rate, %	2020 KZT'000	Average contractual interest rate, %
Consolidated 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)		(818)	
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 under 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**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Consolidated statement of financial position							
ASSETS							
Loans to customers							
- in KZT	-	-	-	-	3,402,748	15.01	3,402,748
- in USD	-	-	-	-	36,711,638	4.21	36,711,638
Loans to customers (loss allowance for expected credit losses)	-	-	-	-	(13,877,316)	-	(13,877,316)
Other assets							
- in KZT	-	-	37,473	-	19,588	-	57,061
LIABILITIES							
Current accounts and deposits from customers							
- in KZT	178,495	8.18	422,131	7.97	120,564,338	6.17	121,164,964
- 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**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Items not recognised in the consolidated statement of financial position							
Loan and credit line commitments	-	-	-	-	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 under the effective interest method	-	-	-	-	1,044,730	-	1,044,730
Other interest income	-	-	-	-	145,650	-	145,650
Interest expense	(143,028)	-	(489,031)	-	(3,497,069)	-	(4,129,128)
Fee and commission income	689	-	12,169,525	-	609,341	-	12,779,555
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	-	(4,500,707)	-	(4,433,663)
Other operating expenses	-	-	-	-	(331,418)	-	(331,418)
Impairment losses on debt financial assets	-	-	-	-	(15,402,271)	-	(15,402,271)
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**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Consolidated statement of financial position							
ASSETS							
Loans to customers							
- in KZT	-	-	-	-	3,656,119	15.04	3,656,119
- in USD	-	-	-	-	45,955,849	4.61	45,955,849
Loans to customers (loss allowance for expected credit losses)	-	-	-	-	(685,300)		(685,300)
Other assets							
- in KZT	-	-	89,860	-	1,806	-	91,666
LIABILITIES							
Current accounts and deposits from customers							
- in KZT	135,284	8,50	2,583,175	10.94	17,379,601	4.04	20,098,060
- in USD	-	-	8,736,069	1.50	193,708,716	0.22	202,444,785
- in other currencies	-	-	1,788,728	0.02	1,700,687	0.04	3,489,415
Debt securities issued							
- in KZT	-	-	27,122	8.00	-	-	27,122
Subordinated debt securities issued							
- in KZT			27,227	8.10	-		27,227
Other liabilities	-	-				-	
- in KZT	-	-	376,577	-	188,724	-	565,301
- in USD	-	-	-	-	-	-	-

31 December 2020	**Parent Company**		**Other subsidiaries of the Parent Company**		**Other related parties***		
	KZT'000	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Items not recognised in the consolidated statement of financial position							
Guarantees issued	-		-		45,427		45,427
Guarantees received	-		-		11,982,469		11,982,469
Letters of credit	-		-		405,493		405,493
Profit/(loss)							
Interest income under the effective interest method	-		-		1,387,657		1,387,657
Other interest income	-		-		634,549		634,549
Interest expense	(74,246)		(1,162,004)		(2,432,426)		(3,668,676)
Fee and commission income	874		3,337,156		530,064		3,868,094
Fee and commission expense	-		(2,888)		(22,088)		(24,976)
Net gain on financial instruments measured at fair value through profit or loss	-		-		18,089		18,089
Net foreign exchange gain/(loss)	2		(160,375)		(8,921,878)		(9,082,251)
Impairment losses on debt financial assets	-		-		(2,649,994)		(2,649,994)
Other general and administrative expenses	-		(66,865)		(191,930)		(258,795)

*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 26,328,159 thousand (31 December 2020: KZT 51,710,866 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	-	-	204,033,597	204,033,597	205,150,381
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	-	-	32,002,492	32,002,492	32,002,492
	18,900	**124,000,016**	**1,257,685,553**	**1,381,704,469**	**1,367,689,939**
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	-	-	1,136,380,599	1,136,380,599	1,143,718,375
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	-	-	23,962,039	23,962,039	23,962,039
	1,871	**-**	**1,273,709,894**	**1,273,711,765**	**1,295,245,858**

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

KZT'000	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	305,893,609	305,893,609	305,893,609
Financial instruments measured at fair value through profit or loss	2,058	-	-	2,058	2,058
Financial assets measured at fair value through other comprehensive income	-	94,084,577	-	94,084,577	94,084,577
Deposits and balances with banks	-	-	42,847,205	42,847,205	42,847,205
Loans to customers			-		-
Loans to corporate customers	4,608,253	-	167,254,798	171,863,051	173,076,424
Loans to retail customers	-	-	390,569,806	390,569,806	370,643,810
Investments measured at amortised cost			-		-
Government bonds	-	-	118,178,369	118,178,369	120,153,076
Development bank bonds			9,951,123	9,951,123	10,067,027
Corporate bonds	-	-	16,972,867	16,972,867	17,041,852
Other financial assets	-	-	15,299,618	15,299,618	15,299,618
	4,610,311	**94,084,577**	**1,066,967,395**	**1,165,662,283**	**1,149,109,256**
Deposits and balances from banks	-	-	862,012	862,012	862,012
Accounts payable under repurchase agreements	-	-	1,139,662	1,139,662	1,204,349
Current accounts and deposits from customers	-	-	952,874,394	952,874,394	963,174,618
Debt securities issued	-	-	10,147,295	10,147,295	9,522,658
Subordinated debt securities issued	-	-	66,629,479	66,629,479	67,037,076
Other borrowed funds	-	-	27,335,218	27,335,218	27,335,218
Other financial liabilities	-	-	19,558,687	19,558,687	19,558,687
	-	**-**	**1,078,546,747**	**1,078,546,747**	**1,088,694,618**

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

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

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

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

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

- discount rates of 4.50 – 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 Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 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 Group 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	
	Financial instruments at fair value through profit or loss	
	Loans to customers	
KZT'000	**2021**	**2020**
Balance at the beginning of the year	**4,608,253**	**8,089,980**
Net gain on financial instruments measured at fair value through profit or loss	1,433,376	13,968
Interest income accrued	145,650	634,549
Foreign exchange and other movements	97,404	710,606
Repayments	(6,284,683)	(4,840,850)
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 Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

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

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 Group's property as a result of the actions of the looters is about KZT 200 million.

The Group currently is unable to quantify what the impact, if any, may be on the financial position of the Group 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 banks.

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 Group does not rule out the possibility that the subsequent negative effect on the economic environment will have an unfavorable effect on the Group.

The Group 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 Group 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 Group's management is in the process of its assessment.

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

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