Industrial and Commercial Bank of China Almaty JSC

Financial Statements
and Independent Auditor's Report
for the year ended 31 December 2021

INDUSTRIAL AND COMMERCIAL BANK OF CHINA ALMATY JSC

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Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2021

Management of Industrial and Commercial Bank of China Almaty JSC ("the Bank") is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2021, and the related statements of profit or loss and other comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements (the "financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements for the year ended 31 December 2021 were approved by the Management of the Bank on 15 April 2022.

On behalf of the Management Board:

Lang Weijie
Chairman of the Management Board

15 April 2022
Almaty, Kazakhstan

Kuralay Kishibayeva
Chief Accountant

15 April 2022
Almaty, Kazakhstan

Deloitte LLP
36 Al Farabi Avenue
Almaty, 050059
Republic of Kazakhstan

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Independent Auditors' Report

To the Shareholder and the Board of Directors of Industrial and Commercial Bank of China Almaty JSC

Opinion

We have audited the financial statements of Industrial and Commercial Bank of China Almaty JSC (the "Bank"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Matter

The financial statements of the Bank for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 21 April 2021.

Responsibilities of Management and Those Charged with Governance forthe Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 accordancewith 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 purposeof expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt onthe Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidenceobtained up to the date of our auditors' report. However, future events or conditionsmay cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Roman Sattarov
Engagement partner
Qualified auditor of the
Republic of Kazakhstan
Qualification certificate
No.MF-0000149
dated 31 May 2013

Zhangir Zhilysbayev
General Director
Deloitte LLP

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

15 April 2022
Almaty, Republic of Kazakhstan

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2021
(in thousands of Kazakhstani tenge)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Interest income calculated using the effective interest method			
Cash and cash equivalents		5,551,555	2,148,521
Investment securities measured at amortised cost		3,590,900	2,109,328
Loans to corporate customers		1,754,627	1,925,181
		10,897,082	**6,183,030**
Interest expense on financial liabilities measured at amortised cost			
Current accounts and deposits from customers		(1,598,021)	(363,521)
Due to banks and other borrowed funds		(41,797)	(47,856)
		(1,639,818)	**(411,377)**
Net interest income		**9,257,264**	**5,771,653**
Net fee and commission income	5	185,763	234,009
Net foreign exchange income			
- dealing operations		788,644	628,217
- translation differences		29,785	160,382
Other income		4,285	815
Non-interest income		**1,008,477**	**1,023,423**
Recovery of/(provision for) expected credit losses on loans to corporate customers	10	501,886	(655,908)
Recovery of/(provision for) expected credit losses on cash and cash equivalents	9	325	(298)
Personnel expenses	6	(866,644)	(682,667)
Other operating expenses	7	(387,376)	(223,157)
Taxes other than income tax		(58,492)	(54,338)
Depreciation and amortization	12	(118,715)	(163,617)
Non-interest expense		**(929,016)**	**(1,779,985)**
Profit before income tax		**9,336,725**	**5,015,091**
Income tax expense	8	(1,158,205)	(613,007)
Profit and total comprehensive income for the year		**8,178,520**	**4,402,084**

Lang Weijie
Chairman of the Management Board

15 April 2022
Almaty, Kazakhstan

Kuralay Kishibayeva
Chief Accountant

15 April 2022
Almaty, Kazakhstan

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(in thousands of Kazakhstani tenge)

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	9	189,448,747	124,410,888
Placements with banks and other financial institutions	9	1,104,500	1,417,275
Loans to corporate customers	10	10,053,367	67,631,043
Investment securities measured at amortised cost	11	59,499,841	22,549,187
Financial instruments at fair value through profit or loss		-	395
Property, plant and equipment and intangible assets	12	604,822	590,136
Corporate income tax receivable		-	380,485
Deferred tax asset	8	102,457	184,970
Other assets		66,369	61,660
TOTAL ASSETS		**260,880,103**	**217,226,039**
LIABILITIES			
Due to banks	13	3,044,736	20,564,645
Current accounts and deposits from customers:			
- Current accounts and deposits from corporate customers	14	212,523,631	150,136,538
- Current accounts and deposits from government entities	14	707,904	1,195,838
- Current accounts and deposits from retail customers	14	3,876,732	3,630,363
Other borrowed funds	15	4,132,889	11,266,144
Financial instruments at fair value through profit or loss		65	-
Other liabilities		265,633	82,518
Total liabilities		**224,551,590**	**186,876,046**
EQUITY			
Share capital	16	8,933,491	8,933,491
Statutory reserve		1,653,592	1,653,592
Retained earnings		25,741,430	19,762,910
Total equity		**36,328,513**	**30,349,993**
TOTAL LIABILITIES AND EQUITY		**260,880,103**	**217,226,039**

Lang Weijie
Chairman of the Management Board

15 April 2022
Almaty, Kazakhstan

Kuralay Kishibayeva
Chief Accountant

15 April 2022
Almaty, Kazakhstan

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of Kazakhstani tenge)

	Share capital	Statutory reserve	Retained earnings	Total equity
Balance at 31 December 2019	8,933,491	1,653,592	15,360,826	25,947,909
Profit and total comprehensive income for the year	-	-	4,402,084	4,402,084
Balance at 31 December 2020	**8,933,491**	**1,653,592**	**19,762,910**	**30,349,993**
Profit and total comprehensive income for the year	-	-	8,178,520	8,178,520
Dividends paid (Note 15)	-	-	(2,200,000)	(2,200,000)
Balance at 31 December 2021	**8,933,491**	**1,653,592**	**25,741,430**	**36,328,513**

Lang Weijie
Chairman of the Management Board

15 April 2022
Almaty, Kazakhstan

Kuralay Kishibayeva
Chief Accountant

15 April 2022
Almaty, Kazakhstan

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of Kazakhstani tenge)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	10,779,410	5,598,472
Interest payments	(1,605,017)	(371,124)
Fee and commission receipts	226,001	279,888
Fee and commission payments	(40,037)	(32,857)
Net foreign exchange gain	788,644	628,217
Other income receipts	4,285	815
Personnel expenses paid	(860,580)	(689,742)
Other operating expenses paid	(369,187)	(264,160)
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	340,000	(1,078,640)
Loans to corporate customers	59,138,717	(1,087,052)
Financial instruments at fair value through profit or loss	395	(395)
Other assets	11,755	(29,985)
Increase/(decrease) in operating liabilities		
Due to banks	(18,149,627)	15,544,985
Current accounts and deposits from customers	59,338,762	(25,287,390)
Financial instruments at fair value through profit or loss	65	(274)
Other liabilities	93,551	-
Net cash flows from/(used in) operating activities before income tax paid	**109,697,137**	**(6,789,242)**
Income tax paid	(695,207)	(1,089,518)
Cash flows from/(used in) operating activities	**109,001,930**	**(7,878,760)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities measured at amortised cost	(204,814,660)	(60,127,967)
Redemption of investment securities measured at amortised cost	167,875,044	54,471,245
Purchase of property, plant and equipment and intangible assets (Note 12)	(135,955)	(68,358)
Cash flows used in investing activities	**(37,075,571)**	**(5,725,080)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from other borrowed funds (Note 15)	48,424,600	4,477,000
Repayment of other borrowed funds (Note 15)	(55,061,300)	(7,568,000)
Dividends paid (Note 16)	(2,200,000)	-
Cash flows used in financing activities	**(8,836,700)**	**(3,091,000)**
Net increase/(decrease) in cash and cash equivalents	**63,089,659**	**(16,694,840)**
Effect of changes in exchange rates on cash and cashequivalents	1,947,875	10,255,180
Effect of changes in expected credit losses on cash and cashequivalents	325	(398)
Cash and cash equivalents at the beginning of the year	124,410,888	130,850,946
Cash and cash equivalents at the end of the year (Note 9)	**189,448,747**	**124,410,888**

Lang Weijie
Chairman of the Management Board

15 April 2022
Almaty, Kazakhstan

Kuralay Kishibayeva
Chief Accountant

15 April 2022
Almaty, Kazakhstan

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

1. REPORTING ENTITY

(a) Organization and operations

Industrial and Commercial Bank of China Almaty JSC (the "Bank") was established in the Republic of Kazakhstan on 3 March 1993. The principal activities are deposit taking and, opening and maintenance of the customer accounts, lending, issuing guarantees, cash and settlement operations and transactions with securities and foreign exchange. The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the "NBRK"). The Bank holds a general banking license #1.1.37 issued on 23 February 2016.

The Bank's registered office is rooms 845 and 846, 150/230 Abai Avenue, corner of Turgut Ozal Street, block 7, Almaty, 050046, Republic of Kazakhstan.

The Bank does not have any branches and subsidiaries. The majority of the Bank's assets and liabilities are located in the Republic of Kazakhstan.

The Bank is wholly-owned by Industrial and Commercial Bank of China JSC (the "Parent"), which is incorporated and operates in the People's Republic of China. The ultimate controlling party shareholder is the People's Republic of China. Related party transactions are detailed in Note 21.

(b) Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

The impact of further economic and political developments on future operations and financial position of the Bank might be significant.

COVID-19 pandemic

A new coronavirus disease (COVID-19) began to spread rapidly across the world at the start of 2020 resulting in the World Health Organization's announcement of a pandemic in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. Therefore, the Bank may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Bank's business largely depends on the duration and the spread of the pandemic on the global and Kazakhstani economies.

Management of the Bank is monitoring developments in the economic situation and taking measures it considers necessary in order to support the sustainability and development of the Bank's business for the foreseeable future.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis for measurement

The financial statements are prepared on the historical cost basis except that financial instruments are stated at fair value through profit or loss.

(c) Functional and presentation currency

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

The KZT is also the presentation currency for the purposes of these financial statements.

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

(d) Use of estimates and judgments

The preparation of 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 recognized in the period in which the estimates are revised and in any future periods affected.

Judgments

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2020 is included in the following notes:

- Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 4;
- Impairment of loans to corporate customers - Note 10;

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank 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 amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are transacted using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit and loss.

(b) Interest income and expense

Effective interest rate

Interest income and expense are recognized 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 amortized cost of the financial liability.

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

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

Amortized cost and gross carrying amount

The 'amortized 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 amortization 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.

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

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 amortized 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 amortized 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 amortized 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.

For information on when financial assets are credit-impaired, see 3(e)(iv).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest income on financial assets measured at amortized cost.

Interest expense presented in the statement of profit or loss and other comprehensive income includes interest expense on financial liabilities measures at amortized cost.

(c) Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate calculation.

Other fee and commission income – including account servicing fees, remittance and cash operations, fees for placement and origination of a syndicated loan - is recognized as the related services are provided.

The contract with a customer, which resulted in a financial instrument recognized in the financial statements of the Bank may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expense includes mostly the service costs, which are expenses as soon as the respective services are received.

(d) 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, obligatory reserves in NBRK 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 amortized cost in the statement of financial position.

(e) Financial assets and financial liabilities

(i) Classification of financial instruments

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognized in other comprehensive income, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice; in particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's 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 business 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 its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument.

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements);
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

(ii) Derecognition

Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize 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 asset.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Bank due to changes in the NBRK refinancing rate, if the loan agreement entitles the Bank to do so.

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Bank assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Bank analogizes to the guidance on the derecognition of financial liabilities.

The Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial asset;
- change in collateral or other credit enhancement;
- inclusion of conversion option.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy).This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see Note 3(e) (iv)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method (see Note 3(b)).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively .

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss. The consideration paid includes non-financial assets transferred, if any, and the liabilities assumed, including the new modified financial liability.

The Bank assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification terms of financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(iv) Impairment

See also Note 4.

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

- financial assets that are debt instruments;
- financial guarantee contracts issued (previously, impairment was measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*)

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

- debt investment securities 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 (see Note 4).

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month expected credit losses (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. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments, for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

Measurement of expected credit losses (ECL)

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

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

See also Note 4.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3(e)(iii)) and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or past due event;
- restructuring of a loan or advance on terms that the Bank would not consider otherwise;
- it is 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.

A loan that was renegotiated due to a deterioration in the borrower's condition was usually considered to be impaired unless there was evidence that the risk of not receiving contractual cashflows had reduced significantly and there were no other indicators of impairment.

In addition, a loan that is overdue for 60 days or more is considered credit-impaired.

In making an assessment of whether an investment in sovereign debt (other financial assets) is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- the rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortized cost*: as a deduction from the gross carrying amount of the assets

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Recoveries of amounts previously written off are included in 'recovery of loss allowance for expected credit losses on debt financial assets' in the statement of profit or loss and other comprehensive income.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

(f) Non-financial assets

Impairment

Non-financial assets, other than deferred tax assets, 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 usinga pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Loans to customers

'Loans to corporate customers' caption in the statement of financial position include:

- loans to customers measured at amortized cost (see Note 3(e)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

(h) Investment securities

The 'investment securities measured at amortised cost' caption in the statement of financial position includes debt investment securities measured at amortised cost (see Note 3(e)(i)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(i) Deposits and other borrowed funds

Deposits and other borrowed funds are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(j) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Items of property, plant and equipment are depreciated from the date that they are acquired, or in respect of internally constructed assets, from the date that the asset is completed and ready for us. Land is not depreciated. The estimated useful lives of various items of property, plant and equipment are as follows:

	2021	2020
Buildings and construction	10-30years;	10-30 years;
Computers	3 years;	3 years;
Vehicles	6 years;	6 years;
Other	5-10 years.	5-10 years.

On 1 January 2020 the Bank brought the accounting of property, plant and equipment in line with the accounting policy of the Parent, as a result of which the estimated useful lives of various items of property, plant and equipment were changed.

(k) Intangible assets

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

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

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life of intangible assets was also changed in accordance with the accounting policy of the Parent and is 10 years.

(l) Share capital

(i) Ordinary shares

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

(ii) Dividends

The ability of the Bank to declare and pay dividends is subject to 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.

(m) Taxation

Income tax comprises current and deferred tax. 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.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax asset is not recognised for the initial recognition of temporary differences that affect neither accounting nor taxable profit or loss.

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.

Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

Leases in which the Bank is a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in 'property, plant and equipment, and intangible assets' and lease liabilities in 'other liabilities' in the statement of financial position.

(o) Standards issued but not yet effective

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

The following amendments and interpretations are effective for the Group effective January 1, 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform (Phase 2)*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions*

The above standards and interpretations were reviewed by the Bank's management, but did not have a significant effect on the financial statements of the Bank.

(ii) New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
IFRS 17 "Insurance contracts"	1 January 2023
Amendments to IFRS 17 "Insurance contracts"	1 January 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles).	1 January 2023
Amendments to IAS 8 – "Definition of Accounting Estimates"	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"	1 January 2023
Annual Improvements to IFRS Standards 2018-2020:	
Amendments to IFRS 3 – "Reference to the Conceptual Framework"	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment – Revenue Before Intended Use	1 January 2022
Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – "Loss-making Contracts – Completion Value"	1 January 2022
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB

The Bank does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

4. FINANCIAL RISK REVIEW

This note presents information about the Bank's exposure to financial risks. For information on the Bank's financial risk management framework, see Note 17.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(e)(iv).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses the following criteria for determining whether there has been a significant increase in credit risk:

- qualitative indicators such as negative external information (e.g. overdue loans of borrowers with other banks), evaluation of future credit worthiness (previous credit history, etc.); and
- backstop of 30 days past due.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk gradesare defined using qualitative and quantitative factors that are indicative of the risk of default. Thesefactors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower/counteragent. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The monitoring typically involves use of the following data.

Corporate exposure

- Information obtained during periodic review of borrowers' files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.
- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Data from credit reference agencies, press articles, changes in external credit ratings
- Requests for and granting of for bearance
- Quoted bond and credit default swap (CDS) prices for the issuer where available
- Existing and forecast changes in business, financial and economic conditions
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures.

The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower/issuer, and the geographical region. What is considered significant will differ for different types of lending.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experience.

As a backstop, the Bank considers, amongst other, that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

In these cases the Bank determines a probation period (12-month period) during which the financial asset is required to demonstrated good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

Definition of default

The Bank considers a financial asset to be in default when (but not limited to):

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is past due more than 60 days on any material credit obligation to the Bank;
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are (but not limited to):

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporating of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL, using the coefficient calculated at the ICBC group's level.

Measurement of ECL

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

Due to lack of own supportable information about the foreclosure of collateral for at least two years period, the Bank applies liquidity ratios set by the NBRK for calculation of a recovery rate (1-LGD)to the value of collateral, for calculation of expected credit losses.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the borrower and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

		External benchmarks used		
	Exposure at 31 December 2021	Exposure at 31 December 2020	PD	LGD
Cash and cash equivalents	189,448,747	124,410,888		Moody's recovery studies/ From0% to 100% depending on the type of collateral in accordance with NBRK requirements; 0% - if the counterparty isthe Government of the Republic of Kazakhstan, theNBRK or national managing holding companies, and balances of these counterparties are denominated in KZT.
Placements with banks and otherfinancial institutions	1,104,500	1,417,275		
Loans to corporate customers	10,053,367	67,631,043		
Investment securities measured atamortised cost	59,499,841	22,549,187	ICBC group's default study	
Other financial assets	28,669	20,871		

5. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2021	Year ended 31 December 2020
Fee and commission income:		
Agency services	112,628	105,934
Transfer operations	70,788	134,424
Cash operations	13,984	14,241
Guarantee and letter of credit issuance	586	544
Other fee and commission income	27,814	11,723
Total fee and commission income	**225,800**	**266,866**
Fee and commission expense:		
Transfer operations	(19,232)	(15,964)
Cards maintenance	(252)	(341)
Other	(20,553)	(16,552)
Total fee and commission expense	**(40,037)**	**(32,857)**
Net fee and commission income	**185,763**	**234,009**

Fee income for agency services includes commissions earned by the Bank for acting as an agent for syndicated loans issued to the residents of the Republic of Kazakhstan jointly with Industrial and Commercial Bank of China Dubai branch, Commercial Bank of China Singapore branch, China Development Bank, the Export-Import Bank of China and Industrial, Asian Infrastructure Investment Bank and European Bank for Reconstruction and Development. The Bank provides services of administration of these loans. Revenue related to transactions and fees for administration of a loan syndication are recognized over as the agency services are provided. Revenue related to other transactions is recognised at the point in time when the transaction takes place.

Fee and commission income on transfer transactions and issuance of guarantees and letters of credit, which are not integral to the effective interest rate on a financial asset or financial liability, is recognised depending on the type of the service either at the point in time or as the Bank satisfies its performance obligation under the contract:

a. commission for transfer operations and cash operations is charged for execution of customers' payment orders in accordance with the tariffs depending on the type of transaction and is recognised as income at the time when transaction is performed;
b. commission for guarantee and letter of credit issuance is paid by customers in advance and is recognised as income over the term of validity of a relevant guarantee or letter of credit.

6. PERSONNEL EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Employee compensation	783,940	618,734
Payroll related taxes	82,704	63,933
Total personnel expenses	**866,644**	**682,667**

7. OTHER OPERATING EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Information technology services	123,241	19,809
Information and communication services	63,706	47,997
Antivirus events related to coronavirus	42,375	26,423
Professional services	38,269	26,981
Utilities	15,143	14,313
Security	11,784	11,408
Membership fees	10,997	9,269
Insurance	10,319	11,844
Repair and maintenance	9,926	5,547
Travel expenses	9,048	9,819
Deposit insurance	6,089	6,020
Office supplies	4,458	3,007
Training expenses	2,626	1,278
Transportation expenses	2,592	1,737
Translation and notary services	1,661	1,601
Cash collection	947	931
Representation expenses	944	829
Advertising expenses	378	3,214
Other	32,873	21,130
Total other operating expenses	**387,376**	**223,157**

8. INCOME TAX EXPENSE

	Year ended 31 December 2021	Year ended 31 December 2020
Current year tax expense	(1,075,239)	(760,000)
Income tax underprovided in prior periods	(453)	(7,527)
Total current tax expense	**(1,075,692)**	**(767,527)**
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	(82,513)	154,520
Total income tax expense	**(1,158,205)**	**(613,007)**

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

Reconciliation of effective tax rate for the year ended 31 December 2021 and 2020:

	December 31, 2021	%	December 31, 2020	%
Profit before income tax	**9,336,725**		**5,015,091**	
Income tax at the applicable tax rate	(1,867,345)	(20.0)	(1,003,018)	(20.0)
Non-taxable income on government securities	718,180	7.7	421,866	8.4
Income tax underprovided in prior periods	(453)	(0.0)	(7,527)	(0.2)
Write-off of deferred tax assets recognised inprior reporting periods	-	-	(17,780)	(0.4)
Other non-deductible expenses	(8,587)	(0.1)	(6,548)	(0.1)
	(1,158,205)	**(12.4)**	**(613,007)**	**(12.2)**

Deferred tax assets and liabilities

The deductible temporary differences do not expire under current tax legislation.

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

	1 January 2021	Recognised in profit or loss	31 December 2021
Property, plant and equipment and intangibleassets	23,265	(4,200)	19,065
Loans to corporate customers	149,068	(97,743)	51,325
Other liabilities	12,637	19,430	32,067
	184,970	**(82,513)**	**102,457**

	1 January 2020	Recognised in profit or loss	31 December 2020
Property, plant and equipment and intangibleassets	5,221	18,044	23,265
Loans to corporate customers	-	149,068	149,068
Other liabilities	25,229	(12,592)	12,637
	30,450	**154,520**	**184,970**

9. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash on hand	**200,575**	**103,656**
Nostro accounts with the NBRK (rated BBB-)	42,913,844	48,631,009
Nostro accounts with other banks		
rated from A- to A+	24,461,230	24,992,791
rated from BBB- to BBB+	-	19,883
rated from BB- to BB+	5	3
not rated	193,245	118,388
Total nostro accounts with other banks	**24,654,480**	**25,131,065**
Loss allowance	(76)	(65)
Total nostro accounts with other banks, net	**24,654,404**	**25,131,000**
Cash equivalents		
Term deposits with the NBRK (rated BBB-)	121,067,727	48,935,859
Term deposits with other banks		
rated from BBB- to BBB+	612,197	1,609,697
Total term deposits with other banks	**612,197**	**1,609,697**
Loss allowance	-	(333)
Total term deposits with other banks, net	**612,197**	**1,609,364**
Total cash equivalents	**121,679,924**	**50,545,223**
Total cash and cash equivalents	**189,448,747**	**124,410,888**

The credit ratings are presented by reference to the credit ratings of Standard & Poor'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 and 2021, the Bank has three banks, whose deposit balances exceed 10% of equity. The gross value of these balances as at 31 December 2021 is KZT 184,077,420 thousand (31 December 2020: KZT 119,283,141 thousand).

Analysis of movements in the loss allowance

	31 December 2021 Stage 1	31 December 2020 Stage 1
Balance at 1 January	398	352
Recovery of/(provision for) expected credit losses	(325)	298
Foreign exchange	3	(252)
Balance at 31 December	**76**	**398**

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as average of totals of specified proportions of different groups of banks liabilities for period of twenty eight calendar days. Banks are required to comply with these requirements by maintaining average reserve assets (in the form of local currency cash on hand and balances on current accounts with the NBRK in national currency) equal or in excess of the average minimum requirements. Asat 31 December 2021, the minimum reserve is KZT 5,785,146 thousand (31 December 2020: KZT 4,591,836 thousand). Minimum reserve requirements are included in Cash and cash equivalents 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.

Placements with banks and other financial institutions

Accounts and deposits with banks and other financial institutions are represented by margin collateral and guarantee contributions to the Kazakhstan Stock Exchange JSC (hereinafter referred to as the KASE) to ensure foreign currency trading and are deposited in accordance with the requirements of the KASE. The following amounts are interest-free.

All accounts and deposits with banks and other financial institutions are classified as Stage 1 of the credit risk level. As at 31 December 2021, there are no provisions for expected credit losses with respect to accounts and deposits with banks and other financial institutions (31 December 2020: none).

10. LOANS TO CORPORATE CUSTOMERS

	31 December 2021	31 December 2020
Loans to corporate customers	10,309,914	68,377,753
Less: allowance for expected credit losses	(256,547)	(746,710)
Total loans to corporate customers	**10,053,367**	**67,631,043**

As at 31 December 2021 and 2020, all loans to corporate customers are not past due and allocated to Stage 1 of the credit risk grade.

(a) Analysis of movements in the loss allowance

	31 December 2021 Stage 1	31 December 2020 Stage 1
Balance at 1 January	746,710	95,923
(Recovery of)/provision for expected credit losses	(501,886)	655,908
Foreign exchange	11,723	(5,121)
Balance at 31 December	**256,547**	**746,710**

(b) Key assumptions and judgments for estimating the loan impairment

The Bank estimates the loss allowance on loans to corporate customers in accordance with the accounting policy as described in Note 3(e)(iv). The key assumptions used in estimating loss allowances for the current year generally include the borrower's credit rating.

In 2020 the Bank revised the methodology for calculating the loss allowance on a loan issued to a Kazakhstan state holding. Before 2020 the loss allowance on this loan was calculated based on LGD at 0%. During 2020, due to the fact that the loan is USD-denominated, the Bank switched to the calculation of the loss allowance based on the LGD from the borrower's internal rating, which resulted in additional accrual of expected credit losses in the amount of KZT 729,454 thousand.

Changes in these estimates could affect the loss allowance for loans issued. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the loss allowance for loans to corporate customers as at 31 December 2021 would be KZT 100,534 thousand lower/higher (31 December 2020: KZT 676,310 thousand).

(c) Analysis of collateral

Loans to corporate customers

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general credit worthiness of a corporate customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Bank generally requests corporate borrowers to provide it.

The following tables provides information on collateral and other credit enhancements securing loans to corporate customers:

Carrying amount of loans to customers	**31 December 2021**	**31 December 2020**
Third party guarantees (with group rating A)	4,540,271	5,299,049
No collateral	5,513,096	62,331,994
Total loans to corporate customers	**10,053,367**	**67,631,043**

The tables above exclude over collateralization.

As at 31 December 2020 an uncollateralized loan of KZT 5,768,990 thousand is issued to a Kazakh company operating in the energy sector.

As at 31 December 2020 an uncollateralized loan of KZT 63,061,448 thousand is issued to a Kazakhstan State Holding.

The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

(d) Industry and geographical analysis of the loan portfolio

Industry analysis of the loan portfolio

Loans to customers were issued to customers who operate in the following economic sectors:

	31 December 2021	**31 December 2020**
Energy	5,768,990	-
Kazakhstan State Holding	4,540,924	5,316,305
Finance	-	63,061,448
	10,309,914	**68,377,753**
Less: allowance for expected credit losses	(256,547)	(746,710)
	10,053,367	**67,631,043**

Geographical analysis of the loan portfolio

Loans were issued to the customers operating in the Republic of Kazakhstan.

(e) Significant credit exposures

As at 31 December 2021 the Bank has two borrowers (31 December 2020: two borrowers), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2021 is KZT 8,851,842 thousand (31 December 2020: KZT 66,327,738 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in note 17(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

11. INVESTMENT SECURITIES MEASURED AT AMORTISED COST

As at 31 December 2021, the entire amount of investment securities measured at amortized cost is represented by treasury bills of the Ministry of Finance of the Republic of Kazakhstan with carrying amount of KZT 7,931,159 thousand with maturity dates in 2022, 2023 and 2026 and discount notes of the National Bank of the Republic of Kazakhstan with carrying amount of KZT 51,568,682 thousand with maturity date in 2022, denominated in KZT and rated BBB-.

As at 31 December 2020, the entire amount of investment securities measured at amortized cost is represented by treasury bills of the Ministry of Finance of the Republic of Kazakhstan with carrying amount of KZT 3,708,737 thousand with maturity dates in 2022, 2023 and 2026 and discount notes of the National Bank of the Republic of Kazakhstan with carrying amount of KZT 18,840,450 thousand with maturity date in 2021, denominated in KZT and rated BBB-.

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

The Bank holds these securities within a business model whose objective is to hold assets to collect contractual cash flows. Officially published price quotations for similar debt securities with identical terms are available at local stock exchange.

As at 31 December 2021 there are no allowances for expected credit losses for investment securities measured at amortised cost (31 December 2020: none).

All investment securities measured at amortised cost are allocated to Stage 1 of credit risk level.

12. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

'000 KZT	Buildings and constructions	Computer equipment	Vehicles	Other	Intangible assets	Total
Cost						
Balance at 1 January 2021	**749,033**	**123,875**	**39,115**	**119,343**	**47,738**	**1,079,104**
Additions	30,715	4,798	-	99,881	561	135,955
Disposals	-	(962)	-	(4,417)	-	(5,379)
Balance at 31 December 2021	**779,748**	**127,711**	**39,115**	**214,807**	**48,299**	**1,209,680**
Depreciation and amortization						
Balance at 1 January 2021	(266,174)	(82,213)	(36,285)	(73,730)	(30,566)	(488,968)
Depreciation charge for the year	(72,116)	(22,164)	(1,358)	(20,608)	(2,469)	(118,715)
Disposals	-	962	-	1,863	-	2,825
Balance at 31 December 2021	**(338,290)**	**(103,415)**	**(37,643)**	**(92,475)**	**(33,035)**	**(604,858)**
Carrying amount						
At 31 December 2021	**441,458**	**24,296**	**1,472**	**122,332**	**15,264**	**604,822**
Cost						
Balance at 1 January 2020	**741,495**	**80,988**	**39,115**	**105,249**	**47,640**	**1,014,487**
Additions	7,727	43,723	-	16,810	98	**68,358**
Disposals/internal transfers	(189)	(836)	-	(2,716)	-	**(3,741)**
Balance at 31 December 2020	**749,033**	**123,875**	**39,115**	**119,343**	**47,738**	**1,079,104**
Depreciation and amortization						
Balance at 1 January 2020	**(149,801)**	**(57,361)**	**(34,927)**	**(58,597)**	**(28,129)**	**(328,815)**
Depreciation charge for the year	(116,402)	(25,688)	(1,358)	(17,732)	(2,437)	(163,617)
Disposals	29	836	-	2,599	-	3,464
Balance at 31 December 2020	**(266,174)**	**(82,213)**	**(36,285)**	**(73,730)**	**(30,566)**	**(488,968)**
Carrying amount						
At 31 December 2020	**482,859**	**41,662**	**2,830**	**45,613**	**17,172**	**590,136**

As at 31 December 2021, other property, plant and equipment include the right-of-use of the assets related to leases that do not meet the definition of investment property in the amount of KZT 94,497 thousand (31 December 2020: KZT 8,603 thousand). As at 31 December 2020 the effect of the changes in the expected useful lives of property, plant and equipment and intangible assets amounted to KZT 77,048 thousand.

13. DUE TO BANKS

	31 December 2021	31 December 2020
Vostro accounts of the banks of the Republic of Kazakhstan	2,642,761	2,961,927
Vostro accounts of the Parent Bank	274,953	95,451
Vostro accounts of the foreign banks	127,022	17,507,267
	3,044,736	**20,564,645**

As at 31 December 2021, Bank has no Banks, whose balance exceeds 10% of equity (2020: one bank). The gross value of this balance as at 31 December 2021 is KZT nil (31 December 2020: KZT 17,457,781 thousand).

14. CURRENT ACCOUNTS AND DEPOSITS FROM CUSTOMERS

	31 December 2021	31 December 2020
Current accounts and deposits from corporate customers		
- Current accounts and demand deposits	113,714,228	104,062,161
- Term deposits	98,809,403	46,074,377
Total current accounts and deposits from corporatecustomers	**212,523,631**	**150,136,538**
Current accounts and demand deposits from the state entities		
- Current accounts and demand deposits	707,904	1,195,838
Total current accounts and demand deposits from the stateentities	**707,904**	**1,195,838**
Current accounts and deposits from retail customers		
- Current accounts and demand deposits	3,875,737	3,611,052
- Term deposits	995	19,311
Total current accounts and deposits from retail customers	**3,876,732**	**3,630,363**
Total current accounts and deposits from customers	**217,108,267**	**154,962,739**

As at 31 December 2021 the Bank has deposits from customers in the amount of KZT 112,424 thousand that serve as collateral for unrecognized credit instruments granted by the Bank (2020: none).

As at 31 December 2021 the Bank has ten customers (2020: five customers), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2021 are KZT 186,972,902 thousand (2020: KZT 121,281,604 thousand).

15. OTHER BORROWED FUNDS

	Date of issue	Maturitydate	Currency	Nominal interest rate, %	31 December 2021	31 December 2020
Unsecured loans and borrowings	21/04/2021	21/10/2022	JPY	0.23	4,132,889	-
Unsecured loans and borrowings	29/09/2020	29/12/2021	JPY	0.33	-	4,502,876
Unsecured loans and borrowings	26/12/2019	26/01/2021	JPY	0.21	-	6,763,268
Other borrowed funds					**4,132,889**	**11,266,144**

As at 31 December 2021, the Bank has concluded one loan agreement with Industrial and Commercial Bank of China, Tokyo Branch for JPY 1,100,000 thousand. The loan is repayable at maturity.

As at 31 December 2020, the Bank has concluded two loan agreements with Industrial and Commercial Bank of China, Tokyo Branch for JPY 1,100,000 thousand and JPY 1,650,000 thousand, respectively. The loans are repayable at maturity. These loans were fully repaid in 2021.

Reconciliation of movements of liabilities to cash flows from financing activities

	Other borrowed funds	
	2021	**2020**
Balance at 1 January	**11,266,144**	**13,552,494**
Changes from financing cash flows		
Proceeds from other borrowed funds	48,424,600	4,477,000
Repayments of other borrowed funds	(55,061,300)	(7,568,000)
Total changes from financing cash flows	**(6,636,700)**	**(3,091,000)**
Effect of changes in foreign exchange rates	(485,800)	786,500
Changes in accrued interest	(10,755)	18,150
Balance at 31 December	**4,132,889**	**11,266,144**

16. SHARE CAPITAL AND RESERVES

(a) Issued capital

As at 31 December 2021 and 2020, the authorized, issued and outstanding share capital comprises 14,238 ordinary shares with nominal value of KZT 627,440 per share.

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

Under the legislation of the Republic of Kazakhstan and the Bank's charter documents the dividends available for distribution are subject to statutory regulation of the Republic of Kazakhstan.

In 2021 the Bank declared and paid dividends in the amount of KZT 2,200,000 thousand, KZT 154,516.08 per share (2020: dividends were not declared and paid).

(c) Nature and purpose of reserves

Until 2013, in accordance with Resolution #196 *On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks* issued by the Committee on 28 August 2009, the Bank had to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve. The amount to be transferred each year was calculated as the net profit for the preceding year before distribution of dividends attributable to ordinary shareholders, multiplied by the percentage increase in classified assets and contingent liabilities (as defined in the Resolution #296 *On Approval of the Rules of Classification of Assets, Contingent Liabilities and Creation of Provisions (Reserves) against Assets and Contingent Liabilities* issued by the Committee on 25 December 2006) during the preceding year. Such percentage increase had to be not less than 10% and not more than 100%. Those Resolutions ceased to be in force during 2013.

As at 31 December 2021 and 2020 the Bank has not transferred funds from retained earnings to a general bank reserve.

As at 31 December 2021 and 2020 the Bank's reserve capital was not dissolved.

17. RISK MANAGEMENT

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

(a) Risk management policies and procedures

The risk management policy and methods aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions 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 Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Risk Management Department is 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.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through Strategic Planning and Risk Management Committee, Credit Committee, Risk Management and Asset and Liability Management Committee.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks through the use of risk management tools provided by internal documents (procedures) of the Bank.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

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 risk is vested in the Board of Directors, Strategic Planning and Risk Management Committee, Management Board and Risk Management and Asset and Liability Management Committee (the "ACB of the Bank").

The Bank manages its market risk by setting open position limits in relation to financial instruments, currency positions and stop-loss limits. These are monitored on a regular basis and reviewed by the ACB of the Bank and the Protocol/Decision is issued.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its 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 interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

	Less than 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing	Carryingamount
31 December 2021							
ASSETS							
Cash and cash equivalents	141,881,298	-	-	-	-	47,567,449	189,448,747
Placements with banks and other financial institutions	-	-	-	-	-	1,104,500	1,104,500
Loans to corporate customers	1,132,428	6,713,096	-	2,207,843	-	-	10,053,367
Investment securities measured at amortised cost	51,568,683	3,063,530	130,471	4,737,157	-	-	59,499,841
Other financial assets	-	-	-	-	-	28,669	28,669
	194,582,409	**9,776,626**	**130,471**	**6,945,000**	-	**48,700,618**	**260,135,124**
LIABILITIES							
Due to banks	-	-	-	-	-	3,044,736	3,044,736
Current accounts and deposits from customers	62,941,035	13,973,641	22,004,898	-	-	118,188,693	217,108,267
Other borrowed funds	-	-	4,132,889	-	-	-	4,132,889
Other financial liabilities	-	-	-	100,613	-	-	100,613
	62,941,035	**13,973,641**	**26,137,787**	**100,613**	-	**121,233,429**	**224,386,505**
	131,641,374	**(4,197,015)**	**(26,007,316)**	**6,844,387**	-	**(72,532,811)**	**35,748,619**

	Less than 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing	Carryingamount
31 December 2020							
ASSETS							
Cash and cash equivalents	73,927,684	-	-	-	-	50,483,204	124,410,888
Placements with banks and other financial institutions	-	-	-	-	-	1,417,275	1,417,275
Loans to corporate customers	62,348,299	-	1,300,000	3,982,744	-	-	67,631,043
Investment securities measured at amortised cost	14,990,848	3,967,789	10,160	3,080,390	500,000	-	22,549,187
Financial instruments measured atfair value through profit or loss	-	-	-	-	-	395	395
Other financial assets	-	-	-	-	-	20,871	20,871
	151,266,831	**3,967,789**	**1,310,160**	**7,063,134**	**500,000**	**51,921,745**	**216,029,659**
LIABILITIES							
Due to banks	31,809	-	-	-	-	20,532,836	20,564,645
Current accounts and deposits from customers	4,901,274	1,286,372	42,174,103	-	-	106,600,990	154,962,739
Other borrowed funds	6,763,268	-	4,502,876	-	-	-	11,266,144
	11,696,351	**1,286,372**	**46,676,979**	**-**	**-**	**127,133,826**	**186,793,528**
	139,570,480	**2,681,417**	**(45,366,819)**	**7,063,134**	**500,000**	**(75,212,081)**	**29,236,131**

(ii) Average interest rates

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

	2021 Average effective interest rate, %			2020 Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	9.31	0.37	0.64	8.37	0.76	1.54
Loans to corporate customers	11.89	-	-	11.29	1.65	-
Investment securities measuredat amortized cost	9.64	-	-	9.73	-	-
Interest bearing liabilities						
Due to banks						
- Vostro accounts	-	-	- -		0.1	-
Current accounts and deposits from customers			-			
- Current accounts and demand deposits	7.50	-	-	6.75	-	-
- Term deposits	4.39	0.38	-	8.47	0.45	-
Other borrowed funds	-	-	0.27	-	-	0.26

(iii) 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 sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (reprising risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2021 and 31 December 2020 is as follows:

	2021	2020
100 bp parallel rise	848,490	899,667
100 bp parallel fall	(848,490)	(899,667)

(iv) Currency risk

The Bank 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 Bank does not hedge its exposure to currency risk.

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

	KZT	USD	CNY	Other currencies	Total
ASSETS					
Cash and cash equivalents	44,989,495	130,263,627	7,011,646	7,183,979	189,448,747
Placements with banks and other financial institutions	25,000	1,079,500	-	-	1,104,500
Total assets	**45,014,495**	**131,343,127**	**7,011,646**	**7,183,979**	**190,553,247**
LIABILITIES					
Due to banks	815,829	136,868	2,060,064	31,975	3,044,736
Current accounts and deposits from customers	79,228,703	130,053,312	4,840,988	2,985,264	217,108,267
Other borrowed funds	-	-	-	4,132,889	4,132,889
Total liabilities	**80,044,532**	**130,190,180**	**6,901,052**	**7,150,128**	**224,285,892**
Net position	**(35,030,037)**	**1,152,947**	**110,594**	**33,851**	**(33,732,645)**
Effect of derivatives held for risk management	-	**215,900**	-	-	**215,900**
Net position given the effect of derivatives held for risk management	**(35,030,037)**	**1,368,847**	**110,594**	**33,851**	**(33,516,745)**

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

	KZT	USD	CNY	Other currencies	Total
ASSETS					
Cash and cash equivalents	43,174,518	45,395,852	23,811,556	12,028,962	124,410,888
Placements with banks and other financial institutions	365,000	1,052,275	-	-	1,417,275
Loans to corporate customers	5,299,049	62,331,994	-	-	67,631,043
Total assets	**48,838,567**	**108,780,121**	**23,811,556**	**12,028,962**	**193,459,206**
LIABILITIES					
Due to banks	1,022,435	91,393	19,420,924	29,893	20,564,645
Current accounts and deposits from customers	41,721,237	108,116,316	4,399,930	725,256	154,962,739
Other borrowed funds	-	-	-	11,266,144	11,266,144
Total liabilities	**42,743,672**	**108,207,709**	**23,820,854**	**12,021,293**	**186,793,528**
Net position	**6,094,895**	**572,412**	**(9,298)**	**7,669**	**6,665,678**
Effect of derivatives held for risk management	-	**210,750**	-	-	**210,750**
Net position given the effect of derivatives held for risk management	**6,094,895**	**783,162**	**(9,298)**	**7,669**	**6,876,428**

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

	2021	2020
30% appreciation of USD against KZT	328,523	187,959
10% appreciation of CNY against KZT	8,848	(744)
10% appreciation of other currencies against KZT	2,708	614

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.

(c) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures in place to manage credit exposures (both for recognized financial assets and unrecognized 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 applications;
- methodology for assessment of creditworthiness of borrower;
- methodology for the credit rating of borrowers;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the on going monitoring of loans and other credit exposures.

Loan credit applications are reviewed by the Corporate Finance and Specialised Finance Department and investment banking (the "front office:), which is responsible for the loan portfolios. Conclusions of the managers of the Front office are based on a structured analysis focusing on the customer's business and financial performance. The loan credit applications then undergo a legal examination and an examination on the economic security, carried out by the Security Service, theLegal Department and the Compliance Control Department and Financial Monitoring Department.The Risk Management Department and Credit Review and Approval Department prepare independent risk-conclusion and verifies that credit policy requirements and risk appetite are met. The Credit Committee reviews the loan credit application on the basis of submissions by the above-stated departments and services of the Bank.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Department with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognized 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:

	31 December 2021	31 December 2020
ASSETS		
Cash equivalents	189,248,172	124,307,232
Placements with banks and other financial institutions	1,104,500	1,417,275
Loans to corporate customers	10,053,367	67,631,043
Investment securities at amortized cost	59,499,841	22,549,187
Financial instruments at fair value through profit or loss	-	395
Other financial assets	28,669	20,871
Total maximum exposure	**259,934,549**	**215,926,003**

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers, see Note 10.

The maximum exposure to credit risk from unrecognized contractual commitments at the reporting date is presented in Note 19.

(d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to meet all cash flow obligations. The liquidity policy is reviewed and approved by the Board of Directors.

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

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The following tables show the undiscounted cash flows on financial assets, liabilities and 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 assets, liability or credit related commitment.

In accordance with legislation of the Republic of Kazakhstan, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. Accordingly, these deposits, excluding accrued interest, are shown in the table above in the category of "Demand and less than 1 month".

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The following tables show the undiscounted cash flows on financial liabilities and unrecognized credit-related commitments on the basis of remaining term to maturity. The total gross outflow disclosed in the tables is the contractual undiscounted cash flow on the financial liabilities or off-balance sheet commitments.

31 December 2021	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1year	Total gross amount (inflow) outflow	Carrying amount
Non-derivative financial liabilities							
Due to banks	3,044,736	-	-	-	-	3,044,736	3,044,736
Current accounts and deposits from customers	159,335,669	22,003,298	14,037,723	22,095,598	-	217,472,288	217,108,267
Other borrowed funds	-		-	4,141,954	-	4,141,954	4,132,889
Other financial liabilities	-	-	-	-	100,613	100,613	100,613
Derivative financial liabilities							
Net settled derivatives							65
- Inflow	(215,835)	-	-	-	-	(215,835)	-
	215,900	-	-	-	-		-
- Outflow						215,900	
Total financial liabilities	**162,380,470**	**22,003,298**	**14,037,723**	**26,237,552**	**100,613**	**224,759,656**	**224,386,570**
Credit related commitments	**-**	**-**	**-**	**112,424**	**-**	**112,424**	**112,424**

31 December 2020	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1year	Total gross amount (inflow) outflow	Carrying amount
Non-derivative financial liabilities							
Due to banks	20,564,645	-	-	-	-	20,564,645	20,564,645
Current accounts and deposits from customers	111,505,174	3,906	1,307,469	42,306,357	-	155,122,906	154,962,739
Other borrowed funds	6,764,245	-	-	4,517,682	-	11,281,927	11,266,144
Derivative financial liabilities							
Net settled derivatives							(395)
- Inflow	(210,750)	-	-	-	-	(210,750)	-
- Outflow	210,355	-	-	-	-	210,355	-
Total financial liabilities	**138,833,669**	**3,906**	**1,307,469**	**46,824,039**	**-**	**186,969,083**	**186,793,133**
Credit related commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

31 December 2021	Demandand less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5years	More than 5 years	No maturity	Total
Non-derivative assets							
Cash and cash equivalents	189,448,747	-	-	-	-	-	189,448,747
Placements with banks and other financial institutions	-	-	-	-	-	1,104,500	1,104,500
Loans to corporate customers	7,591	833,170	1,232,728	2,499,510	5,480,368	-	10,053,367
Investment securities measured at amortised cost	38,166,508	13,402,175	3,194,001	4,737,157	-	-	59,499,841
Property, plant and equipment and intangible assets	-	-	-	-	-	604,822	604,822
Deferred tax asset	-	-	-	-	102,457	-	102,457
Other assets	1,019	39,112	26,238	-	-	-	66,369
Total assets	**227,623,865**	**14,274,457**	**4,452,967**	**7,236,667**	**5,582,825**	**1,709,322**	**260,880,103**
Non-derivative liabilities							
Due to banks	3,044,736	-	-	-	-	-	3,044,736
Current accounts and deposits from customers	159,278,381	21,851,347	35,978,539	-	-	-	217,108,267
Other borrowed funds	-	-	4,132,889	-	-	-	4,132,889
Financial instruments measured at fair value through profit or loss	65	-	-	-	-	-	65
Other liabilities	87,532	-	77,488	100,613	-	-	265,633
Total liabilities	**162,410,714**	**21,851,347**	**40,188,916**	**100,613**	**-**	**-**	**224,551,590**
Net position	**65,213,151**	**(7,576,890)**	**(35,735,949)**	**7,136,054**	**5,582,825**	**1,709,322**	**36,328,513**

The table below shows an analysis, by expected maturities, of the amounts recognized in the statement of financial position as at 31 December 2020:

31 December 2020	Demandand less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5years	More than 5 years	No maturity	Total
Non-derivative assets							
Cash and cash equivalents	124,410,888	-	-	-	-	-	124,410,888
Placements with banks and other financial institutions	-	-	-	-	-	1,417,275	1,417,275
Loans to corporate customers	431,174	127,361	2,917,990	64,154,518	-	-	67,631,043
Investment securities measured at amortised cost	3,031,685	11,959,163	3,977,949	3,080,390	500,000	-	22,549,187
Financial instruments measured at fair value through profit or loss	395	-	-	-	-	-	395
Property, plant and equipment and intangible assets	-	-	-	-	-	590,136	590,136
Deferred tax asset	-	-	-	-	184,970	-	184,970
Other assets	2	44,254	397,889	-	-	-	442,145
Total assets	**127,874,144**	**12,130,778**	**7,293,828**	**67,234,908**	**684,970**	**2,007,411**	**217,226,039**
Non-derivative liabilities							
Due to banks	20,564,645	-	-	-	-	-	20,564,645
Current accounts and deposits from customers	111,501,303	961	43,460,475	-	-	-	154,962,739
Other borrowed funds	6,763,227	-	4,502,917	-	-	-	11,266,144
Other liabilities	2,873	-	70,098	9,547	-	-	82,518
Total liabilities	**138,832,048**	**961**	**48,033,490**	**9,547**	**-**	**-**	**186,876,046**
Net position	**(10,957,904)**	**12,129,817**	**(40,739,662)**	**67,225,361**	**684,970**	**2,007,411**	**30,349,993**

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.

18. CAPITAL MANAGEMENT

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

The primary objective of the Bank's capital management is to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

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

In 2015 the NBRK announced transition to the International Regulatory Framework for Banks (Basel III) was effected. Therefore, starting from 1 January 2015, the new capital requirements came into effect for the Bank, and in accordance with the statutory regulation the Bank defines as capital those items:

a. 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, reserves created against thereof, less treasury ordinary share capital; intangible assets including goodwill, and current and prior periods losses; deferred tax asset net of deferred tax liability and other revaluation reserves, 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 shares (interests in the charter capital); perpetual financial instruments; subordinated debt (hereinafter, the "financial instruments") of legal entities, whose financial statements are not consolidated in preparation of the Bank's IFRS financial statements and deduction of deferred tax assets. Additional capital comprises of perpetual financial instruments and paid-in preference share capital less adjustments for the Bank's investment in its own perpetual financial instruments and treasury preference shares, investments in shares (interests in the charter capital), perpetual financial instruments, subordinated debt (hereinafter, the "financial instruments") of legal entities, whose financial statements are not consolidated in preparation of the Bank's IFRS financial statement, and deduction of deferred tax assets, regulatory adjustments to be deducted from the tier 2 capital, but due to insufficient levels of it deducted from additional capital.
b. Tier 2 capital, which comprises the subordinated debt denominated in the national currency,less investments in the subordinated debt of the financial organizations, in which the Bank owns 10% and more of the issued shares (interests in the charter capital) of a legal entity.

The equity is the sum of tier 1 tier 2 capital.

Various further limits and qualifying criteria are applied to the above elements of the capital base.Under the current capital requirements set by the NBRK banks have to maintain:

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

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

k1 – 7.5%
k1-2 – 8.5%
k2 – 10.0%.

The Bank has complied with all externally imposed capital requirements as at 31 December 2021.

As at 31 December 2021 and 31 December 2020, the Bank's capital adequacy ratio, computed in accordance with the NBRK requirements, comprised:

	31 December 2021	31 December 2020
Tier 1 capital	36,313,249	30,332,821
Tier 2 capital	-	-
Total capital	**36,313,249**	**30,332,821**
Risk weighted assets and contingent liabilities, possible claims and liabilities, operational risk, market risk	**16,533,796**	**14,168,739**
Capital adequacy ratio k-1	**219.60%**	**214.10%**
Capital adequacy ratio k1-2	**219.60%**	**214.10%**
Capital adequacy ratio k2	**219.60%**	**214.10%**

19. CREDIT RELATED COMMITMENTS

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

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

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

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

	31 December 2021	31 December 2020
Contracted amount		
Guarantees	112,424	-

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded. The majority of loan and credit line commitments do not represent an unconditional credit related commitment by the Bank.

All credit related commitments related to issued guarantees are allocated to Stage 1 of the credit risk grade.

20. CONTINGENCIES

(a) Insurance

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

(b) Litigation

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

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

(c) Taxation contingencies

These circumstances may create tax risks in 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

21. RELATED PARTY TRANSACTIONS

(a) Control relationship

The Bank's parent company is Industrial and Commercial Bank of China JSC. The party with ultimate control over the Bank is the Government of the People's Republic of China.

Publicly available financial statements are produced by the Bank's parent company.

(b) Transactions with members of the Board of Directors and Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2021 and 31 December 2020 is as follows:

	2021	2020
Short-term employee benefits	84,139	84,180
	84,139	**84,180**

These amounts include cash and non-cash benefits in respect of the members of the Board of Directors and the Management Board.

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

	31 December 2021	Average interest rate, %	31 December 2020	Average interest rate, %
Statement of financial position				
Current accounts and deposits from customers	43,996	-	34,064	-

(c) Transactions with other related parties

The outstanding balances and the related average 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.

	Transactions with the parent company and related entities				Transactions with entities related to People's Republic of China				
	Parent Company		Entities under common control		Government entities		Government related entities*		
	'000 KZT	Average interestrate, %	'000 KZT	Average interestrate, %	'000 KZT	Average interestrate, %	'000 KZT	Average interest rate, %	Total
Statement of financial position									
ASSETS									
Cash and cash equivalents									
- in USD	741,864	0.08	13,054,341	1.00	-	-	-	-	13,796,205
- in CNY	5,206,097	0.35	1,190,323	0.75	-	-	-	-	6,396,420
- in other currency	1,092,195	0.04	1,985,812	0.00	-	-	-	-	3,078,007
Loan to corporate clients									
- in KZT	-	-	-	-	-	-	5,513,096	12.25	5,513,096
Other assets									
- in KZT	7,130	-	-	-	-	-	748	-	7,878
LIABILITIES									
Due to banks									
- in KZT	274,953	-	-	-	-	-	20,149	-	295,102
- in USD	-	-	-	-	-	-	12,501	-	12,501
- in other currency	-	-	-	-	-	-	109,979	-	109,979
Current accounts and deposits from customers									
- in KZT	-	-	-	-	49,868	-	72,431,464	4.31	72,481,332
- in USD	-	-	-	-	658,036	-	122,750,651	0.38	123,408,687
- in other currency	-	-	-	-		-	3,320,723	0.00	3,320,723
Other borrowed funds									
- in JPY			4,132,889	0.27	-	-	-	-	4,132,889
Other liabilities									
- in KZT	-	-	-	-	-	-	13,870	-	13,870
- in CNY	82,006	-	-	-	-	-	-	-	82,006
Profit/(loss)									
Interest income	3,107	-	209,205	-	-	-	183,712	-	396,024
Interest expenses	(12,054)	-	(29,729)	-	-	-	(1,364,006)	-	(1,405,789)
Fee and commission income	-	-	-	-	3,270	-	105,751	-	109,021
Fee and commission expenses	(5,413)	-	(3,445)	-	-	-	(43)	-	(8,901)
Net foreign exchange gain	1,089	-	7,393	-	1,038	-	98,472	-	107,992
Other operating expenses	(113,989)	-	-	-	-	-	(867)	-	(114,856)
Other income	-	-	-	-	-	-	315	-	315

The outstanding balances and the related average 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.

	Transactions with the parent company and related entities				Transactions with entities related to People's Republic of China				
	Parent Company		Entities under common control		Government entities		Government related entities*		
	'000 KZT	Average interestrate, %	'000 KZT	Average interestrate, %	'000 KZT	Average interestrate, %	'000 KZT	Average interest rate, %	Total
Statement of financial position									
ASSETS									
Cash and cash equivalents									
- in USD	653,590	0.08	17,981,498	1.00	-	-	-	-	18,635,088
- in CNY	1,002,204	0.35	3,734,776	0.85	-	-	1,629,891	0.35	6,366,871
- in other currency	47,423	0.05	770,444	-	-	-	3	-	817,870
LIABILITIES									
Due to banks									
- in KZT	95,451	-	-	-	-	-	47,466	-	142,917
- in USD	-	-	-	-	-	-	15,558	-	15,558
- in other currency	-	-	-	-	-	-	16,802	-	16,802
Current accounts and deposits from customers									
- in KZT	-	-	-	-	206,414	-	33,170,023	6.75	33,376,437
- in USD	-	-	-	-	989,424	-	99,603,958	0.45	100,593,382
- in other currency	-	-	-	-	-	-	240,049	-	240,049
Other borrowed funds									
- in JPY	-	-	11,266,144	0.26	-	-	-	-	11,266,144
Other liabilities									
- in KZT	-	-	-	-	-	-	13,022	-	13,022
Profit/(loss)									
Interest income	4,735	-	204,329	-	-	-	103,509	-	312,573
Interest expenses	(19)	-	(47,806)	-	-	-	(260,420)	-	(308,245)
Fee and commission income	39	-	40	-	2,533	-	167,821	-	170,433
Fee and commission expenses	(3,120)	-	(2,083)	-	-	-	(224)	-	(5,427)
Net foreign exchange gain	(13,988)	-	(125,331)	-	(357)	-	26,315	-	(113,361)
Other income	-	-	-	-	3	-	181	-	184
Other operating expenses	(10,456)	-	-	-	-	-	(837)	-	(11,293)

* Government related entities are entities that are controlled, jointly controlled of significantly influenced by the government of the People's Republic of China.

22. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

(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.

	Measured at fair value through profit or loss	Measured at amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	-	189,448,747	189,448,747	189,448,747
Placements with banks and other financial institutions	-	1,104,500	1,104,500	1,104,500
Loans to corporate customers	-	10,053,367	10,053,367	10,053,367
Investments measured at amortized cost	-	59,499,841	59,499,841	58,761,030
Other financial assets	-	28,669	28,669	28,669
	-	**260,135,124**	**260,135,124**	**259,396,313**
Due to banks	-	3,044,736	3,044,736	3,044,736
Current accounts and deposits from customers	-	217,108,267	217,108,267	217,108,267
Other borrowed funds	-	4,132,889	4,132,889	4,132,889
Financial instruments measured at fair value through profit or loss	65	-	65	65
Other financial liabilities	-	100,613	100,613	100,613
	65	**224,386,505**	**224,386,570**	**224,386,570**

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

	Measured at fair value through profit or loss	Measured at amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	-	124,410,888	124,410,888	124,410,888
Placements with banks and other financial institutions	-	1,417,275	1,417,275	1,417,275
Loans to corporate customers	-	67,631,043	67,631,043	67,631,043
Investments measured at amortized cost	-	22,549,187	22,549,187	22,345,516
Financial instruments measured at fair value through profit or loss	395	-	395	395
Other financial assets	-	20,871	20,871	20,871
	395	**216,029,264**	**216,029,659**	**215,825,988**
Due to banks	-	20,564,645	20,564,645	20,564,645
Current accounts and deposits from customers	-	154,962,739	154,962,739	154,979,468
Other borrowed funds	-	11,266,144	11,266,144	11,266,144
	-	**186,793,528**	**186,793,528**	**186,810,257**

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 realizable in an immediate sale of the assets or settlement of liabilities.

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

The objective of valuation techniques is to arrive at a fair value determination 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.

The Bank uses widely recognised valuation models for determining the fair value of financial instruments. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models. 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.

(b) Fair value hierarchy

The Bank 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: inputs other than quotes prices included within Level 1 that are observable 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 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: inputs that are unobservable. 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 differences between the instruments.

The table below analyses financial instruments measured at fair value by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position:

	31 December 2021	31 December 2020
	Level 2	Level 2
Financial instruments at fair value through profit or loss		
- Derivative assets	-	395
- Derivative liabilities	65	-
	65	395

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at 31 December 2021, excluding the financial instruments, for which the carrying amount approximates the fair value:

	Level 2	Total fair values	Total carrying amount
Assets			
Investment securities measured at amortized cost	58,761,030	58,761,030	59,499,841

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at 31 December 2020, excluding the financial instruments, for which the carrying amount approximates the fair value:

	Level 2	Total fair values	Total carrying amount
Assets			
Investment securities measured at amortized cost	22,345,516	22,345,516	22,549,187

23. EVENTS AFTER THE REPORTING PERIOD

At the start of January 2022, Kazakhstan witnessed mass protests, which turned into unrest. On 5 January, the President introduced a state of emergency across the country, which was in place until 19 January. During the mass protests internet access was restricted across Kazakhstan, bank operations and transactions were suspended, stock and commodity exchanges were closed, and flights were cancelled, resulting in businesses being unable to function effectively.

The situation in Kazakhstan stabilised and was under the control of the authorities by 15 January. The government is focusing on addressing the political and socio-economic situation.

In February 2022, tenge depreciated significantly against major foreign currencies amid the external geopolitical situation. In order to reduce the negative impact of external factors on the Kazakhstani economy, the National Bank of the Republic of Kazakhstan ("NBRK") raised the base rate from 10.25% to 13.5% per annum with a corridor of +/- 1.0 p.p., and interventions on the currency market were performed to support tenge exchange rate against foreign currencies. However, there is uncertainty exists related to the future development of the geopolitical risks and their impact on the economy of the Republic of Kazakhstan.

These events did not have a significant impact on the Bank's operating activities and on its financial statements.

Management of the Bank is monitoring developments in the economic and political situation and taking measures it considers necessary in order to support the sustainability and development of the Bank's business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Bank's operations.