Citibank Kazakhstan JSC

Financial Statements
for the year ended
31 December 2021

Contents

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Independent Auditors' Report

To the Shareholder of Citibank Kazakhstan JSC

Opinion

We have audited the financial statements of Citibank Kazakhstan 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, comprising significant accounting policies and other explanatory information.

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 (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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.

Responsibilities of Management and Those Charged with Governance for the 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 accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the 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.

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

Sergey Mesheryakov
Audit Director

Mukhit Kossayev
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
558 of 24 December 2003

KPMG Audit LLC

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

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

25 April 2022

	Note	2021 '000 KZT	2020 '000 KZT
Interest income calculated using the effective interest method	4	35,543,905	29,888,924
Other interest income	4	3,142,535	2,455,931
Interest expense	4	(8,430,404)	(9,500,606)
Net interest income		**30,256,036**	**22,844,249**
Fee and commission income	5	5,101,120	3,629,045
Fee and commission expense	6	(1,184,137)	(1,033,653)
Net fee and commission income		**3,916,983**	**2,595,392**
Net foreign exchange gain	7	33,813,125	42,974,424
Net gain/(loss) on derivative financial instruments		1,109,131	(191,292)
Net realized gain/(loss) on investment securities		294,589	(1,383,069)
Other operating income, net		2,338,003	2,459,574
Operating income		**71,727,867**	**69,299,278**
Impairment recovery/(charge) on debt financial assets and credit related commitments	8	66,029	(134,018)
General administrative expenses	9	(12,940,364)	(9,952,926)
Profit before taxes		**58,853,532**	**59,212,334**
Income tax expense	10	(8,864,401)	(8,388,660)
Profit for the year		**49,989,131**	**50,823,674**
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (debt instruments):			
- Net change in fair value		(712,362)	363,851
- Net change in expected credit losses		(53,142)	117,804
Other comprehensive income for the year		**(765,504)**	**481,655**
Total comprehensive income for the year		**49,223,627**	**51,305,329**

These financial statements as set out on pages 6 to 54 were approved by Management and were signed on its behalf by:

Saule Zhakayeva
Chief Executive Officer

22 April, 2022
Almaty, Kazakhstan

Madina Omurzakova
Chief Accountant

22 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.

	Note	2021 ’000 KZT	2020 ’000 KZT
ASSETS			
Cash and cash equivalents	11	841,620,865	683,489,280
Placements with banks	12	8,456,656	6,138,829
Derivative instruments at fair value through profit or loss	13	4,703,382	858,495
Financial assets at fair value through profit or loss	14	34,251,631	10,500,939
Investment securities	15	115,652,549	132,973,766
Loans to customers	16	95,028,073	76,866,276
Property, equipment and intangible assets	17	1,107,553	883,055
Current tax assets		408,273	-
Deferred tax asset	10	-	51,152
Other assets		346,506	310,639
Total assets		**1,101,575,488**	**912,072,431**
LIABILITIES			
Derivative instruments at fair value through profit or loss	13	667,754	272,929
Deposits and balances from banks and other financial institutions	18	31,994,179	29,111,501
Current accounts and deposits from customers	19	939,364,505	699,430,060
Amounts payable under repurchase agreements	20	-	20,005,288
Current tax liabilities		-	263,482
Deferred tax liabilities	10	219,779	-
Other liabilities		3,085,901	1,930,926
Total liabilities		**975,332,118**	**751,014,186**
EQUITY			
Share capital	21	12,497,625	12,497,625
Additional paid-in capital		61,975	61,975
Fair value reserve		(317,196)	448,308
Retained earnings		114,000,966	148,050,337
Total equity		**126,243,370**	**161,058,245**
Total liabilities and equity		**1,101,575,488**	**912,072,431**

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

	2021 '000 KZT	2020 * '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	35,244,639	30,917,570
Interest payments	(8,548,664)	(9,871,361)
Fee and commission receipts	5,102,033	3,620,299
Fee and commission payments	(1,182,866)	(988,673)
Net receipts from foreign exchange and derivatives	29,501,374	23,333,098
Net (gain)/loss on financial assets at fair value through profit or loss	(161,236)	347,645
Other receipts	2,695,121	2,518,739
General administrative payments	(12,641,938)	(9,671,044)
Decrease/(increase) in operating assets		
Financial assets at fair value through profit or loss	(23,096,404)	(10,184,398)
Placements with banks	(2,164,050)	(4,771,523)
Loans to customers	(17,431,581)	7,279,017
Other assets	(28,885)	2,071
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	2,564,488	9,277,588
Current accounts and deposits from customers	231,175,728	18,697,204
Amounts payable under repurchase agreements	(20,000,781)	20,000,781
Other liabilities	1,019,454	149,212
Net cash from operating activities before income tax paid	**222,046,432**	**80,656,225**
Income tax paid	(9,265,186)	(6,942,777)
Cash flows from operating activities	**212,781,246**	**73,713,448**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(143,529,275)	(454,383,380)
Sales and redemption of investment securities	163,141,816	357,200,916
Purchases of property, equipment and intangible assets	(338,268)	(86,254)
Sales of property, equipment and intangible assets	26,652	-
Cash flows from/(used in) in investing activities	**19,300,925**	**(97,268,718)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(84,038,502)	(13,200,000)
Cash flows used in financing activities	**(84,038,502)**	**(13,200,000)**
Net increase/(decrease) in cash and cash equivalents	**148,043,669**	**(36,755,270)**
Effect of changes in exchange rates on cash and cash equivalents	10,087,916	20,651,332
Cash and cash equivalents at 31 December 2020	683,489,280	699,593,218
Cash and cash equivalents at 31 December 2021 (Note 11)	**841,620,865**	**683,489,280**

* For change in comparatives see Note 2 (e).

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

’000 KZT	**Share capital**	**Additional paid-in capital**	**Fair value reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2020	12,497,625	61,975	(33,347)	110,426,663	122,952,916
Profit for the year	-	-	-	50,823,674	50,823,674
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
-Net change in fair value	-	-	363,851	-	363,851
-Net change in expected credit losses	-	-	117,804	-	117,804
Total other comprehensive income	**-**	**-**	**481,655**	-	**481,655**
Total comprehensive income for the year	-	-	**481,655**	**50,823,674**	**51,305,329**
Transactions with owners, recorded directly in equity					
Dividends declared and paid (Note 21)	-	-	-	(13,200,000)	(13,200,000)
Balance at 31 December 2020	**12,497,625**	**61,975**	**448,308**	**148,050,337**	**161,058,245**
Balance at 1 January 2021	12,497,625	61,975	448,308	148,050,337	161,058,245
Profit for the year	-	-	-	49,989,131	49,989,131
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
-Net change in fair value	-	-	(712,362)	-	(712,362)
-Net change in expected credit losses	-	-	(53,142)	-	(53,142)
Total other comprehensive income	**-**	**-**	**(765,504)**	-	**(765,504)**
Total comprehensive income for the year	-	-	**(765,504)**	**49,989,131**	**49,223,627**
Transactions with owners, recorded directly in equity					
Dividends declared and paid (Note 21)	-	-	-	(84,038,502)	(84,038,502)
Balance at 31 December 2021	**12,497,625**	**61,975**	**(317,196)**	**114,000,966**	**126,243,370**

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

1 Background

(a) Principal activities

Citibank Kazakhstan JSC (the "Bank") was established as a joint stock company in the Republic of Kazakhstan. The Bank was granted its general banking license in 1998 and the license for conduction of operations on the securities market in 1999 and these licenses were updated in February 2020. The Bank is a member of the state deposit insurance system in the Republic of Kazakhstan.

The principal activities of the Bank are corporate deposit taking, corporate lending, cash management, custody operations, operations with government securities, money market and foreign exchange transactions. The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the "NBRK") and Agency of the Republic of Kazakhstan for regulation and development of the financial market (the "Agency").

The address of the Bank's registered office is: Park Palace, Building A, 2nd floor, 26/41 Zenkova Str., Almaty, A25T0A1, Republic of Kazakhstan. The majority of the Bank's assets and liabilities are located in the Republic of Kazakhstan.

(b) Shareholder

The Bank is wholly-owned by Citibank N.A. (the "Shareholder Bank"). As a result, the Bank is economically dependent upon the Shareholder Bank. In addition, the activities of the Bank are closely linked with the requirements of the Shareholder Bank and determination of the pricing of the Bank's services to the Shareholder Bank is undertaken in conjunction with other Shareholder Bank companies.

(c) Kazakhstan business environment

The Bank's operations are primarily located in Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of Kazakhstan, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Kazakhstan.

The volatility in the global price of oil and the COVID-19 pandemic have also increased the level of uncertainty in the business environment. A military conflict of recent weeks in Ukraine has further increased the level of economic uncertainties in Kazakhstan.

To continue as a going concern, the Bank keeps carrying out its operations using a remote access and takes measures to protect health of the employees working on site, including provision of the individual protective devices, observance of distancing regime, and disinfection of the Bank's premises.

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and investment securities at fair value through other comprehensive income are stated at fair value.

(c) Functional and presentation currency

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

The KZT is also the Bank's 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

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3 (f);
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit losses ("ECL") and selection and approval of models used to measure ECL – Note 3 (l);
- estimates of fair values of financial assets and liabilities – Note 28.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 3 (l);
- estimates of fair values of financial assets and liabilities – Note 28.

(e) Change in comparatives

During preparation of the financial statements as at and for the year ended 31 December 2021, there was revision of presentation of statement of cash flows due to nature of the account balance. Securities at fair value through profit or loss, which previously has been stated in the investing activities reclassified to operating activities.

Management believes that such presentation is more appropriate for users of the financial statements.

The following table shows the effect of such changes on the respective figures:

	As previously reported	Impact of changes	After changes
Statement of Cash flows for the year ended 31 December 2020			
CASH FLOWS FROM OPERATING ACTIVITIES			
Decrease/(increase) in operating assets			
Financial assets at fair value through profit or loss	-	(10,184,398)	(10,184,398)
Net cash from operating activities before income tax paid	**90,840,623**	**(10,184,398)**	**80,656,225**
Cash flows from operating activities	**83,897,846**	**(10,184,398)**	**73,713,448**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(722,028,977)	267,645,597	(454,383,380)
Sales and redemption of investment securities	614,662,115	(257,461,199)	357,200,916
Cash flows used in investing activities	**(107,453,116)**	**10,184,398**	**(97,268,718)**

3 Significant accounting policies

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

(a) Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

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

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

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

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

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Other interest income presented in the statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL.

Interest expense presented in the statement of profit or loss and other comprehensive income includes:

- Financial liabilities measured at amortised cost.

(b) Fees and commission

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 (see Note 3(a)).

Other fee and commission income – including account servicing fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of *IFRS 9 Financial Instruments* ("IFRS 9") and partially in the scope of *IFRS 15 Revenue from Contracts with Customers* ("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 expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(c) Net gain/(loss) on financial assets at FVTPL

"Net gain/(loss) on financial assets at FVTPL" comprises gains less losses related to trading assets and liabilities, and equity securities measured at fair value through profit and loss and includes all fair value changes, and foreign exchange differences.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the KZT - the functional currency of the Bank (the functional currency) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

The exchange rates between the USD and the KZT and the EUR and the KZT as at 31 December 2021 and 2020 were as follows:

Currency	**2021**	**2020**
1 United States Dollar	431.80	420.91
1 Euro	489.10	516.79

(e) Cash and cash equivalents

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

(f) Financial assets and financial liabilities

Classification and Measurement

(i) Financial Assets – Derivatives and Equity Instruments

Under IFRS 9, derivatives and in-scope equity instruments are measured at fair value, with changes reflected through the profit and loss account (FVTPL). Exceptions can only apply if the derivative is part of a hedge accounting programme and equity financial assets designated at FVOCI at initial recognition.

The Bank measures all equity instruments in scope of IFRS 9 at FVTPL.

(ii) Financial Assets – Debt Instruments

Under IFRS 9, the following primary classification and measurement categories exist for financial assets-debt instruments:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value though profit or loss (FVTPL).

In addition, IFRS 9 provides special designation options for financial assets-debt instruments that are either measured at 'amortized cost' or 'FVOCI'. An entity has an option to designate such instruments at FVTPL only where this designation eliminates or significantly reduces an accounting mismatch.

The following paragraphs explain the classification criteria for the 3 categories in more detail.

<u>Amortised Cost</u>

A financial asset-debt instrument shall be classified and subsequently measured at amortized cost (unless designated under FVTPL) only if both of the following conditions are met:

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

<u>FVOCI</u>

A financial asset shall be classified and measured at FVOCI (unless designated at FVTPL) if both of the following conditions are met:

a) business Model test: the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) SPPI test: the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

<u>FVTPL</u>

Any financial instrument that does not fall into either of the above categories shall be classified and measured at fair value through profit and loss. For example, where the asset is not held within a business model whose objective is to hold to collect the contractual cash flows or within a business model whose objective is both to collect the cash flows and to sell the assets, then the asset will be classified as FVTPL.

Moreover, any instrument for which the contractual cash flow characteristics do not comprise solely payments of principal and interest (that is, they fail the SPPI test) must be classified in the FVTPL category.

<u>Business Model Assessment</u>

The Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank's business model does not depend on management's intentions for an individual instrument (i.e., it is not an instrument-by-instrument assessment). This assessment is performed at a higher level of aggregation. The level of aggregation is at a level which is reviewed by key management personnel, enabling them to make strategic decisions for the business. The Bank has more than one business model for managing its financial instruments.

The assessment of the business model requires judgment based on facts and circumstances, considering quantitative factors and qualitative factors.

The Bank considers all relevant evidence that is available at the date of the assessment. Such relevant evidence includes, but is not limited to:

a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;

b) the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

c) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

d) the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

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

If an instrument is held in either a hold to collect or a or hold to collect and sell business model, then an assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal outstanding (SPPI) is required to determine classification. For SPPI, interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a period of time. It can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time and a profit margin that is consistent with a basic lending arrangement. Other contractual features that result in cash flows that are not payments of principal and interest result in the instrument being measured at FVTPL.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that meet the SPPI criteria.

The contractual cash flow test must be performed at initial recognition of the financial asset and, if applicable, as at the date of any subsequent changes to the contractual provisions of the instrument.

(iii) Financial Liabilities

For financial liabilities there are two measurement categories: amortised cost and fair value through profit and loss (including a fair value option category). The Bank separates derivatives embedded in financial liabilities where they are not closely related to the host contract.

The Bank designates financial liabilities at fair value through profit or loss if one of the following exist:

- the liability is managed, and performance evaluated on a fair value basis;
- electing fair value will eliminate or reduce an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, fair value changes are presented as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability must be recorded in OCI; and
- the remaining amount of the change in the fair value of the liability is recorded in P&L.

Upon early extinguishment (e.g., liability is repurchased before maturity), changes in own credit rating previously recorded in OCI will not be recycled to P&L. The OCI balance is reclassified directly to retained earnings.

(iv) Reclassifications

Financial asset classification is determined at initial recognition and reclassifications are expected to be extremely rare. A financial asset can only be reclassified if the business model for managing the financial asset changes.

Reclassification of financial liabilities is not permitted. Reclassification of financial instruments designated under FVTPL or FVOCl is also not permitted.

(v) Modifications

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, 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 derecognised and a new financial asset is recognised at fair value.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Bank shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss.

As the Bank classifies a financial asset at initial recognition on the basis of the contractual terms over the life of the instrument, reclassification on the basis of a financial asset’s contractual cash flows is not permitted, unless the asset is sufficiently modified that it is derecognised.

Financial Liabilities

The Bank derecognises 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 recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(g) Repurchase and reverse repurchase agreements

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

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

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

(h) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments, which values are dependent upon or derived from one or more underlying assets.

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

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

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;

- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

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

(i) Placements with banks

In the normal course of business, the Bank maintains nostro accounts, loans, and deposits for various periods of time with other banks. Placements with banks with a fixed maturity terms are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at amortised cost based on expected maturities. Placements with banks are carried net of any allowance for impairment loss, if any.

(j) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

Offices	50 years;
Leasehold improvements	10 years;
Computers	3 years;
Fixtures and fittings	5 years;
Vehicles	5 years.

(k) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life of 5 years.

(l) Impairment

The IFRS 9 impairment standard applies to any debt instruments measured at amortised cost or at fair value through other comprehensive income and also to off balance sheet loan commitments and financial guarantees, including:

- Investments in debt instruments measured at amortised cost. Such investments will include:
  - Corporate loans (including overdrafts and credit cards);
  - Deposits with banks; and
  - Reverse repurchase agreements.
- Investments in debt instruments measured at fair value through other comprehensive income (FVOCI);
- All irrevocable loan commitments that are not measured at FVTPL;

- Written financial guarantee contracts to which IFRS 9 is applied and that are not accounted for at FVTPL;
- Trade receivables in the scope of IFRS 15 (Revenue contracts with customers); and
- Any other receivables (e.g., brokerage receivables).

Expected credit loss impairment model

Credit loss allowances are measured on each reporting date according to a three-Stage expected credit loss impairment model under which each financial asset is classified in one of the stages below:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.
- Stage 2 – Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognised equal to the full credit losses expected over the remaining life of the asset. Interest is calculated based on the gross carrying amount of the asset.

The credit losses for financial assets in Stage 1 and Stage 2 are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognised. Credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Evidence that a financial asset is -impaired includes observable data that comes to the attention of the Bank such as:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

Loans are written off when there is no realistic probability of recovery.

The estimation of an expected credit loss (ECL) is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

The measurement of an ECL is primarily determined by an assessment of the financial asset’s probability of default (PD), loss given default (LGD) and exposure at default (EAD) where the cash shortfalls are discounted to the reporting date. For a financial asset in Stage 1, the Bank utilises a 12-month PD, whereas a financial asset within Stage 2 and Stage 3 will utilise a lifetime PD in order to estimate an impairment allowance.

Wholesale Classifiably Managed Exposures

An impairment allowance estimated for Corporate loans utilising sophisticated models depending on the relative size, quality and complexity of the portfolios.

Other Financial Assets Simplified Approaches

For other financial assets, being short term and simple in nature, the Bank applies a simplified measurement approach that may differ from what is described above. This approach leverages existing models currently used globally for stress-testing and regulatory capital reporting purposes, but incorporates specifically developed components to make the estimates compliant with IFRS 9.

Significant increase in credit risk (SICR)

A financial asset will move from Stage 1 to Stage 2 if there has been a significant increase in credit risk relative to initial recognition. The Bank assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. Determining whether there has been a significant increase in credit risk requires significant judgement. When making this assessment, the Bank considers the increase in the risk of default (both in relative terms and absolute terms) over the expected life of the financial asset. A given change in absolute terms of the risk of a default since initial recognition will be more significant for a financial instrument with a lower initial risk of default compared to one with a higher initial risk of default. A change in the probability of default of the obligor is driven primarily by the obligor risk rating. Internal credit risk rating categories capture the further qualitative indicators that act as backstops.

Staging

Financial assets can move in both directions through the Stages of the IFRS 9 impairment model depending on whether the assessment of whether there is a significant increase of credit risk since initial recognition or whether the asset is credit impaired subsequently changes

In order to determine the ECL reporting stage for an obligation, Bank checks whether the asset is already credit-impaired (Stage 3) or not (Stage 1 and 2). Stage 2 is determined by the existence of a significant credit deterioration (or credit improvement) compared with the credit rating at initial recognition. Stage 1 assets that do not have significant credit deterioration compared with that at initial recognition. All newly acquired or originated financial assets that are not purchased or originated credit impaired (POCI) are recognised in Stage 1 initially. The existence of a (statistically) significant deterioration/improvement is combined with the materiality of the probability of default to determine whether a transfer in stages is required. The Bank does not rebut the presumption that exposures 30 days past due are deemed to have incurred a significant increase in credit risk. Additional qualitative reviews are also performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

Changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month expected credit losses) and Stage 2 (lifetime expected credit losses), are recorded in profit or loss as an adjustment of the provision for credit losses.

Expected life

When measuring ECL, the Bank considers the maximum contractual period over which the Bank is exposed to credit risk, including possible drawdowns and the expected maturity of the financial asset. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Stage 3 definition of default

As mentioned above, to determine whether an instrument should move to a lifetime ECL, the change in the risk of a default occurring over the expected life of the financial instruments are considered.

The Bank applies a default definition that is consistent with that used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. The definition of default used for this purpose is applied consistently to all financial instruments unless information becomes available that demonstrates another default definition is more appropriate for a particular financial instrument.

The Bank classifies an exposure as a Non-Performing Exposure (NPE) if it satisfies either or both of the following criteria:

- There are material exposures which are more than 90 days past-due;
- The obligor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

A default is considered to have occurred when an exposure is classified as a NPE unless the exposure meets the following criteria:

- The obligor is a subsidiary of an investment grade or BB+ (equivalent) rated parent company; and
- There are no arrears >30 DPD unless due to a dispute or administrative reason; and
- The obligor is being made non-performing solely on the grounds of significant financial difficulty when evaluated on a standalone basis; and
- There is evidence to indicate that the parent or other group companies intend to provide support in order to mitigate the significant financial difficulty of the obligor; and
- There is no expectation of Bank incurring a credit loss from its exposures with the obligor.

Forward Looking Information and multiple economic scenarios

Estimates consider information about past events, current conditions and reasonable and supportable forecasts around future events and economic conditions. The application of forward-looking information (FLI) requires significant judgment. The Bank has developed models that include multiple economic scenarios that consider the variability and uncertainty in expected losses including factors such as GDP growth rates and unemployment rates, provided by the economists in Citi's Global Country Risk Management (GCRM). These estimates are based on portfolio data that reflect the current risk attributes of obligors and debt instruments combined with loss projections derived from the rating migration, PD and loss models built for estimating stress credit losses for wholesale portfolios. As mentioned above, these models have incorporated specifically developed components to make the estimates compliant with IFRS 9. The PD, LGD and Credit Conversion Factor (CCF) models are calibrated to the observed historical patterns of defaults and losses over several years and linked to economic drivers. The model reflects different loss likelihood and loss severity as a function of different economic forecasts. The Bank does not use the best case or worst case scenario, but assesses a representative number of scenarios (at least 3 when applying a sophisticated approach and where multiple scenarios are deemed to have a material non-linear impact) and probability weights these scenarios to determine the ECL.

(m) Loans to customers

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

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

(n) Investment securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost (see Note 3(f)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI (see Note 3(f)).

(o) Financial assets at fair value through profit or loss

The 'financial assets at fair value through profit or loss' caption in the statement of financial position includes investment securities, the aim of which is a trading.

(p) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3(i)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments:

- the Bank recognises a loss allowance (see Note 3(i)).

Liabilities arising from financial guarantees and loan commitments are included within provisions.

(q) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

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

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

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are 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 assets are recognised only 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Income and expense recognition

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

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss.

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

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided. Dividend income is recognised in profit or loss on the date that the dividend is declared.

(t) Fiduciary assets

The Bank provides custody services for assets held by clients in Kazakhstan securities market. These assets and the income arising there from are excluded from these financial statements as they are not assets of the Bank. Commissions received from such business are shown within fee and commission income in the profit or loss.

(u) Lease

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.

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 prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank recognises 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 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 weighted-average 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 amortised 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 that do not meet the definition of investment property in 'property, equipment and intangible assets' and lease liabilities in 'other liabilities' in the statement of financial position.

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets with amount of less than USD 100,000 and short-term leases with a lease term of 12 months or less. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As at 1 January 2021, the Bank's future minimum lease payments under non-cancellable operating leases amounted to KZT 96,204 thousand, on a discounted basis. Weighted-average incremental borrowing rate used to measure lease liability is 10%. As at 31 December 2021, the Bank's future minimum lease payments under non-cancellable operating leases amounted to KZT 213,127 thousand.

(v) New standards

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Bank has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Bank's financial statements.

- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);*
- *Deferred tax relating to Assets and Liabilities arising from a single Transaction (Amendments to IAS 12);*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);*
- *COVID-19-Related Rent Concessions covering periods after 30 June 2021 (Amendment to IFRS 16);*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);*
- *Reference to Conceptual Framework (Amendments to IFRS 3);*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1);*
- *IFRS 17 Insurance Contracts;*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2;*
- *Definition of Accounting Estimates (Amendments to IAS 8).*

4 Net interest income

	2021 '000 KZT	2020 '000 KZT
Interest income		
Interest income calculated using the effective interest method		
Investment securities	13,596,946	11,900,124
Cash and cash equivalents	13,430,661	10,495,758
Loans to customers	8,514,724	7,489,575
Placements with banks	1,574	3,467
	35,543,905	**29,888,924**
Other interest income		
Financial assets at fair value through profit or loss	3,142,535	2,455,931
	3,142,535	**2,455,931**
Interest expense		
Current accounts and deposits from customers	6,808,278	8,104,501
Amounts payable under repurchase agreements	803,905	713,988
Deposits and balances from banks and other financial institutions	797,599	669,197
Operating lease	20,622	12,920
	8,430,404	**9,500,606**
Net interest income	**30,256,036**	**22,844,249**

5 Fee and commission income

	2021 '000 KZT	2020 '000 KZT
Transfers	1,291,116	954,356
Brokerage fees	1,207,930	265,107
Custodian fees	937,525	690,198
Guarantees issued	843,419	778,767
Credit cards	562,329	726,749
Accounts maintenance	194,363	108,361
Letters of credit provided	62,777	67,082
Other	1,661	38,425
	5,101,120	**3,629,045**

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

6 Fee and commission expense

	2021 '000 KZT	2020 '000 KZT
Guarantee and letter of credit issuance fees	394,493	380,398
Credit cards	272,102	292,527
Custodian fees	43,013	18,143
Other	474,529	342,585
	1,184,137	**1,033,653**

7 Net foreign exchange gain

	2021 '000 KZT	2020 '000 KZT
Net forex trading gain	31,842,305	22,761,236
Revaluation of foreign currency denominated instruments	1,970,820	20,213,188
	33,813,125	**42,974,424**

Concentrations of net forex exchange gain

In 2021, the Bank had 2 customers (2020: none) with whom net forex exchange gain exceeded 5% of equity. Total net forex trading gain with these counterparties amounted to KZT 14,821,332 thousand (2020: KZT 0).

8 Impairment recovery/(charge) on debt financial assets and credit related commitments

	2021 '000 KZT	2020 '000 KZT
Cash and cash equivalents (Note 11)	4,656	1,308
Investment securities (Note 15)	53,142	(117,804)
Loans to customers (Note 16)	36,140	(13,652)
Loan commitments and financial guarantee contracts (Note 24)	15,611	(4,670)
Other	(43,520)	800
	66,029	**(134,018)**

9 General administrative expenses

	2021 '000 KZT	2020 '000 KZT
Administrative support provided by related banks	5,750,646	4,677,530
Taxes other than on income	2,995,011	906,176
Employee compensation	2,643,027	2,829,149
Administration	446,175	395,165
Taxes related to employees	232,161	261,362
Cash collection	168,871	149,965
Depreciation and amortisation	165,631	168,952
Depreciation expense on right of use asset	132,794	112,930
Communications and information services	119,038	99,843
Office supplies	85,037	97,072
Professional services	61,841	58,123
Repairs and maintenance	33,536	58,129
Rent	30,588	43,327
Travel expenses	16,239	37,260
Security	14,938	12,312
Representative expenses	14,108	17,449
Advertising and marketing	4,968	3,980
Other	25,755	24,202
	12,940,364	**9,952,926**

Administrative support expenses provided by related banks mainly consists of the following services: business administrative services KZT 1,259,194 thousand, IT services KZT 471,675 thousand, system development KZT 1,462,021 thousand, compliance services KZT 650,898 thousand, finance services KZT 284,677 thousand and other services KZT 1,622,181 thousand (31 December 2020: business administrative services KZT 1,065,919 thousand, IT services KZT 886,976 thousand, system development KZT 561,000 thousand, compliance services KZT 477,300 thousand, finance services KZT 240,411 thousand and other services KZT 1,445,924 thousand).

Bank made a reserve on KZT 1,243,248 thousand in the tax payment line in December 2021. Based on the official response received from State Revenues Department of Almaty the reserve was released in 2022.

10 Income tax expense

	2021 '000 KZT	2020 '000 KZT
Current tax expense		
Current year	8,580,188	8,414,944
Overprovided in prior years	13,282	4,745
	8,593,470	**8,419,689**
Deferred tax expense		
Origination and reversal of temporary differences	270,931	(31,029)
Total income tax expense	**8,864,401**	**8,388,660**

Reconciliation of effective tax rate:

	2021 '000 KZT	%	2020 '000 KZT	%
Profit before tax	**58,853,532**		**59,212,334**	
Income tax at the applicable tax rate	11,770,706	20.00	11,842,467	20.00
Current tax expense over provided in prior years	13,282	0.02	4,745	0.01
Non-taxable income on securities	(3,428,287)	(5.83)	(2,955,167)	(4.99)
Other non-taxable income	(81,901)	(0.14)	(208,660)	(0.35)
Non-deductible expenses	605,453	1.03	568,394	0.96
Change in unrecognised deferred tax assets	(14,852)	(0.03)	(863,119)	(1.46)
	8,864,401	**15.05**	**8,388,660**	**14.17**

Deferred tax asset and liability

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

Deferred tax assets on losses on non-deliverable derivatives are not recognised in these financial statements. Future tax benefits will only be realised if taxable profits from similar financial instruments will be available against which unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim deductions in future periods. These future tax benefits are not recognised by the Bank due to uncertainties concerning their realisation.

The Bank's applicable tax rate in 2021 is the income tax rate of 20% for Kazakhstan companies (2020: 20%). Movements in temporary differences during the years ended 31 December 2021 and 31 December 2020 are presented as follows:

'000 KT	**Balance 1 January 2021**	**Recognised in profit or loss**	**Balance 31 December 2021**
Financial instruments at fair value through profit or loss	(55,800)	(231,504)	(287,304)
Property and equipment	(46,052)	(7,922)	(53,974)
Right-of-use asset	(19,241)	(23,384)	(42,625)
Other assets	157,413	(33,406)	124,007
Tax losses carry forward on non-deliverable derivatives	1,154,239	(14,852)	1,139,387
Lease liability	14,832	25,285	40,117
Total deferred tax assets	**1,205,391**	**(285,783)**	**919,608**
Unrecognised deferred tax asset	(1,154,239)	14,852	(1,139,387)
Recognised deferred tax assets/(liabilities)	**51,152**	**(270,931)**	**(219,779)**

'000 KZT	**Balance 1 January 2020**	**Recognised in profit or loss**	**Balance 31 December 2020**
Financial instruments at fair value through profit or loss	(77,550)	21,750	(55,800)
Property and equipment	(48,682)	2,630	(46,052)
Right-of-use asset	(41,827)	22,586	(19,241)
Other assets	146,143	11,270	157,413
Tax losses carry forward on non-deliverable derivatives	2,017,357	(863,118)	1,154,239
Lease liability	42,040	(27,208)	14,832
Total deferred tax assets	**2,037,481**	**(832,090)**	**1,205,391**
Unrecognised deferred tax asset	(2,017,357)	863,119	(1,154,239)
Recognised deferred tax assets	**20,124**	**31,029**	**51,152**

11 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year are composed of the following items:

	2021 '000 KZT	**2020 '000 KZT**
Current accounts and Placements with the National Bank of the Republic of Kazakhstan	**821,433,743**	**636,748,902**
Current accounts:		
- rated A- to A+	19,283,395	43,534,907
- rated B- to B+	15,581	40,929
Non-rated	894,022	3,174,955
Total current accounts with banks	**20,192,998**	**46,750,791**
	841,626,741	**683,499,693**
Loss allowances	(5,876)	(10,413)
Total cash and cash equivalents	**841,620,865**	**683,489,280**

Ratings are based on Standard and Poor's rating system.

None of the cash and cash equivalents are credit-impaired or past due. All amounts of cash and cash equivalents are classified into Stage 1 for the purpose of loss allowance determination.

Reconciliations from the opening to the closing balances of the loss allowance represented in below table.

	2021		2020
'000 KZT	**Stage 1**	**Total**	**Total**
Cash and cash equivalents			
Balance at 1 January	10,413	10,413	10,824
Net remeasurement of loss allowance	(4,656)	(4,656)	(1,308)
Foreign exchange and other movements	119	119	897
Balance at 31 December	**5,876**	**5,876**	**10,413**

No significant changes in the gross carrying amount of financial instruments during the period that contributed to changes in loss allowance.

Concentration of placements with banks

As at 31 December 2021 the Bank has no bank except for the NBRK (2020: 1 bank except for the NBRK) whose balances exceed 10% of equity.

Current accounts amounting to KZT 20,176,078 thousand as at 31 December 2021 (2020: KZT 46,709,627 thousand) are placed with entities of Citigroup Inc. No overnight placements.

Minimum reserve requirements of the National Bank of the Republic of Kazakhstan

Minimum reserve requirements are calculated in accordance with regulations issued by the NBRK and should be maintained as average of cash on hand and balances on current account with the NBRK for the four-week period calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other bank liabilities. As at 31 December 2021 the minimum reserve requirements equaled KZT 25,212,182 thousand (31 December 2020: KZT 18,555,051 thousand).

12 Placements with banks

	2021 '000 KZT	2020 '000 KZT
Placements with banks with original maturities more than three months		
- rated A- to A+	1,979,656	1,929,729
- not rated	6,477,000	4,209,100
Allowance for expected credit losses	-	-
Total placements with banks	**8,456,656**	**6,138,829**

Ratings are based on Standard and Poor's rating system.

No placements with banks were credit-impaired or past due as at 31 December 2021 (2020: none). All amounts of placements with banks are classified into Stage 1 for the purpose of loss allowance determination.

As at 31 December 2021 the Bank pledged a margin deposit for liabilities on derivative financial instruments of KZT 8,456,656 thousand (31 December 2020: KZT 6,138,829 thousand) including a placement on the Kazakhstan Stock Exchange ("KASE") of KZT 6,477,000 thousand (31 December 2020: KZT 4,209,100 thousand).

13 Derivative instruments at fair value through profit or loss

	2021 '000 KZT	2020 '000 KZT
Assets		
Derivative financial instruments		
Forward exchange contracts	4,703,382	858,495
Liabilities		
Derivative financial instruments		
Forward exchange contracts	667,754	272,929

The table below summarises, by major currency, the contractual amounts of the Bank's forward exchange contracts outstanding at 31 December 2021 and 31 December 2020 with details of the contracted exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, have been recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount				Weighted average contracted exchange rates	
	2021 '000 KZT		2020 '000 KZT			
	Receivables	Payables	Receivables	Payables	2021	2020
Buy USD sell KZT						
Less than three months	69,541,995	(69,493,078)	27,168,280	(27,236,367)	435.47	430.08
Between three months and one year	1,677,205	(1,670,906)	-	-	444.63	-
Sell USD buy KZT						
Less than three months	202,355,710	(198,975,229)	163,236,804	(162,799,306)	442.78	424.37
Between three months and one year	4,243,523	(4,175,864)	55,314	(53,723)	453.46	452.78
Buy KZT sell EUR						
Less than three months	2,625,845	(2,439,299)	482,027	(483,665)	539.71	520.22
Between three months and one year	2,215,887	(2,100,038)	559,398	(560,883)	534.12	537.04
Buy EUR sell KZT						
Less than three months	5,812	(5,833)	-	-	493.35	-
Buy EUR sell USD						
Less than three months	47,082,270	(47,109,785)	499,303	(483,777)	1.18	1.19
Between three months and one year	2,120,351	(2,185,703)	588,241	(571,349)	1.17	1.20
Buy USD sell EUR						
Less than three months	1,502,868	(1,500,129)	-	-	1.17	-
Between three months and one year	-	-	13,013	(13,301)	-	1.21
Buy USD sell RUB						
Less than three months	-	-	13,126	(13,089)	-	74.73
Buy USD sell GBP						
Between three months and one year	459,088	(447,102)	-	-	1.39	-
Buy KZT sell GBP						
Less than three months	148,255	(147,278)	-	-	589.11	-
Buy GBP sell KZT						
Less than three months	434,631	(448,056)	-	-	634.58	-
Buy KZT sell RUB						
Less than three months	8,738,330	(8,453,601)	3,448,511	(3,350,683)	5.98	5.80
Between three months and one year	8,525,522	(8,199,035)	4,870,397	(4,765,083)	6.01	5.85
Buy RUB sell USD						
Less than three months	13,347,056	(13,468,287)	16,579,752	(16,668,924)	74.57	75.29
Between three months and one year	8,164,208	(8,349,739)	4,904,681	(4,843,055)	76.62	77.15
Buy GBP sell USD						
Less than three months	149,205	(146,484)	-	-	1.33	-
Buy other currencies sell KZT						
Less than three months	389,665	(401,847)	-	-	49.51	-
Between three months and one year	193,685	(196,632)	607,687	(530,861)	51.98	46.53
Buy KZT sell other currencies						
Between three months and one year	348,396	(328,308)	80,502	(88,378)	54.72	47.74
Buy USD sell other currencies						
Less than three months	414,011	(397,799)	-	-	8.67	-
Between three months and one year	206,403	(198,972)	555,486	(625,340)	8.66	9.25
Buy other currencies sell USD						
Between three months and one year	327,013	(342,302)	90,527	(79,699)	8.56	9.33
	375,216,934	**(371,181,306)**	**223,753,049**	**(223,167,483)**		
Net		**4,035,628**		**585,566**		

The following table provides information on the credit quality of foreign currency contracts, which are assets:

	2021 '000 KZT	2020 '000 KZT
Large OECD banks	3,351,472	542,704
Medium and small Kazakhstan companies	1,351,910	315,791
	4,703,382	**858,495**

No financial instruments at fair value through profit or loss are past due as at 31 December 2021 (2020: none).

14 Financial assets at fair value through profit or loss

	2021 '000 KZT	2020 '000 KZT
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan (Country sovereign rating: BBB-)	33,331,131	9,303,586
Notes issued by the National Bank of the Republic of Kazakhstan (Country sovereign rating: BBB-)	918,300	1,195,153
Other investments	2,200	2,200
	34,251,631	**10,500,939**

15 Investment securities

	2021 '000 KZT	2020 '000 KZT
Investment securities at fair value through other comprehensive income		
Notes issued by the National Bank of the Republic of Kazakhstan (Country sovereign rating: BBB-)	-	66,577,598
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan (Country sovereign rating: BBB-)	115,652,549	66,396,168
Gross investment securities at fair value through other comprehensive income	**115,652,549**	**132,973,766**
Allowance for expected credit losses	(89,310)	(142,452)
Net investment securities at fair value through other comprehensive income	**115,652,549**	**132,973,766**

The credit ratings are presented with reference to the credit ratings of Standard&Poor's credit ratings agency or analogues of similar international agencies. No assets are past due or credit-impaired as at 31 December 2021 (2020: none). All investment securities are classified into Stage 1 for the purpose of loss allowance determination. None of the Bonds of the Ministry of Finance of the Republic of Kazakhstan with a fair value were collateralised as at 31 December 2021 (2020: KZT 19,940,723 thousand).

Analysis of movements in loss allowance

The following tables show reconciliations from the opening to the closing balances of the loss allowance on investment securities at FVOCI.

	2021		2020
'000 KZT	**Stage 1**	**Total**	**Total**
Balance at 1 January	142,452	142,452	24,648
Net remeasurement of loss allowance	(44,186)	(44,186)	(2,347)
Financial assets that have been sold/matured	(77,607)	(77,607)	(15,085)
New financial assets purchased	68,651	68,651	135,236
Balance at 31 December	**89,310**	**89,310**	**142,452**

New financial assets purchased during the year ended 31 December 2021 in the amount of KZT 143,529,275 thousand resulted in amount of ECL of KZT 68,651 thousand (2020: new financial assets purchased in amount of KZT 454,383,380 thousand resulted in amount of ECL of KZT 135,236 thousand).

The above loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.

16 Loans to customers

	2021 '000 KZT	2020 '000 KZT
Loans to large corporates	95,058,508	76,809,944
Loans to retail customers	-	121,825
	95,058,508	**76,931,769**
Loss allowances	(30,435)	(65,493)
Loans to customers	**95,028,073**	**76,866,276**

(a) Analysis of movements in loss allowance

The following tables provide reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

'000 KZT	**2021**				**2020**
Loans to customers (corporates and retail customers)	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit impaired**	**Total**	**Total**
Balance at 1 January	**64,606**	**887**	**-**	**65,493**	**44,830**
Net remeasurement of loss allowance	(66,316)	165	-	(66,151)	(18,172)
New financial assets originated or purchased	30,011	-	-	30,011	31,824
Foreign exchange and other movements	1,082	-	-	1,082	7,011
Balance at 31 December	**29,383**	**1,052**	**-**	**30,435**	**65,493**

During the year ended 31 December 2021 most loans were repaid due to the short-term nature of the loans and the amount of KZT 92,569,524 thousand were newly issued (2020: KZT 49,556,975 thousand). That change in gross amount of loans issued to corporate customers contributed to the change in loss allowance.

No contractual amount outstanding on financial assets that were written-off during the year ended 31 December 2021 and 31 December 2020 and that are still subject to enforcement activity.

According to Citi Problem Recognition and Remedial management policy, financial assets are classified based on credit quality and/or the ability or the willingness of the obligor to honor its commitments. Not only does the classification process assist in portfolio monitoring and remedial management, but is also a driver of capital allocation, pricing of credit and profitability.

The classification of exposure occurs at the facility level. Once a facility to an obligor is classified Special Mention or worse, all facilities and exposures of that obligor must be reviewed for potential classification, regardless of the type of accounting treatment. More specifically, this includes exposure arising from an obligor and/or capital commitments as well as Special Purpose Entity ("SPE") related transactions, both on and off-balance sheet (excluding positions in the Trading Book without intent to hold).

Credit Classifications are assigned based upon the obligor's expected performance (i.e., the likelihood that the obligor will be able to service its obligations in accordance with the agreed upon terms). Credit Classifications are meant to measure risk rather than record history. Expected performance should be evaluated over the foreseeable future – generally not less than one year. Determination of Credit Classifications involves the use of realistic repayment assumptions to determine an obligor's ability to de-lever to a sustainable level within a reasonable period of time.

The primary consideration in determining Credit Classifications is the strength of the primary repayment source (e.g., sustainable source of cash). Analysis should be focused on the strength of the obligor's repayment capacity, in other words, the probability of default, where default is the failure to make a required payment in full and on time. As the primary repayment source weakens and default probability increases, collateral and other protective structural elements have a greater bearing on the classification.

The Credit Classifications (Special Mention, Substandard, Doubtful, and Loss) identify different degrees of credit weakness.

The following Credit Facility Classification category definitions are used when determining a facility's classification.

Pass

A Pass facility has no evident weakness, marginal risk or low loss severity and is adequately protected by the obligor's current sound worth and paying capacity of the obligor.

Pass Watch-list

Pass Watch-list is the Bank's internal classification. Facilities extended to an obligor should be considered for a Pass Watch-list classification if the facility exhibits potential weaknesses, but that potential weakness is mitigated by the current and projected financial and operating strength of the obligor.

Special Mention

A Special Mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification

Special Mention assets have potential weaknesses that may, if not checked or corrected, weaken the asset or inadequately protect the institution's position at some future date. These assets pose elevated risk, but their weakness does not yet justify a Substandard classification. Borrowers may be experiencing adverse operating trends (declining revenues or margins) or an ill proportioned balance sheet (e.g., increasing inventory without an increase in sales, high leverage, tight liquidity). Adverse economic or market conditions, such as interest rate increases or the entry of a new competitor, may also support a Special Mention rating. Nonfinancial reasons for rating a credit exposure Special Mention include management problems, pending litigation, an ineffective loan agreement or other material structural weakness, and any other significant deviation from prudent lending practices.

A Special Mention classification must be considered when a Borrower's actual performance is materially inconsistent with Bank's expectations (e.g. Citi Base Case, period over period, etc.).

The Special Mention rating is designed to identify a specific level of risk and concern about asset quality. Although a Special Mention asset has a higher probability of default than a Pass asset, its default is not imminent. Special Mention is not a compromise between Pass and Substandard and should not be used to avoid exercising such judgment.

Substandard

A Substandard facility is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Facilities so classified must have a well-defined weakness, or weaknesses, that jeopardise the liquidation of the debt. They are characterised by the distinct possibility that Bank will sustain some loss if the deficiencies are not corrected.

Substandard facilities have a high probability of payment default, or they have other well-defined weaknesses. They require more intensive supervision by bank management. Substandard facilities are generally characterised by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalisation. Repayment may depend on collateral or other credit risk mitigating factors. For some Substandard facilities, the likelihood of full collection of interest and principal may be in doubt, such facilities should be placed on non-accrual. Although Substandard facilities in the aggregate will have a distinct potential for loss, an individual asset's loss potential does not have to be distinct for the asset to be classified Substandard.

An exposure that is on non-accrual or about to be placed on non-accrual has severe problems such that the full collection of interest and principal is highly questionable. Non-accrual loans will almost always be classified.

Nonperforming loans are defined as past due 90+ days plus non-accrual.

Doubtful

An exposure classified Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

A Doubtful asset has a high probability of total or substantial loss, but because of specific pending events that may strengthen the facility, its classification as Loss is deferred. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain an operating entity. Pending events can include mergers, acquisitions, liquidations, capital injections, the perfection of liens on additional collateral, the valuation of collateral, and refinancing. Generally, pending events should be resolved within a relatively short period and the classifications will be adjusted based on the new information. Because of high probability of loss, non-accrual accounting treatment is required for doubtful facilities.

Loss

Facilities classified Loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the facility has absolutely no recovery or salvage value, but rather that this basically worthless asset should be at least partially written-off.

With Loss exposures, the underlying borrowers are often in bankruptcy, have formally suspended debt repayments, or have otherwise ceased normal business operations. Once an asset is classified Loss, there is little prospect of collecting either its principal or interest. When access to collateral, rather than the value of the collateral, is a problem, a less severe classification may be appropriate. However, the Bank should not maintain an asset on the balance sheet if realising its value would require long-term litigation or other lengthy recovery efforts. Losses are to be recorded in the period an obligation becomes uncollectible.

The following tables show credit quality analysis:

	2021			2020
’000 KZT	**12-month ECL**	**Lifetime ECL**	**Total**	**Total**
Loans and advances to customers at amortised cost				
Pass	60,803,641	3,391	60,807,032	41,952,082
Pass Watch-list	34,212,784	38,692	34,251,476	34,920,152
Special Mention	-	-	-	59,535
Total	**95,016,425**	**42,083**	**95,058,508**	**76,931,769**
Loss allowance	(29,383)	(1,052)	(30,435)	(65,493)
Carrying amount	**94,987,042**	**41,031**	**95,028,073**	**76,866,276**

The Bank has no overdue loans as at 31 December 2021 (2020: nil).

Analysis of collateral

(i) Loans to large corporates

The following tables provide information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral:

31 December 2021 **’000 KZT**	**Loans to customers, carrying amount**	**Fair value of collateral not determined**
Guarantees from related parties	68,243,803	68,243,803
Third party guarantees	17,250,865	17,250,865
No collateral	9,533,405	-
Total loans to large corporates	**95,028,073**	**85,494,668**

31 December 2020 **’000 KZT**	**Loans to customers, carrying amount**	**Fair value of collateral not determined**
No collateral	37,079,206	-
Guarantees from related parties	35,890,305	35,890,305
Third party guarantees	3,775,197	3,775,197
Total loans to large corporates	**76,744,708**	**39,665,502**

The tables above exclude overcollateralisation.

Third party guarantees are mainly provided by large Kazakhstan state-owned corporations or by headquarters of international corporations operating in Kazakhstan. 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.

At 31 December 2021, the Bank did not hold any loans to customers for which no loss allowance is recognised because of collateral.

Change in estimates could affect loss allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loss allowance for loans to corporate customers as at 31 December 2021 would be KZT 950,281 thousand lower/higher (31 December 2020: KZT 767,447 thousand).

(ii) Loans to retail customers

As of 31 December 2021, the Bank did not have mortgage loans. As of 31 December 2020, mortgage loans are secured by the underlying housing real estate.

The following tables provides information on real estate collateral securing mortgage loans:

31 December 2020 **’000 KZT**	**Loans to customers, carrying amount**	**Fair value of collateral – for collateral assessed as at loan inception date**
Real estate	121,568	121,568
Total loans to retail customers	**121,568**	**121,568**

(b) Industry and geographical analysis of the loan portfolio

Loans and advances to customers are issued primarily to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	31 December 2021 ’000 KZT	**31 December 2020 ’000 KZT**
Trade	54,265,651	18,339,718
Manufacturing	30,503,534	29,690,615
Finance	9,975,988	28,693,346
Transportation	237,770	59,535
Miscellaneous services	75,565	26,484
Loans to individuals	-	121,825
Food production	-	246
	95,058,508	**76,931,769**
Loss allowance	(30,435)	(65,493)
Carrying amount	**95,028,073**	**76,866,276**

(c) Significant credit exposures

As at 31 December 2021 the Bank had 3 borrowers (2020: 1), whose loan balances exceeded 10% of equity. The gross value of these loans as at 31 December 2021 was KZT 66,155,619 thousand (2020: KZT 26,089,819 thousand).

17 Property, equipment and intangible assets

’000 KZT	**Offices and leasehold improvements**	**Computers**	**Fixtures and fittings**	**Vehicles**	**Computer software**	**Right-of-use assets**	**Total**
Cost							
Balance at 1 January 2020	**768,965**	**116,830**	**567,910**	**60,128**	**124,165**	**331,838**	**1,969,836**
Additions	-	-	86,254	-	-	-	86,254
Disposals	(196)	(3,975)	(25,660)	-	-	-	(29,831)
Balance at 31 December 2020	**768,769**	**112,855**	**628,504**	**60,128**	**124,165**	**331,838**	**2,026,259**
Additions	-	-	155,383	117,821	-	65,064	338,268
Disposals	-	(29,062)	(64,421)	(24,274)	-	-	(117,757)
Balance at 31 December 2021	**768,769**	**83,793**	**719,466**	**153,675**	**124,165**	**396,902**	**2,246,770**
Depreciation							
Balance at 1 January 2020	**(267,287)**	**(65,122)**	**(277,126)**	**(34,749)**	**(124,165)**	**(122,704)**	**(891,153)**
Depreciation and amortisation charge	(36,131)	(32,749)	(93,366)	(6,706)	-	(112,930)	(281,882)
Disposals	196	3,975	25,660	-	-	-	29,831
Balance at 31 December 2020	**(303,222)**	**(93,896)**	**(344,832)**	**(41,455)**	**(124,165)**	**(235,634)**	**(1,143,204)**
Depreciation and amortisation charge	(36,131)	(16,637)	(91,182)	(21,681)	-	(132,794)	(298,425)
Disposals	-	29,062	64,421	24,274	-	184,655	302,412
Balance at 31 December 2021	**(339,353)**	**(81,471)**	**(371,593)**	**(38,862)**	**(124,165)**	**(183,773)**	**(1,139,217)**
Net book value at 1 January 2021	**465,547**	**18,959**	**283,672**	**18,673**	**-**	**96,204**	**883,055**
Net book value at 31 December 2021	**429,416**	**2,322**	**347,873**	**114,813**	**-**	**213,129**	**1,107,553**

18 Deposits and balances from banks and other financial institutions

	2021 '000 KZT	2020 '000 KZT
Vostro accounts	23,011,201	20,900,246
Term deposits	8,982,978	8,211,255
	31,994,179	**29,111,501**

Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2021 the Bank has no financial institution (2020: none), whose balances exceed 10% of equity.

19 Current accounts and deposits from customers

	2021 '000 KZT	2020 '000 KZT
Current accounts and demand deposits		
- Corporate	776,756,403	579,350,311
- Retail	2,008,924	6,311,564
Term deposits		
- Corporate	160,599,178	113,768,185
	939,364,505	**699,430,060**

Concentrations of current accounts and customer deposits

As at 31 December 2021, the Bank had 10 customers (2020: 6 customers) whose balances exceeded 10% of equity. These balances as at 31 December 2021 amount to KZT 432,095,485 thousand (2020: KZT 247,493,150 thousand).

The customers did not have minimum balance requirement for current accounts and deposits from customers for both years.

20 Amounts payable under repurchase agreements

As at 31 December 2021 the Bank has no amounts under repurchase agreements (During 2020 year, the Bank entered into repurchase agreements at Kazakhstan Stock Exchange. As at 31 December 2020 the amounts payable under repurchase agreements were KZT 20,005,288 thousand, which were repaid in January 2021. The subject-matter of these agreements is coupon bonds of the Ministry of Finance of the Republic of Kazakhstan with a fair value of KZT 19,940,723 thousand).

21 Equity

(a) Issued capital

The authorised, issued and outstanding share capital comprises 621 ordinary shares (2020: 621). All shares have a par value of KZT 20,125 thousand. During 2021 the Bank did not issue ordinary shares (2020: nil).

(b) Dividends

In accordance with Kazakhstan legislation the Bank's distributable reserves are limited to the balance of retained earnings as recorded in the Bank's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank's insolvency. Under Kazakhstan legislation, as at the reporting date, reserves available for distribution amounted to KZT 114,000,966 thousand (2020: KZT 148,050,337 thousand). During 2021 there were dividends declared and paid-in the total amount of KZT 84,038,502 thousand (2020: KZT 13,200,000 thousand).

Summary of dividends declared and paid in during 2021 and 2020 is presented as follows:

'000 KZT	Amount of dividends declared and paid-in	Dividend per share
Declared on 27 January 2021 and paid on 27 January 2021	29,500,000	47,504.03
Declared on 24 February 2021 and paid on 24 February 2021	8,500,000	13,687.60
Declared on 28 July 2021 and paid on 28 July 2021	17,000,000	27,375.20
Declared on 28 October 2021 and paid on 28 October 2021	15,038,502	24,216.59
Declared on 26 November 2021 and paid on 26 November 2021	14,000,000	22,453.64
	84,038,502	

'000 KZT	Amount of dividends declared and paid-in	Dividend per share
Declared on 19 March 2020 and paid on 19 March 2020	13,200,000	21,256.04
	13,200,000	

22 Risk management

Risk Management is fundamental to the Bank's business and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, which includes price, interest rate and currency risks, credit risk and liquidity risk.

(a) Risk management policies and procedures

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

The Board of Directors of the Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board of the Bank is responsible for monitoring and implementing risk mitigation measures and ensuring that the Bank operates within established risk parameters.

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 determining the level of assurance over current risk mitigation procedures.

The Bank calculates mandatory ratios on a daily basis in accordance with the requirement of the NBRK. As at 31 December 2021 and 2020 the mandatory ratios were in compliance with limits set by the NBRK.

(b) Market risk

Market risk - the probability of financial losses on balance sheet and off-balance sheet items from adverse changes in the market situation, expressed in changes in market interest rates, foreign exchange rates, market value of financial instruments and other. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

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

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board. In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The Bank also uses a value-at-risk (VAR) methodology to manage market risk on its trading positions.

(c) 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 risk is also managed by monitoring changes in IRE (Interest rate exposure) and EVS (Economic value sensitivity) metrics under different scenarios.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. As the financial instruments have fixed interest rates, the interest rate gap analysis is consistent with the maturity analysis. A summary of the interest gap position for major financial instruments is as follows:

'000 KZT	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**Non-interest bearing**	**Total**
31 December 2021						
ASSETS						
Cash and cash equivalents	373,196,358	-	-	-	468,424,507	841,620,865
Placements with banks	1,979,656	-	-	-	6,477,000	8,456,656
Loans to customers	69,008,441	13,364,525	4,679,193	7,975,914	-	95,028,073
Investment securities	31,133,368	161,230	-	84,357,951	-	115,652,549
Financial assets at fair value through profit or loss	8,059,304	-	-	26,192,327	-	34,251,631
	483,377,127	**13,525,755**	**4,679,193**	**118,526,192**	**474,901,507**	**1,095,009,774**
LIABILITIES						
Deposits and balances from banks and other financial institutions	8,960,927	-	-	-	23,033,252	31,994,179
Current accounts and deposits from customers	151,063,745	-	-	-	788,300,760	939,364,505
	160,024,672	**-**	**-**	**-**	**811,334,012**	**971,358,684**
	323,352,455	**13,525,755**	**4,679,193**	**118,526,192**	**(336,432,505)**	**123,651,090**

'000 KZT	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**Non-interest bearing**	**Total**
31 December 2020						
ASSETS						
Cash and cash equivalents	590,608,453	-	-	-	92,880,827	683,489,280
Placements with banks	-	-	-	-	6,138,829	6,138,829
Loans to customers	42,622,357	21,124,782	6,672,795	6,446,342	-	76,866,276
Investment securities	5,967,906	84,756,067	2,936,855	39,312,938	-	132,973,766
Financial assets at fair value through profit or loss	316,541	1,195,153	-	8,989,245	-	10,500,939
	639,515,257	**107,076,002**	**9,609,650**	**54,748,525**	**99,019,656**	**909,969,090**
LIABILITIES						
Deposits and balances from banks and other financial institutions	8,189,760	-	-	-	20,921,741	29,111,501
Current accounts and deposits from customers	109,753,383	-	-	-	589,676,677	699,430,060
Amounts payable under repurchase agreements	20,005,288	-	-	-	-	20,005,288
	137,948,431	**-**	**-**	**-**	**610,598,418**	**748,546,849**
	501,566,826	**107,076,002**	**9,609,650**	**54,748,525**	**(511,578,762)**	**161,422,241**

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2021 and 2020.

	2021			**2020**		
	Average effective interest rate, %			**Average effective interest rate, %**		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	9.55	0.28	-	8.94	0.28	-
Placements with banks	-	-	-	-	-	-
Loans to customers	12.35	2.94	-	12.42	2.12	-
Investment securities	7.10	-	-	6.28	-	-
Financial assets at fair value through profit and loss	8.3	-	-	6.31	-	-
Interest bearing liabilities						
Deposits and balances from banks and other financial institutions						
- Term deposits	7.37	-	-	6.50	-	-
Current accounts and deposits from customers						
- Term deposits	5.98	0.10	0.50	5.79	0.09	0.50

Interest rate sensitivity analysis

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

	31 December 2021		**31 December 2020**	
	Net income	**Equity**	**Net income**	**Equity**
100 bp parallel increase	2,340,454	2,340,454	4,065,567	4,065,567
100 bp parallel decrease	(2,340,454)	(2,340,454)	(4,065,567)	(4,065,567)

Fair value interest rate sensitivity analysis

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and investment securities due to changes in the interest rates, based on positions existing as at 31 December 2021 and 2020 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	31 December 2021		**31 December 2020**	
	Net income	**Equity**	**Net income**	**Equity**
100 bp parallel increase	(155,345)	(620,057)	-	(192,861)
100 bp parallel decrease	341,826	1,189,103	-	192,861

(d) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Bank’s exposure to currency risk at year end refer to Note 29.

An analysis of sensitivity of the Bank's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2021 and 2020 and a simplified scenario of a +/-20% change in USD and other currencies to Kazakhstan Tenge exchange rates is as follows:

	2021		2020	
	Net income	**Equity**	**Net income**	**Equity**
20% appreciation of USD against KZT (2020: 20%)	276,412	276,412	215,064	215,064
20% depreciation of USD against KZT (2020: 20%)	(276,412)	(276,412)	(215,064)	(215,064)
20% appreciation of other currencies against KZT (2020: 20%)	5,929	5,929	6,659	6,659
20% depreciation of other currencies against KZT (2020: 20%)	(5,929)	(5,929)	(6,659)	(6,659)

(e) 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 recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee which approves credit extension. The Bank's credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications;
- methodology for the credit assessment of corporate borrowers and/or issuers;
- methodology for the credit assessment of counterparties;
- methodology for the evaluation of collateral;
- credit documentation requirements.

Credit approval requests are originated by the relevant client managers and are then passed for approval to the Credit Committee in form of Credit Package. Client manager collects inputs from Credit Risk, Legal and Compliance to form the credit package. The Credit Committee reviews the Credit Approval requests on the basis of submissions by the Corporate Business.

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 Department with regard to credit concentration risk.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognised contractual commitment amounts and pre-settlement value of derivative transactions. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant. The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 24.

The Bank monitors concentrations of credit risk by type of obligors and by industry/sector. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 16 "Loans to customers".

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

	2021 '000 KZT	2020 '000 KZT
ASSETS		
Cash and cash equivalents	841,620,865	683,489,280
Investment securities	115,652,549	132,973,766
Loans to customers	95,028,073	76,866,276
Placements with banks	8,456,656	6,138,829
Financial instruments at fair value through profit or loss	4,703,382	858,495
Financial assets at fair value through profit or loss	34,251,631	10,500,939
Total maximum exposure	**1,099,713,156**	**910,827,585**

(f) Offsetting financial assets and financial liabilities

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

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

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below, unless they are offset in the statement of financial position.

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

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

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

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

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2021:

’000 KZT

Types of financial assets/liabilities	**Gross amounts of recognised financial asset/liability**	**Gross amount of recognised financial liability/asset offset in the statement of financial position**	**Net amount of financial assets/liabilities presented in the statement of financial position**	**Related amounts not offset in the statement of financial position Financial instruments**	**Net amount**
Derivative instruments at fair value through profit or loss - assets	4,703,382	-	4,703,382	(667,754)	4,035,628
Derivative instruments at fair value through profit or loss - liabilities	(667,754)	-	(667,754)	667,754	-
Amounts payable under repurchase agreements	-	-	-	-	-

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020:

’000 KZT

Types of financial assets/liabilities	**Gross amounts of recognised financial asset/liability**	**Gross amount of recognised financial liability/asset offset in the statement of financial position**	**Net amount of financial assets/liabilities presented in the statement of financial position**	**Related amounts not offset in the statement of financial position Financial instruments**	**Net amount**
Derivative instruments at fair value through profit or loss - assets	858,495	-	858,495	(272,929)	585,566
Derivative instruments at fair value through profit or loss - liabilities	(272,929)	-	(272,929)	272,929	-
Amounts payable under repurchase agreements	(20,005,288)	-	(20,005,288)	19,940,723	(64,565)

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

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

The amounts in the above tables that are offset in the statement of financial position are measured on the same basis.

(g) Liquidity risk

Liquidity risk is the probability that financial losses occur as a result of the Bank's inability to fulfil its obligations in a timely manner without significant losses. 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 the necessary level of liquidity in order to constantly ensure the availability of funds to pay its obligations. The Bank's liquidity policy is reviewed and approved by the Board of Directors.

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

The liquidity risk management policy establishes an effective process for identifying, assessing, monitoring and controlling liquidity risk. The liquidity risk management policy also defines the requirements for:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diversified structure of funding sources;
- managing the concentration and structure of borrowed funds;
- developing an annual funding and liquidity plan and a contingency plan;
- intraday liquidity management;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as a protective measure in the event of a break in a cash liquidity;
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the NBRK. The Bank was in compliance with these ratios as at 31 December 2021 and 2020.

To manage the liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, short-term state securities for which there is a liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Bank believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates.

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

The following tables show the undiscounted cash flows of non-derivative financial liabilities, including issued financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The total gross amount (inflow)/ outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability. The Bank's expected cash flows on these financial liabilities may vary significantly from this analysis.

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

’000 KZT	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	31,994,179	-	-	-	-	31,994,179	31,994,179
Current accounts and deposits from customers	929,617,357	9,747,148	-	-	-	939,364,505	939,364,505
Other liabilities	3,085,901	-	-	-	-	3,085,901	3,085,901
Derivatives							
- Inflow	(32,705,800)	(20,021,274)	(6,705,891)	(4,119,383)	-	(63,552,348)	-
- Outflow	32,862,315	20,247,629	6,902,791	4,207,367	-	64,220,102	667,754
Total	**964,853,952**	**9,973,503**	**196,900**	**87,984**	-	**975,112,339**	**975,112,339**
Credit related commitments	**46,031,581**	-	-	-	-	**46,031,581**	-

The table below shows an analysis, by contractual maturities, of undiscounted liabilities recognised in the statement of financial position as at 31 December 2020:

’000 KZT	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	29,111,501	-	-	-	-	29,111,501	29,111,501
Current accounts and deposits from customers	699,430,060	-	-	-	-	699,430,060	699,430,060
Other liabilities	1,930,926	-	-	-	-	1,930,926	1,930,926
Derivatives							
- Inflow	(40,328,946)	(1,347,762)	(427,834)	(686,548)	-	(42,791,090)	-
- Outflow	40,503,971	1,366,005	437,320	756,723	-	43,064,019	272,929
Total	**730,647,512**	**18,243**	**9,486**	**70,175**	-	**730,745,416**	**730,745,416**
Credit related commitments	**61,018,935**	-	-	-	-	**61,018,935**	-

23 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital the following items defined by statutory regulation as capital for banks:

- Tier 1 capital, which is comprised of common equity and additional capital. Common equity comprises a share capital in the form of ordinary shares, additional paid-in capital, retained earnings of current year and prior periods and provisions less ordinary treasury shares, intangible assets including goodwill, current year and prior period losses, deferred tax asset less deferred tax liability and other revaluation reserves. Additional capital comprises perpetual financial instruments and paid-in preferred stock less adjustments for the Bank's investments in its own perpetual financial instruments and preferred treasury stock;
- Tier 2 capital, which comprises the subordinated debt denominated in the national currency, less investments in the subordinated debt of the financial organisations, 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 capital, 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:

- a ratio of common equity to the sum of assets and contingent liabilities, financial derivatives weighted by the level of credit risk, assets, contingent assets and liabilities, calculated based on the market risk and a quantitative measure of operational risk (k1);
- a ratio of tier 1 capital to the sum of assets and contingent liabilities, financial derivatives weighted by the level of credit risk, assets, contingent assets and liabilities, calculated based on the market risk and a quantitative measure of operational risk (k1-2);
- a ratio of total capital to the sum of assets and contingent liabilities, financial derivatives weighted by the level of credit risk, assets, contingent assets and liabilities, calculated based on the market risk and a quantitative measure of 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 and 2020.

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK Management Board decree #170 dated 13 September 2017, as at 31 December 2021 and 31 December 2020:

	2021 '000 KZT	**2020 '000 KZT**
Common equity	126,154,060	160,915,793
Tier 1 capital	126,154,060	160,915,793
The positive difference	-	-
Total statutory equity	**126,154,060**	**160,915,793**
Risk-weighed statutory assets, contingent liabilities, operational and market risks		
Risk-weighted statutory assets	101,290,442	63,255,050
Risk-weighted contingent liabilities	40,816,469	57,086,761
Risk weighted derivative financial instruments	6,839,874	2,222,524
Operational risk	45,817,717	36,346,514
Market risk	5,731,675	3,462,606
Total statutory risk weighted assets, contingent liabilities, operational and market risk	**200,496,177**	**162,373,455**
k1 ratio	**62,9%**	**99.1%**
k1-2 ratio	**62,9%**	**99.1%**
k2 ratio	**62,9%**	**99.1%**

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

24 Credit related commitments

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

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

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

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

	2021 '000 KZT	2020 '000 KZT
Contracted amount		
Unused credit related commitments to extend loans to customers		
Committed	5,562,485	3,280,362
Uncommitted	331,864,011	336,732,634
	337,426,496	**340,012,996**
Guarantees and letters of credit	40,469,096	57,738,573
	40,469,096	**57,738,573**

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 commitment by the Bank.

As at 31 December 2021 collateralized guarantees and letters of credit was KZT 26,964,097 thousand (2020: KZT 37,856,042 thousand).

The following tables show credit quality analysis of guarantees and letters of credit:

	2021			2020
'000 KZT	**Stage 1**	**Stage 2**	**Total**	**Total**
Guarantees and letters of credit				
Pass	11,860,487	-	11,860,487	6,957,970
Pass Watch-list	23,938,692	4,669,917	28,608,609	49,524,397
Special Mention	-	-	-	1,256,206
Balance at 31 December	**35,799,179**	**4,669,917**	**40,469,096**	**57,738,573**

Reconciliations from the opening to the closing balances of the loss allowance represented in below table.

	2021				2020
'000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Balance at 1 January	54,328	17,128	-	**71,456**	54,555
Net remeasurement of loss allowance	8,107	2,676	-	10,783	2,901
New financial assets originated or purchased	4,828	-	-	4,828	1,769
Foreign exchange and other movements	861	-	-	861	12,231
Balance at 31 December	**68,124**	**19,804**	**-**	**87,928**	**71,456**

Concentration of guarantees and letters of credit

As at 31 December 2021 the Bank has no customer whose balances exceed 10% of total guarantees and letters of credit (31 December 2020: none).

25 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 property or relating to the Bank's operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and 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.

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

26 Custody activities

The Bank provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Bank and are not recognised in the statement of financial position.

27 Related party transactions

(a) Control relationships

The Bank is wholly owned by the Shareholder Bank which is ultimately owned by Citigroup Inc., a public company listed on several stock exchanges. Both entities produce publicly available financial statements.

Related parties include the Parent as well as other Citigroup entities, members of the Board of Directors and members of the Management Board.

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

Total remuneration included in employee compensation (refer Note 9):

	2021 ’000 KZT	2020 ’000 KZT
Members of the Management Board	352,523	462,983
Members of the Board of Directors	24,590	22,800
	377,113	**485,783**

The above amounts include non-cash benefits in respect of 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:

	2021 '000 KZT	Average interest rate, %	2020 '000 KZT	Average interest rate, %
Statement of financial position				
ASSETS				
Loans to customers	-	-	-	-
LIABILITIES				
Current accounts and deposits from customers	28		19,398	-

During 2021 there were dividends declared and paid-in the total amount of KZT 84,038,502 thousand (2020: KZT 13,200,000 thousand) (Note 21).

(c) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2021 and 31 December 2020 and related income statement amounts of transactions for the years ended 31 December 2021 and 2020 with other related parties were as follows.

	The Shareholder Bank				Other Citigroup entities				Total	
	’000 KZT		Average Interest Rate, %		’000 KZT		Average Interest Rate, %		’000 KZT	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Statement of Financial Position										
Assets										
Cash and cash equivalents	16,224,153	11,640,070	0.06	-	3,946,119	35,069,214	-	-	**20,170,272**	**46,709,284**
Placements with banks	1,979,656	1,929,729	0.08	-	-	-	-	-	**1,979,656**	**1,929,729**
Derivative instruments at fair value through profit or loss	3,351,472	542,706	-	-	-	-	-	-	**3,351,472**	**542,706**
Other assets	6,025	10,187	-	-	1,080	2,470	-	-	**7,105**	**12,657**
Liabilities										
Derivative instruments at fair value through profit or loss	514,526	211,977	-	-		-	-	-	**514,526**	**211,977**
Deposits and balances from banks and other financial institutions	140,448	14,765	-	-	11,023,076	3,354,171	-	-	**11,163,524**	**3,368,936**
Current accounts and deposits from customers	-	-	-	-	2,422,754	257,853	-	-	**2,422,754**	**257,853**
Other liabilities	833	1,639	-	-	427	1,553	-	-	**1,260**	**3,192**
Items not recognised in the statement of financial position										
Guarantees granted	727,956	73,474	-	-	689,847	229,488	-	-	**1,417,803**	**302,962**
Guarantees received	770,190	150,919	-	-	300,186,798	233,497,810	0.15	0.15	**300,956,988**	**233,648,729**
Commitments to buy foreign currency	245,198,320	187,026,425	-	-	-	-	-	-	**245,198,320**	**187,026,425**
Commitments to sell foreign currency	(242,361,375)	(186,695,696)	-	-	-	-	-	-	**(242,361,375)**	**(186,695,696)**

As at 31 December 2021 derivative instruments at fair value through profit or loss include the fair value of deliverable forward agreements to buy KZT and sell USD in the amount of KZT 125,659,050 thousand and USD 284,950 thousand, respectively, with terms up to 5 days due to local and US holidays (31 December 2020: deliverable forward on buy KZT and sell USD in the amount of KZT 156,500,000 thousand and USD 370,853 thousand with terms up to 4 days). These amounts are also presented within commitments to sell foreign currency above.

As at 31 December 2021 guarantees granted were provided for period from 11.07 to 54.43 months with applied interest rate from 0.9% till 1% p.a. and minimum fee of USD 500 and USD 1000 (31 December 2020: period from 1.67 to 54.43 months with applied interest rate from 0.9% till 1% p.a. and minimum fee of USD 500 and USD 1000).

As at 31 December 2021 the guarantees received under loans to customers and unused credit commitments were provided for a period of 4.8 to 55.5 months at annual interest rate of 0.15% (31 December 2020: period of 1.7 to 55.5 months at annual interest rate of 0.15%) (Note 24 and Note 16).

’000 KZT	**The Shareholder Bank**		**Other Citigroup entities**		**Total**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Statement of Profit or Loss and Other Comprehensive Income						
Interest income calculated using the effective interest method	36,746	372,915	7	38	**36,753**	**372,953**
Interest expense	(6,985)	(3,980)	(180,439)	(195,297)	**(187,424)**	**(199,277)**
Net gain (loss) on derivative financial instruments	(2,487,844)	3,220,098	1,785,338	(3,542,828)	**(702,506)**	**(322,730)**
Fee and commission income	78,312	153,078	281,974	122,628	**360,286**	**275,706**
Fee and commission expense	(66,878)	(74,898)	(151,653)	(131,618)	**(218,531)**	**(206,516)**
General administrative expenses	(2,796,611)	(2,234,585)	(2,979,210)	(2,454,154)	**(5,775,821)**	**(4,688,739)**
Net forex trading gain	7,963,010	5,091,536	(339,042)	221,852	**7,623,968**	**5,313,388**
Revaluation of foreign currency denominated instruments	13,440,384	14,089,671	(1,354,314)	6,792,253	**12,086,070**	**20,881,924**
Other operating income/ (expenses)	1,050,781	832,870	1,619,552	1,427,291	**2,670,333**	**2,260,161**

28 Fair value of financial instruments

The estimated fair values of all financial instruments approximate their carrying values at 31 December 2021 and 31 December 2020.

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 judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer 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.

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. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length.

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

Fair value hierarchy

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

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

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quoted 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 Bank has a control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models;
- quarterly calibration and back testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

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

'000 KZT	Level 2
ASSETS	
Financial assets at fair value through other comprehensive income	115,652,549
Derivative instruments at fair value through profit or loss	4,703,382
Financial assets at fair value through profit or loss	34,251,631
LIABILITIES	
Financial instruments at fair value through profit or loss	(667,754)

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

'000 KZT	Level 2
ASSETS	
Financial assets at fair value through other comprehensive income	132,973,766
Derivative instruments at fair value through profit or loss	858,495
Financial assets at fair value through profit or loss	10,500,939
LIABILITIES	
Financial instruments at fair value through profit or loss	(272,929)

For the rest of financial instruments, not measured at fair value, estimated fair values approximate their carrying values due to their short-term nature or market interest rates at period end as determined by reference to inputs from observable market data. The fair values of these financial instruments are categorized into Level 2 of the fair value hierarchy.

29 Currency analysis

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

'000 KZT	KZT	USD	Other currencies	Total
Assets				
Cash and cash equivalents	149,095,472	681,440,660	11,084,733	841,620,865
Placements with banks	-	8,456,656	-	8,456,656
Derivative instruments at fair value through profit or loss	4,564,196	39,490	99,696	4,703,382
Financial assets at fair value through profit or loss	34,251,631	-	-	34,251,631
Investment securities	115,652,549	-	-	115,652,549
Loans to customers	69,422,730	25,605,343	-	95,028,073
Property, equipment and intangible assets	1,107,553	-	-	1,107,553
Current tax asset	408,273	-	-	408,273
Deferred tax asset	-	-	-	-
Other assets	251,587	94,682	237	346,506
Total assets	**374,753,991**	**715,636,831**	**11,184,666**	**1,101,575,488**
Liabilities				
Derivative instruments at fair value through profit or loss	154,738	1,123	511,893	667,754
Deposits and balances from banks and other financial institutions	28,182,909	777,751	3,033,519	31,994,179
Current accounts and deposits from customers	366,457,273	517,617,951	55,289,281	939,364,505
Amounts payable under repurchase agreements	-	-	-	-
Current tax liabilities	219,779	-	-	219,779
Other liabilities	3,012,547	73,343	11	3,085,901
Total liabilities	**398,027,246**	**518,470,168**	**58,834,704**	**975,332,118**
Net position as at 31 December 2021	**(23,273,255)**	**197,166,663**	**(47,650,038)**	**126,243,370**
The effect of derivatives held for risk management purposes	152,757,037	(195,400,722)	47,274,898	4,631,213
Net position after derivatives held for risk management purposes as at 31 December 2021	**129,483,782**	**1,765,941**	**(375,140)**	**130,874,583**

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

’000 KZT	KZT	USD	Other currencies	Total
Assets				
Cash and cash equivalents	173,674,808	468,215,379	41,599,093	683,489,280
Placements with banks	-	6,138,829	-	6,138,829
Derivative instruments at fair value through profit or loss	723,087	37	135,371	858,495
Financial assets at fair value through profit or loss	10,500,939	-	-	10,500,939
Investment securities	132,973,766	-	-	132,973,766
Loans to customers	50,019,009	26,847,267	-	76,866,276
Property, equipment and intangible assets	883,055	-	-	883,055
Deferred tax asset	51,152	-	-	51,152
Other assets	174,548	109,999	26,092	310,639
Total assets	**369,000,364**	**501,311,511**	**41,760,556**	**912,072,431**
Liabilities				
Derivative instruments at fair value through profit or loss	83,117	70,142	119,670	272,929
Deposits and balances from banks and other financial institutions	28,080,445	730,653	300,403	29,111,501
Current accounts and deposits from customers	302,710,322	342,511,583	54,208,155	699,430,060
Amounts payable under repurchase agreements	20,005,288	-	-	20,005,288
Current tax liabilities	263,482	-	-	263,482
Other liabilities	1,810,715	116,428	3,783	1,930,926
Total liabilities	**352,953,369**	**343,428,806**	**54,632,011**	**751,014,186**
Net position as at 31 December 2020	**16,046,995**	**157,882,705**	**(12,871,455)**	**161,058,245**
The effect of derivatives held for risk management purposes	144,393,351	(156,538,555)	12,913,074	767,870
Net position after derivatives held for risk management purposes as at 31 December 2020	**160,440,346**	**1,344,150**	**41,619**	**161,826,115**

30 Subsequent events

On 2 January 2022, protests started in Western Kazakhstan related to an increase in the liquefied natural gas price, which further spread to other cities in Kazakhstan. During the protests, protesters laid down a number of socio-economic and political demands. Despite the Government of the Republic of Kazakhstan has approved a set of specific measures to satisfy these demands, including to reduce gas prices, on 4-5 January, the protests turned into mass unrest coming with takeover of the city administrations buildings and the law enforcement agencies buildings. Key events unfolded in Almaty and the southern regions of the country.

Amid a serious and imminent threat to the safety of people, to ensure safety and security of people, restore law and rule of order, and protect the rights and freedoms of citizens, on 5 January 2022, the Government declared a state of emergency on the territory of the Republic of Kazakhstan.

The tragic events that occurred in Kazakhstan in early January 2022 have undoubtedly affected Kazakhstan's economy. The economic activity slowed down to 1.4%. This slowdown was primarily driven by a 1.7% decline in sales of both food and non-food products, particularly in Almaty, the region most affected by the unrest (a 42.1% decline in retail sales). At the same time, retail sales in the six regions remained flat, which indicates that a decline in demand this January was short-term.

Apart from sales, in January 2022, one saw drop in production in manufacturing industry, information and communications sector, accommodation and catering services, financial and insurance activities, operations with real estate, art business, entertainment and leisure.

However, the wider effects of the January events and their effect on the Kazakhstan economy, including any resulting impact on the Bank's financial results in 2022, are not possible to determine at the date of approval of these financial statements.

This February, market was mainly driven by escalation of geopolitical tensions caused by serious deterioration of relations between Ukraine and the Russian Federation, which led to that unprecedented sanctions have been imposed against the Russian Federation: certain financial institutions were disconnected from the SWIFT network, and assets of the Central Bank of the Russian Federation were frozen.

The second-tier banks, which have their Kazakhstan-based subsidiaries including SB Sberbank JSC, SB VTB Bank (Kazakhstan) JSC and SB Alfa Bank JSC, were also subject to sanctions. The restrictions imposed apparently resulted in that international ratings of these financial institutions have been downgraded, and in an increase in expected credit losses on deposits in these second-tier banks.

As of now sanctions do not have immediate effect on the Bank’s liquidity. The Bank is observing some inflows from clients moving their business from sanctioned banks subsidiaries in Kazakhstan to the Bank.

Credit risk

The sanctions are likely to have a direct impact on the ability of Russian major financial institutions to perform under outstanding contingent obligations amounting to KZT 6,701,868 thousand as of 31 December 2021. There are no outstanding receivables from these clients.

The indirect negative impact on the Kazakhstan economy can potentially increase the credit risk for selected customers and result in additional amount of expected credit losses being recognized; at this stage the financial effect is not possible to quantify.

Currency risk

Significant depreciation of the Kazakhstan Tenge has resulted in upward revaluation of USD denominated borrowings, as well as cash and cash equivalents. The net effect on profit or loss (before the effect of income taxes) in case of a 50% weakening of the Kazakhstan Tenge against USD will be KZT 863,787 thousand (based on currency exposure as at 31 December 2021).

Interest rate risk

As at 31 December 2021, deposits interest rates are not linked to NBRK’s key rate. Should be there an increase in the key rate to 20%, this will not affect interest expense.

Liquidity risk

The Bank’s management is taking the following measures to address the liquidity risk:

- Tight monitoring of liquidity, build-up of short-term liquidity to be quickly available in case of deposits outflow;
- Conservative approach to risk taking. Investment securities and trading positions are at lows;
- Proactive monitoring of liquidity position taking into account also possible flight to quality deposits inflow.