ОТБАСЫ
БАНК

"Otbasy Bank" house construction savings bank JSC

International Financial Reporting Standards
Financial Statements and Independent Auditor's Report

31 December 2021

Content

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholder and Board of Directors of «Otbasy bank» house construction savings bank JSC

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of «Otbasy bank» house construction savings bank JSC (the "Bank") as at 31 December 2021, and the Bank's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Kazakhstan that are relevant to our audit of the financial statements.

Our audit approach

Overview

Materiality	• Overall Bank materiality: 9,996,600 thousand of Kazakhstani Tenge, which represents 0.5% of loans and advances to customers balance as of 31 December 2021.
Key audit matters	• Assessment of expected credit losses allowance for loans and advances to customers made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9). • Government grant recognition and accounting

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall materiality	9,996,600 thousand of Kazakhstani Tenge
How we determined it	0.5% of loans and advances to customers balance as of 31 December 2021.
Rationale for the materiality benchmark applied	The Bank is a state-owned development institution. Its strategic goal is to finance housing needs of citizens of Kazakhstan and to promote social and economic growth of Kazakhstan through mortgage lending. The profitability is not a primary objective of the Bank and its management. We chose loans and advances to customers balance as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is measured by users. We chose 0.5% which is consistent with quantitative materiality thresholds used for the selected benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 9,996,600 thousand of Kazakhstani Tenge, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit losses (ECL) provision for loans and advances to customers made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9). We focused on this area due to the size of loans and advances to customers balance and because IFRS 9 is a complex financial reporting standard, which requires significant judgment to determine the ECL provision. Since the Bank is a mortgage lending financial institution ECL assessment on the major part of loans is performed on a portfolio basis. Key areas of judgment included: Allocation of loans to stages in accordance with IFRS 9; Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default; Refer to the Notes 3, 4, 9 and 23 of the accompanying financial statements that provide information on significant accounting policies, critical accounting estimates and judgements and risk assessment related to ECL provision and disclosures on loans and advances to customers.	We assessed the design and tested operating effectiveness of sample key controls across the processes relevant to the ECL. This included the allocation of loans into stages, automated calculation of key risk parameters (probability of default, loss given default, exposure at default), data completeness and accuracy of calculations. In assessing ECL provision we have performed the following audit procedures: • We assessed the methodologies and models for ECL provision assessment developed by the Bank in order to evaluate their compliance with IFRS 9 requirements. We focused our procedures on: default definition, factors for determining a "significant increase in credit risk", allocation of the loans to stages, and estimation of key risk parameters. • We checked that estimation of ECL provision for loans and advances to customers was made in accordance with the methodologies and models of the Bank. We tested the assumptions and inputs used in the ECL models. • On a sample basis we tested segmentation of loans; • On a sample basis we recalculated ECL provision level; • To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data, i.e. loan portfolios, loan agreements, collateral agreements etc.; • On overall basis we checked the Bank's assessment of effect of forward looking information on the ECL level, in particular, we assessed whether forecasted macroeconomic

Key audit matter	How our audit addressed the key audit matter
	variables were appropriate (such as inflation level, average salary, unemployment rate and GDP), traced input data to the external sources and checked appropriateness of the model used.
Government grant recognition and accounting From 2019,the Bank was obtaining financing from the Government of the Republic of Kazakhstan and the Baiterek National Managing Holding Joint Stock Company ("Parent company") via borrowings received and debt securities issued at the rates lower than market for the realisation of government programs "Bakytty Otbasy" and "Shanyrak", i.e issue of loans to customers at the rates lower than market. Bank applies government grant accounting principles in relation to these instruments. So that borrowings received and debt securities issued were recognised at fair values measured by applying estimates of relevant market interest rates to discount the contractual future cash flows and the difference between the fair value and the nominal value was recognised as a government grant, which is subsequently recognised as income over the period necessary to match them with the related costs, for which they intended to compensate, on a systematic basis (i.e. losses due to loans issued at rates below the market). Government grant recognition and accounting was assessed as the key audit matter due to complex accounting and estimates involved in assessment at initial recognition and further measurement, and also due to significance of impact to financial position of the Bank. Key areas of judgment included: • Assessment of whether the difference between consideration received and the fair value of the borrowings received and debt securities issued represent a government grant; • The estimate of the fair value of the borrowings received and debt securities; • Appropriateness of method used to	We assessed the design and tested operating effectiveness of sample key controls on processes relating to the accounting for government grants, in particular amortization of discount on government grants. We also performed the following audit procedures: • We critically assessed the Bank's judgement over initial recognition of the difference between consideration received and the fair value of the borrowings received and debt securities issued as a government grant and related loans issued; • We assessed the reasonableness of management's estimates and models used over market rates applied to calculate fair values of borrowings received and debt securities issued and at below-market rates. • We assessed the appropriateness of methods used to amortise government grants. • We also checked whether the Bank has accurately disclosed critical accounting judgements and estimates and other disclosures related to government grant accounting in its financial statements.

Key audit matter	How our audit addressed the key audit matter
amortise government grants Refer to the Notes 3, 4 and 16 of the accompanying financial statements that provide information on significant accounting policies, critical accounting estimates and judgements and disclosures related to government grant recognition and accounting.	

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon). Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the annual report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 International Financial Reporting Standards, 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditor's 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 auditor's 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.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Aigul Akhmetova, Audit Assurance Partner.

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP.

Approved by:

Dana Inkarbekova
Managing Director of
PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Signed by:

Alfiya Mussabayeva
Auditor in Charge
(Qualified Auditor's Certificate №МФ-0001386 dated 12 February 2021)

28 February 2022
Almaty, Kazakhstan

(in thousands of Kazakhstani Tenge)	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	7	595,066,321	138,257,892
Cash balances with financial institutions		17,000	17,000
Loans and advances to customers	9	1,999,326,511	1,319,681,125
Investments in debt securities	8	186,877,167	232,210,452
Investments in equity securities		1,747	1,747
Premises, Equipment and Right of Use Assets	10	5,188,019	5,462,232
Intangible assets	10	5,566,033	5,684,660
Current income tax prepayment		-	196,015
Other financial assets	11	11,450,453	5,417,469
Other assets	11	354,054	268,023
Non-current assets held for sale		272,678	191,476
TOTAL ASSETS		**2,804,119,983**	**1,707,388,091**
LIABILITIES			
Customer accounts	12	1,898,429,002	1,097,659,295
Borrowed funds	13	78,910,328	67,614,055
Debt securities in issue	15	191,456,190	113,680,020
Government grants	16	221,981,940	121,753,860
Deferred tax liabilities	22	25,114,446	18,324,890
Current income tax liabilities		92,900	-
Other financial liabilities	14	4,349,852	3,563,068
Other liabilities	14	2,681,864	2,009,583
TOTAL LIABILITIES		**2,423,016,522**	**1,424,604,771**
EQUITY			
Share capital	17	78,300,000	78,300,000
Additional paid in capital		127,470,774	95,406,389
Revaluation reserve for investment securities at fair value through other comprehensive income		(1,703,462)	(2,204,346)
Other reserves		2,283,335	2,283,335
Retained earnings		174,752,814	108,997,942
TOTAL EQUITY		**381,103,461**	**282,783,320**
TOTAL LIABILITIES AND EQUITY		**2,804,119,983**	**1,707,388,091**

* Hereinafter in the financial statements of Otbasy Bank JSC and in the notes to it, 31 December of any year is understood as 24.00 of Almaty time on 31 December of that year.

28 February 2022

Beysembaev Miras Berikovich
Acting Chairman of the Board

Kiltbayeva Zhanerke Almasbekovna
Chief Accountant

(in thousands of Kazakhstani Tenge)	Прим.	2021	2020
Interest income calculated using the effective interest method	18	171,023,329	111,433,654
Interest and similar expense	18	(54,597,033)	(35,884,615)
Net margin on interest and similar income		**116,426,296**	**75,549,039**
Credit loss allowance	7,8,9	(2,406,247)	(5,529,664)
Net margin on interest and similar income after credit loss allowance		**114,020,049**	**70,019,375**
Income from government grants	16	32,375,919	16,660,494
Fee and commission income	19	1,918,666	1,538,353
Fee and commission expense	19	(7,111,094)	(6,637,232)
Losses from modification of financial assets measured at amortised cost, that did not lead to derecognition		-	(5,754,051)
Losses on initial recognition of assets at rates below market		(41,393,980)	(22,895,729)
Gains less losses on debt securities at fair value through other comprehensive income and other financial assets		19,587	205,853
Gains less losses from trading in foreign currencies		9,181	55,860
Other net operating expenses	20	(1,907,488)	(1,489,861)
Administrative expenses	21	(22,100,237)	(18,688,055)
Profit before tax		**75,830,603**	**33,015,007**
Income tax expense	22	(10,075,780)	(1,230,924)
Net profit		**65,754,823**	**31,784,083**
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss:			
Gains less losses on investments in debt securities at fair value through other comprehensive income		490,500	667,521
Gains/(losses) less losses on investments in debt securities at fair value through other comprehensive income carried into profit and loss statement as a result of disposal		10,384	(205,853)
Items that will not be reclassified to profit or loss:			
Gains/(losses) less (losses)/gains on investments in equity securities at fair value through other comprehensive income		-	(2,703)
Other comprehensive income		**500,884**	**458,965**
Total comprehensive income for the period		**66,255,707**	**32,243,048**
Earnings per share for profit attributable to the shareholder of the Bank, basic and diluted (expressed in Kazakhstani Tenge per share)	30	**8,398**	**4,059**

(in thousands of Kazakhstani Tenge)	Share capital	Additional paid-in capital	Revaluation reserve for securities at FVOCI	Other reserves	Retained earnings	Total equity
Balance at 1 January 2020	**78,300,000**	**80,980,344**	**(3,077,553)**	**2,283,335**	**86,215,681**	**244,701,807**
Voluntary change in accounting policy	-	-	-	-	(294,984)	**(294,984)**
Adjusted balance at 1 January 2020	**78,300,000**	**80,980,344**	**(3,077,553)**	**2,283,335**	**85,920,697**	**244,406,823**
Profit for the year	-	-	-	-	31,784,083	**31,784,083**
Other comprehensive income	-	-	458,965	-	-	**458,965**
Total comprehensive income for the year	**-**	**-**	**458,965**	**-**	**31,784,083**	**32,243,048**
Adjustment for fair value of borrowings less deferred tax effect in the amount of 3,606,511 thousand tenge	-	14,426,045	-	-	-	**14,426,045**
Dividends declared	-	-	-	-	(8,292,596)	**(8,292,596)**
Transfer of revaluation reserve for investments in equity securities at fair value through other comprehensive income to retained earnings received from disposal of assets	-	-	414,242	-	(414,242)	**-**
Balance at 31 December 2020	**78,300,000**	**95,406,389**	**(2,204,346)**	**2,283,335**	**108,997,942**	**282,783,320**
Balance at 1 January 2021	**78,300,000**	**95,406,389**	**(2,204,346)**	**2,283,335**	**108,997,942**	**282,783,320**
Profit for the year	-	-	-	-	65,754,823	**65,754,823**
Other comprehensive income	-	-	500,884	-	-	**500,884**
Total comprehensive income for the year	**-**	**-**	**500,884**	**-**	**65,754,823**	**66,255,707**
Adjustment for fair value of borrowings less deferred tax effect in the amount of 8,016,096 tenge	-	32,064,385	-	-	-	32,064,385
Return of unused compensation	-	-	-	-	49	49
Balance at 31 December 2021	**78,300,000**	**127,470,774**	**(1,703,462)**	**2,283,335**	**174,752,814**	**381,103,461**

(in thousands of Kazakhstani Tenge)

	Прим.	31 December 2021	31 December2020
Cash flows from operating activities			
Interest income calculated using the effective interest method		162,437,761	99,621,528
Interest paid calculated using the effective interest method		(46,463,874)	(30,236,874)
Fees and commissions received		1,918,666	1,538,353
Fees and commissions paid		(6,835,045)	(6,556,796)
Staff costs paid		(11,481,835)	(10,367,764)
Administrative and other operating expenses paid		(9,513,594)	(7,298,947)
Net cash flows from operating activities before income tax		**90,062,079**	**46,699,500**
Income tax paid		(11,013,404)	(2,407,483)
Cash flows from operating activities before changes in operating assets and liabilities		**79,048,675**	**44,292,017**
Net (decrease)/increase in:			
- due from other banks			(17,000)
- loans and advances to customers		(715,349,144)	(364,139,347)
- other financial assets		(1,545,676)	(2,439,462)
- other assets		(42,560)	69,782
Net increase/(decrease) in:			
- customer accounts		796,448,384	195,887,856
- other financial liabilities		578,075	(451,392)
- other liabilities		38,834	(107,698)
Net cash from operating activities		**159,176,588**	**(126,905,244)**
Cash flows from investing activities			
Acquisition of premises and equipment		(691,113)	(1,676,391)
Acquisition of intangible assets		(1,181,183)	(2,804,700)
Proceeds from disposal of premises and equipment		89	5,672
Acquisition of debt securities at fair value through other comprehensive income		(12,766,458)	(26,664,286)
Acquisition of investments in debt securities carried at amortised cost		(44,733,251)	(125,623,904)
Proceeds from disposal of debt securities at fair value through other comprehensive income		38,337,016	30,296,131
Proceeds from redemption of debt securities carried at amortised cost		65,600,000	88,700,000
Net cash from/(used in) investing activities		**44,565,100**	**(37,767,478)**
Cash flows from investing activities			
Loan received from the Ministry of Finance of the Republic of Kazakhstan		102,000,000	59,000,000
Loan received from local executive bodies of the Republic of Kazakhstan		18,048,000	10,500,000
Repayment of loan received from local executive bodies of the Republic of Kazakhstan		(2,000)	(421,000)
Repayment of loan received from NWF "Samruk-Kazyna"		(15,163,000)	-
Loans received from Asian Development Bank		8,400,000	-
Loans received from other oragnizations		120,000	108,000
Repayment of loans from other oragnizations		(9,100)	
Proceeds from issue of debt securities	15	140,000,000	91,316,432
Dividends paid	17	-	(8,292,596)
Long-term lease	14	(337,134)	(361,357)
Net cash from financing activities		**253,056,766**	**151,849,479**
Effect of exchange rate changes on cash and cash equivalents		**9,975**	**56,256**
Net increase/(decrease) in cash and cash equivalents		456,808,429	(12,766,987)
Cash and cash equivalents at the beginning of the period	7	**138,257,892**	**151,024,879**
Cash and cash equivalents at the end of the period		**595,066,321**	**138,257,892**

1 Introduction

These financial statements of the "Otbasy Bank" house construction savings bank JSC (the "Bank") have been prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2021.

The Bank was established in accordance with Resolution of the Government of the Republic of Kazakhstan No.364 dated 16 April 2003 with a 100% state participation in the charter capital for the purpose of development of housing construction savings system in the Republic of Kazakhstan.

In accordance with Decree of the President of the Republic of Kazakhstan No.571 dated 22 May 2013 and Resolution of the Government of Republic of Kazakhstan No.516 dated 25 May 2013, the block of shares of the Bank were transferred for payment of outstanding shares of "National Managing Holding "Baiterek" JSC.

National Managing Holding "Baiterek" JSC is the sole shareholder (the "Parent" or the "Shareholder") of the Bank.

The ultimate controlling party of the Bank is the Government of the Republic of Kazakhstan. Information on transactions with related parties is presented in Note 29.

The Bank is the only bank in the country that implements the housing construction savings system.

The Bank is a member of the European Federation of Building Societies and the International Union for Housing Finance.

On December 20, 2020, the re-registration of the Joint Stock Company "Housing Construction Savings Bank of Kazakhstan" to the Joint Stock Company " Otbasy Bank" house construction savings bank JSC was carried out.

Principal activity.

In accordance with License No. 1.2.102/47 dated 20 April 2021 issued by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market, the Bank has the right to perform activities on: acceptance of deposits for housing construction savings, opening and management of depositors' accounts; provision of housing, interim and preliminary housing loans to depositors to improve housing conditions; acceptance of deposits, opening and management of bank accounts of depositors of savings for capital renovation of the common facilities of the condominium and providing them with housing loans; operations for opening and maintaining current bank accounts of individuals for crediting lump-sum pension payments to improve housing conditions; cash operations (acceptance and provision of cash including cash change, exchange, recounts, sorting, packing and storage); transfer operations (implementation of payment and transfer orders received from individuals and legal entities); exchange transactions with foreign currency; acceptance of deposits, opening and management of bank accounts of legal entities; opening and maintaining current bank accounts of individuals for crediting lump-sum pension payments in order to pay for treatment; issue of own securities (except for shares); performing trust operations (management of the rights of claims for bank loans on behalf and by order of a principal). In addition, the Bank performs dealer activities in the securities market without the right to manage customer accounts.

The mission of the Bank is to provide Kazakhstani families with their own housing and to strengthen the feeling of their homeland.

For further development and sustainable growth, the Bank is constantly working on accessibility of its products, improving the quality of customer service, expanding alternative channels for accepting payments and developing IT infrastructure.

Since 2021, the Bank has become a full-fledged institution that centrally carries out accounting, registration, and distribution of housing. To this end, it takes actions to transfer the existing queueing system from local executive bodies to the subdivision "Housing Provision Center," which plans to work using the one stop principle for all citizens in need of housing. Thus, the procedure for obtaining housing by citizens in need of housing will be simplified. The developed infrastructure of the Bank, information and technological resources will accelerate the process of providing housing to citizens, primarily from socially vulnerable segments of the population, will expand the possibility of managing the queue, while the bank will continue its principal activity within the housing construction savings system.

The Bank expanded the license for banking operations with a new type of activity - opening and maintaining current bank accounts of individuals for crediting lump-sum pension payments to improve housing conditions and/or pay for medical treatment.

1 Introduction (Continued)

On 2 January 2021, President of the Republic of Kazakhstan Tokayev K.K. signed a law allowing Kazakhstanis to exercise the right to early withdrawal of pension savings.

Pension payments can be used exclusively for the purposes provided for by the legislation of the Republic of Kazakhstan (improvement of living conditions, payment for treatment), by transferring them from a special current account for their intended purpose.

A special account for lump-sum pension payments is a current bank account opened by a recipient of lump-sum pension payments with an authorized operator determined by the Government of the Republic of Kazakhstan for crediting lump-sum pension payments from a unified accumulative pension fund to improve housing conditions and/or pay for treatment.

To ensure the protection of lump-sum pension payments, appropriate amendments were made to the civil, civil procedure, criminal, criminal procedure codes, the family and marriage code, the law of the Republic of Kazakhstan on enforcement proceedings and the status of bailiffs. These amendments allowed a regular depositor of the pension fund to be confident in the safety of his pension savings after being transferred to a special current account. The funds are protected to the maximum, they cannot be written off as part of any other debt obligations of the depositor to any creditor. They cannot be seized for tax arrears; they are protected even from confiscation of property as part of court sentences.

In 2021, over 458,000 Kazakhstanis used pension savings totaling over KZT 1 trillion 976 billion through the enpf-otbasy.kz platform to improve housing conditions and pay for treatment. To date, 233 thousand Kazakhstanis have become homeowners, about 105 thousand more have repaid their mortgage loans, more than 34 thousand Kazakhstanis made a housing savings deposit for further savings and obtaining a loan, and about 86 thousand have used pension surpluses for medical treatment. Of these, one third are women (158,062 persons) and two thirds are men (300,535 persons).

About 20,318 Kazakhstanis have used their lump sum pension payments to obtain mortgage housing loans in the secondary market through JSC Otbasy Bank.The rest, 4,274 people, opted for primary housing. About 100 people used the pension surplus to build, renovate and refinance.

For the period from 2003 and for 2021, the Bank issued 357,186 loans in the amount of 3,515.76 billion tenge, 3,408.25 thousand agreements were concluded since the beginning of operation, with a contractual amount of 11,572.47 billion tenge.

In 2021, the Bank implemented the following projects to improve the quality of service and provide wider population with their own housing:

1. The conditions for lending to women have been approved within the Bank's cooperation with the Asian Development Bank.
2. The possibility of partial repayment of a loan through Internet banking and a mobile application has been implemented.
3. The possibility of pre-qualification and acceptance of a loan application through a video service has been implemented.
4. The terms of youth lending programs "Elorda Zhastary" and "Zhetisu Zhastary" have been approved.
5.. Changes have been made to the List of tariffs (commission fees) for banking services for individual customers of the Bank, in terms of not charging a commission for early withdrawal of lump-sum pension payments from a savings account.

Registered address and place of business. The Bank's registered legal address is: 91, Abylay-Khan avenue, A05A2X0, Almaty, Republic of Kazakhstan.

As at 31 December 2021, the Bank has 18 regional branches, 19 service centers and 3 service points throughout Kazakhstan (in 2020: 18 regional branches, 20 service centers, 3 service points throughout Kazakhstan).

As of the date of issue of these financial statements, the Bank has a developed network of consultants (agent network) and video banking service through which customers can receive consulting services on the Bank's products and services, open deposits online without visiting the Bank and receive a range of services using remote banking.

The Bank is a member of the obligatory collective individual deposit insurance system in accordance with Certificate №25 issued by "Kazakhstan Deposit Insurance Fund" JSC. Insurance covers Bank's liabilities to deposits of individuals in the amount of up to Tenge 10,000 thousand for each individual in case of winding-up or revocation of the banking license.

1 Introduction (Continued)

According to Resolution of the Management Board of Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "Agency") No.162 dated 25 June 2007, the Bank was granted the status of a financial agency.

In agreement with the status of an agency, the borrowed funds from the republican budget were attracted by the Bank without provision of collateral security in accordance with Resolution of the Government of the Republic of Kazakhstan No.1844 dated 16 November 2009.

As of 31 December 2021:

Moody's rating affirmed the Bank the following ratings:

- Long-term rating on deposits in the national currency: Baa2 (Stable);
- Short-term rating on deposits in the national currency: Prime-2 (Stable);
- Baseline Credit Assessment (BCA): ba2 (Stable).

Fitch Ratings agency affirmed the Bank the following ratings:

- Long-term Issuer Default Rating (IDR) in national currency: BBB/ Stable;
- Short-term IDR in national currency: F2/ Stable.

As of 31 December 2020:

Moody's rating agency affirmed the Bank the following ratings:

- Long-term rating on deposits in the national currency: Baa3 (Positive);
- Short-term rating on deposits in the national currency: Prime-3(Positive);
- Baseline Credit Assessment (BCA): ba2 (Positive).

Fitch Ratings agency affirmed the Bank the following ratings:

- Long-term Issuer Default Rating (IDR) in national currency: BBB-/ Stable;
- Short-term IDR in national currency: F3/ Stable

Presentation currency. These financial statements are presented in Kazakhstani Tenge, unless stated otherwise.

Functional currency. The functional and presentation currency of the Bank is the national currency of the Republic of Kazakhstan, Kazakhstani tenge.

2 Operating Environment of the Bank

Since the Bank operates in Kazakhstan, the Bank's activities are exposed to economic and financial risks in the markets of Kazakhstan, which display characteristics inherent in emerging markets. It is particularly sensitive to fluctuations in the prices of oil and gas and other commodities, which constitute major part of the country's export. These characteristics also include, but are not limited to, the existence of a national currency that is not freely convertible outside the country, and the low level of liquidity in the securities market.

The inflation rate for 2021 is 8.4%. Prices for food products increased by 9.9%, non-food - by 8.5%, paid services - by 6.5%, according to the Bureau of National Statistics. Based on a detailed analysis of the situation in the external and domestic economy, the compliance of the forecast inflation dynamics with actual values, as well as updated forecasts of the main macroeconomic indicators for the medium term, on 6 December 2021, the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan decided to leave the base rate unchanged on the level of 9.75% per annum with an interest corridor of +/- 1.0 p.p.

According to the review of the financial sector of the Agency, the lending activity of banks continues to increase. Loans in the economy as of 1 January 2022 amounted to 18,497.7 billion tenge, having increased by 26.5% over 2021 (an increase of 3.7% over December 2021).

2 Operating Environment of the Bank (Continued)

The total assets of the banking sector in 2021 increased by 20.7%, to 37.624 billion tenge (2.5% growth in December 2021), mainly due to an increase in claims on customers by 34.1%.

Loans to individuals increased in 2021 by 42.7% to 10,738.8 billion tenge. Loans to individuals in the national currency for 2021 increased by 43.2% to 10,719.3 billion tenge, loans in foreign currency decreased by 49.8% to 19.6 billion tenge. In December 2021, 1,171.5 billion tenge was issued to individuals, which is 4.4% more than in November 2021. As a result of the continuation of preferential state housing programs, as well as the implementation of the mechanism for using citizens' pension savings to improve housing conditions, the volume of mortgage loans in 2021 amounted to 3,322.1 billion tenge. In January-December 2021, 2,436.1 billion tenge was allocated for housing construction, which is 19.1% more than in 2020. The main source of financing for housing construction in January-December 2021 is the own funds of developers, the share of which is 76.6%. In January-December 2021, the total area of residential buildings put into operation amounted to 17,075.8 thousand. square meters of which individual developers 7,150.4 thousand square meters. Average actual construction costs for 1 sq. meters of housing of the total area of housing in January-December 2021 increased by 2.9%, of which in multi-apartment buildings by 1.6% and built by the population by 8.7%.

On 3 September 2021 the S&P international rating agency has confirmed the sovereign credit rating of the Republic of Kazakhstan at BBB-, with a stable outlook. According to S&P analysts, the key factors supporting Kazakhstan's rating are stable fiscal and external reserves. S&P analysts also note that the floating exchange rate regime has helped the economy adjust to external pressures from the 2020 oil shock.

The possibility of withdrawing part of the pension savings caused a stir in the real estate market, both in terms of transactions and pricing. The peak was in February - about KZT 445 billion were withdrawn, and at the end of the month, a record number of housing purchase and sale transactions were concluded at that time - 41,101 transactions (+90.5% compared to January). The increase in transactions continued in the following months. For 11 months of 2021, according to the Bureau of National Statistics, the average price of primary housing increased by 14.4%. Housing on the secondary market has risen in price by more than 20%.

In connection with the continuation of restrictive quarantine measures in the Republic of Kazakhstan, in order to ensure uninterrupted operation, the Bank continues to serve customers in deposit and loan transactions through a video service and pre-booking an electronic queue for service at the Bank's branches. Employees of the head office and the branch are provided with the opportunity to work through remote access to the VDI workplace.

In accordance with the Business Continuity Action Plan relating to COVID-19, the Bank is taking the prescribed measures to ensure the continuity of operations and the safety of the Bank's employees. The Bank did not participate in or receive government grants/assistance due to COVID-19.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value through other comprehensive income, financial assets and financial instruments categorized at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 5).

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is a quoted price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3 Summary of Significant Accounting Policies (Continued)

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the Bank. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date the average of actual trading prices on the reporting date. The market quotation used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

A portfolio of financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date in the current market conditions.

This is applicable for assets carried at fair value on a recurring basis if the Bank: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Bank's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the Bank's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation models such as discounted cash flow models or models based on recent arm's length transactions between independent parties or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). No transfers between levels of the fair value hierarchy have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, obligatory payments by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying amounts of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all payments and fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

3 Summary of Significant Accounting Policies (Continued)

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales") are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Bank classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Bank manages the assets in order to generate cash flows – whether the Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell"), or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Bank did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying amount are recognised in OCI as "gains less losses on debt instruments at FVOCI".

3 Summary of Significant Accounting Policies (Continued)

The Bank applies a "three-stage" model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Bank identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 23 for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank's definition of credit impaired assets and definition of default is explained in Note 23.

Financial assets – modification. When financial assets are contractually modified (e.g., renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g., short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). An exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, balances on correspondent and current accounts, required reserves on accounts with the NBRK, NBRK notes, interbank deposits and reverse repurchase agreements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Due from credit institutions. Amounts due from credit institutions are recorded when the Bank advances money to counterparties. Amounts due from credit institutions are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying amount are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Bank may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Bank. Investments in equity securities are measured at FVTPL, except where the Bank elects at initial recognition to irrevocably designate an equity investment at FVOCI. The Bank's policy is to designate equity investments as FVOCI. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Bank's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 23 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

In accordance with Law of Republic of Kazakhstan No. 110 "On housing construction savings in the Republic of Kazakhstan" dated 7 December 2000, the Bank provides the following types of loans in the national currency: a housing, interim housing, and preliminary housing loans.

The housing loan is granted to customers, given that there is an accumulation of minimum required amount within 3-15 years, under the housing savings contract. The minimum period is 3 years of accumulation, the minimum savings amount is 50% of the amount needed to improve housing conditions. The interest rate on the loan varies from 2% to 5% per annum. The term of use of housing loans ranges from 6 to 25 years, depending on the selected tariff program of the Bank. Housing loan issued on the following conditions: i) the accumulation of a minimum required amount of savings; ii) when the minimum value of the evaluation index is reached; iii) the provision of the collateral; iv) confirmation of the borrower's creditworthiness.

3 Summary of Significant Accounting Policies (Continued)

The interim housing loan is granted to depositors with 50% accumulation or prepayment of savings of the required amount. The interest rate on the loan is from 2% to 12% per annum. The use of housing loan is up to 25 years, in accordance with the Bank's product line.

The preliminary housing loan is granted to certain client categories under the state and regional programs ("Nurly Zher", "Almaty Zhastary", "Elorda zhastary," "Zhetysu zhastary," "Bakytty Otbasy," "Shanyrak"), as well as the Bank's market program "Svoi dom", "Corporate" program, "Housing of military personnel and employees of the state security service," "Umai" programs.

Interest rates on preliminary housing loans range from 2% to 12% per annum for the accumulation/prepayment of savings from 10% to 50% of the contractual amount, depending on the category of borrower. During the period of use of preliminary housing loans, further accumulation of savings are carried out simultaneously with the repayment of interest on preliminary housing loan (non-payment of principal). At the end of accumulation period, accumulated savings and housing loan, which is directed to the prior repayment of the preliminary housing loan, are paid. The use of preliminary housing loan is from 6 months to 10 years, in accordance with the Bank's product line.

According to the market programs, preliminary housing loans were issued prior to May 2015 with an interest rate of 9.5% per annum for the accumulation/prepayment of savings from 25% to 50% of the contractual amount. The preliminary housing loan term ranged from 3 to 8.5 years, depending on the selected tariff program.

Loans granted to customers under government programs at rates below market are carried at fair value at initial recognition. Accordingly, at initial recognition of loans received and loans granted by government programs, the Bank uses the above judgments in estimating the fair value of loans issued under government programs. Subsequent measurement of loans received is carried at amortized cost using the weighted average interest rate determined at initial recognition as the effective rate for the instrument.

Transactions under sale and repurchase agreements, with securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are reclassified as repurchase receivables in the statement of financial position if the transferee has the right by contract or custom to sell or repledge the securities. The corresponding liabilities are presented within "amounts due to other financial institutions" or "borrowed funds".

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Bank, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties.

Premises and equipment. Premises and equipment are stated at initial cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired. Leasehold improvements are alterations made to rented properties by the Bank to customise it to its particular business needs and preferences. The improvements that are specialised to the Bank's intended use of the property are treated as own assets for accounting purposes.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

3 Summary of Significant Accounting Policies (Continued)

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Land and construction in progress are not depreciated. Depreciation of other items of premises and equipment and right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Premises	8 – 100
Vehicles	5 – 7
Office and computer equipment	2 – 10
Right-of-use assets	2-3
Other	3 – 20

The liquidation value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Bank's intangible assets primarily include capitalised computer software and licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised intangible assets are amortised on a straight-line basis over expected useful lives:

	Useful lives in years
Licenses	3-20
Computer software	1-14

Intangible assets with indefinite useful lives are not amortized but tested for annually for impairment.

Accounting for leases by the Bank as a lessee. The Bank leases office premises. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3 Summary of Significant Accounting Policies (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

As an exception to the above, the Bank accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight-line basis.

In determining the lease term, management of the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The Bank did not revise terms (concessions) of lease contracts related to COVID-19.

As at 31 December 2021, the Bank recognized right-of-use in the amount of 553,103 thousand Tenge, as well as the corresponding lease liability in the amount of Tenge 636,304 thousand in "other financial liabilities" in the Statement of Financial Position.

Non-current assets classified as held for sale. Non-current assets are classified in the Statement of Financial Position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Bank's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

These assets as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised.

Due to other credit institutions. Amounts due to other credit institutions are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at AC. If the Bank purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals and legal entities, initially recognised at fair value less costs directly associated with a transaction and are carried at AC.

Borrowed funds. Borrowed funds include loans received from the Government of the Republic of Kazakhstan, Parent Company, local executive bodies, international financial and other organisations.

Borrowed funds are initially recorded at fair value less costs directly associated with a transaction and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Debt securities in issue. Debt securities in issue include bonds issued by the Bank. Debt securities upon initial recognition are stated at fair value less costs directly attributable to the transaction and are carried at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Government grants. Benefit from receipt of government loan received funds in the form of a loan and issued securities from the government for lending to customers under the "Bakytty Otbasy" and "Shanyrak" programs at a below-market interest rate is carried as a government grant. The benefit from the below-market interest rate is measured as the difference between the initial carrying amount of the loan and the proceeds.

Government grants are recognized in profit or loss over the periods necessary to match them with the related costs they are intended to compensate, on a regular basis.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge and credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity. Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Tax deduction for lease payments is allocated to depreciation of right of use asset and interest cost on the lease liability. As a result, no temporary differences arise upon initial recognition of a new lease where the Bank is a lessee.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Trade and other payables. Trade and other payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost. Due to the short-term nature of trade and other payables, the effect from discounting of future cash flows for the calculation of amortised cost is insignificant.

3 Summary of Significant Accounting Policies (Continued)

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Additional paid-in capital. Additional paid-in capital represents the value of assets or services transferred or provided to the Bank by Shareholders without public offering or transferred against future share issues. At initial recognition, loans received from a related entity at a rate below market, are recognised at fair value in equity as additional paid-in capital. Additional paid-in capital is not revised further.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the "Subsequent Events note".

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off 1) must not be contingent on a future event and 2) must be legally enforceable in all of the following circumstances: (a) in the normal course of business, (b) the event of default and (c) the event of insolvency or bankruptcy.

Earnings per share. Earnings per share are calculated by dividing profit or loss attributable to owners of the Bank's share on the weighted average number of participating shares outstanding during the year.

3 Summary of Significant Accounting Policies (Continued)

Staff costs and related contributions. Wages, salaries, mandatory contributions to the social health insurance fund and social insurance fund, social tax, accrued expenses for annual and sick leaves, voluntary medical insurance, bonuses, and social assistance in cash. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented by expected maturity as provided in Note 23.

The table below provides information on the amounts expected to be recovered or settled before or after 12 months after the end of the reporting period for items not included in the analysis presented in Note 23.

	31 December 2021			31 December 2020		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
(in thousands of Kazakhstani Tenge)	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
Assets						
Current income tax prepayment	-	-	-	196,015	-	196,015
Deferred income tax asset	-	-	-	-	-	-
Intangible assets	-	5,566,033	5,566,033	-	5,684,660	5,684,660
Premises and equipment	-	4,634,916	4,634,916	-	5,196,002	5,196,002
Right-of-Use assets	-	553,103	553,103	-	266,230	266,230
Other assets	354,054	-	354,054	268,023	-	268,023
Non-current assets held for sale	272,678	-	272,678	191,476	-	191,476
Total:	**626,732**	**10,754,052**	**11,380,784**	**655,514**	**11,146,892**	**11,802,406**
Liabilities						
Current income tax liability	92,900	-	92,900	-	-	-
Deferred income tax liability	(594,692)	25,709,138	25,114,446	(432,290)	18,757,180	18,324,890
Government grant	45,678,402	176,303,538	221,981,940	4,974,803	116,779,057	121,753,860
Other liabilities	2,681,864	-	2,681,864	2,009,583	-	2,009,583
Total:	**47,858,474**	**202,012,676**	**249,871,150**	**6,552,096**	**135,536,237**	**142,088,333**

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Bank makes estimates and make assumptions that affect the reported amounts and the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated based on management's experience and other factors, including expectations of future events which management believes to be reasonable under the circumstances. In the process of applying the accounting policies, management also uses judgment and estimates. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

ECL measurement. Measurement of expected credit losses (ECLs) is a significant estimate that involves determination of methodology, models and data inputs same as at 31 December 2021. There were no changes in the ECL measurement methodology for the previous period. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Bank used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The Bank reassessesmacro-economic functions on an annual basis, as macro-economic dependence may vary in due course.

In 2021, the Bank performed the analysis of macro-economic variables as at 1 July 2021. According to the results of the analysis, the availability of interconnection between the level of default and macro-economic factors was not confirmed, therefore the macroeconomic factor was approved at the level of 100% (that confirms the lack of impact).

The Bank at least once a year calculates the minimum value of LGD (an estimate of losses arising from default, used in the calculation of expected credit losses). In May 2021, a reduction in the minimum LGD to 29% from the previous value of 37% was approved. This caused a one-time decrease in provisions by Tenge 1,383 million as at 1 June 2021.

There has been no adjustment to the provisioning model due to the COVID-19 pandemic. Loans for which deferred payments were presented were classified on a general basis. No noticeable effect on the PD and LGD parameters was found.

During the analysis of the impact of the macroeconomic situation on expected credit losses, the Bank evaluates the consequences of major social and economic events, takes into account existing expert opinions, and identifies relationships between economic parameters and the behavior of the loan portfolio.

The amount of debt written off or forgiven in 2021 is 122.6 million tenge (33 loans).

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Bank identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level.

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by Tenge 3,434,606 thousand as of 31 December 2021. All other factors are unchanged.

Should loss given default (LGD) on impaired loans be 100%, the expected credit loss allowance would be higher by Tenge 3,858,309 thousand. All other factors are unchanged.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Fair value of financial instruments at rates below market. According to tariff programs of the Bank, housing loans, preliminary and interim housing loans are advanced to the population with an interest rate of 2% to 12%, of 2% to 5% on housing loans. Housing loans are granted when 50% of savings of the contractual amount are available at the savings account of the potential borrower subject to reaching the estimated index and meeting the minimum period of savings which is not less than three years. Interim housing loans are issued provided that the savings amount had been accumulated prior to the scheduled date or a lump-sum contribution of the minimum required amount (at least 50% of the contractual amount) had been made with subsequent lending within the contractual amount. The preliminary housing loan is issued without the condition of principal repayment until the receipt of the contractual amount, the balance is repaid using the contractual amount. The savings interest rate is 2%. The Bank concluded that both loans and savings transactions are sufficiently unique and there are no similar goods in the market. Therefore, the transaction price, being the current price for the main or most profitable market, does not need to be subsequently adjusted for transaction costs.

Interim and preliminary housing loans issued under the programs and the rates for which differ from market rates, the Bank adjusts the fair value at the weighted average rate for existing preliminary and intermediate housing loans in accordance with the Fair Value Methodology.

Upon initial recognition, borrowed financial instruments for the implementation of state programs and programs of local executive bodies are recognized at fair value, taking into account transaction costs, determined as the current present value of all cash flows on them using the weighted average interest rate of borrowing for similar financial instruments. At the same time, the difference between the nominal value and the determined fair value from related parties is attributed to "Additional paid-in capital", from other legal entities, financial market participants in the form of a financial services provider with non-market terms, is attributed to the Bank's income or expenses, financial instruments received for lending to clients under the "Bakytty Otbasy" and "Shanyrak" programs is accounted for as a government grant.

The Bank placed bonds on the informal market by concluding a bilateral agreement on the purchase and sale of bonds with the Parent Company and "Karazhanbasmunai" JSC at a price below the market value, which were sold at a discount. Bonds issued by the Bank are initially recognized at fair value less transaction costs. Subsequent accounting is carried out at amortized cost using the effective interest method. A detailed description of the terms and conditions of the debt securities issued is provided in Note 15.

The table below illustrates raised funds under contractual terms that differ significantly from average market borrowing rates with similar terms on maturity and interest rates and were recognized in the financial statements at fair value.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

(in thousands of Kazakhstani Tenge)

Creditor	Amount per contract	Note
Ministry of Finance of the Republic of Kazakhstan	12,200,000	Contract duration - from 11.07.2012 to 18.07.2023; Nominal rate -1%; Market rate - 4,5656%, Discount amount - 2,949,902; * Calculation method[1].
	8,000,000	Contract duration - from 22.11.2017 to 27.11.2037; Nominal rate -0,15%; Market rate - 9,4762%, Discount amount - 5,266,234; * Calculation method[1].
	24,000,000	Contract duration - from 16.03.2018 to 05.03.2038; Nominal rate -0,15%; Market rate - 8,9601%, Discount amount - 15,473,120; * Calculation method[1].
	15,000,000	Contract duration - from 19.12.2018 to 20.12.2038; Nominal rate -0,15%; Market rate - 8,1825%, Discount amount - 9,333,966; * Calculation method[1].
	28,000,000	Contract duration - from 06.03.2019 to 01.03.2039; Nominal rate -0,15%; Market rate - 8,5157%, Discount amount - 17,698,330; * Calculation method[1].
	50,000,000	Contract duration - from 15.07.2019 to 12.07.2044; Nominal rate -0,01%; Market rate 9,4056%; Amount of the government grant – 44,668,567; * Calculation method[1].
	14,000,000	Contract duration - from 03.12.2019 to 03.12.2039; Nominal rate -0,15%; Market rate - 8,1869%, Discount amount - 8,713,488; * Calculation method[3].
	49,000,000	Contract duration - from 28.05.2020 to 20.03.2045; Nominal rate -0,01%; Market rate 13,38%; Amount of the government grant – 46,774,007; * Calculation method [3].
	10,000,000	Contract duration - from 10.12.2020 to 10.12.2040; Nominal rate -0,15%; Market rate - 11,83%, Discount amount - 7,051,328; * Calculation method[3].
	50,000,000	Contract duration - from 29.03.2021 to 25.03.2046; Nominal rate -0,01%; Market rate - 11,1281%, Amount of the government grant – 46,378,062; * Calculation method[3].
	32,000,000	Contract duration - from 05.04.2021 to 05.04.2041; Nominal rate -0,15%; Market rate - 10,9001%, Discount amount – 22,053,161; * Calculation method[3].
	20,000,000	Contract duration - from 06.08.2021 to 20.07.2046; Nominal rate -0,01%; Рыночная ставка - 10,2904%-10,4105%, Amount of the government grant – 18,222,200; * Calculation method[3].
Administration of Almaty	993,624	Contract duration - from 06.11.2017 to 15.11.2025; Nominal rate -0,01%; Market rate - 9,0230%, Discount amount - 398,409; *Метод расчета[2].
	1,199,000	Contract duration - from 30.07.2018 to 02.08.2026; Nominal rate -0,01%; Market rate - 8,4304% - 9,2060%, Discount amount – 467,383; * Calculation method[2].
	1,000,000	Contract duration - from 27.03.2019 to 03.04.2044; Nominal rate - 0,01%; Market rate 8,7015% - 8,7888%, Amount of the government grant – 734,142; * Calculation method[1].
	1,500,000	Contract duration - from 26.06.2019 to 03.04.2044; Nominal rate -0,01%; Market rate 8,741% - 8,7501%, Сумма госсубсидии – 1,310,998; * Calculation method[1].
	10,000,000	Contract duration - from 12.06.2020 to 30.06.2045; Nominal rate -0,01%; Market rate – 12,24% - 13,38%, Discount amount – 8,877,163; * Calculation method[3].
	14,000,000	Contract duration - from 05.03.2021 to 25.01.2046; Nominal rate -0,01%; Market rate – 10,5119% - 10,7457%, Discount amount – 9,710,412; * Calculation method[3].
	3,348,000	Contract duration - from 30.07.2021 to 05.08.2046; Nominal rate -0,01%; Market rate – 10,5684%, Discount amount – 2,636,249; * Calculation method[3].

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Creditor	Amount per contract	Note
NMH "Baiterek" JSC (Parent company)	22,000,000	Contract duration - from 25.03.2016 to 25.03.2036; Nominal rate -0,15%; Market rate – 7,9694%, Discount amount – 13,541,732; * Calculation method[2].
	90,000,000	Contract duration - from 24.07.2020 to 27.07.2040; Nominal rate -4,05%; Market rate 13,7%; Amount of the government grant – 57,747,025; * Calculation method[3].
	120,000,000	Contract duration - from 09.04.2021 to 09.04.2041; Nominal rate -4,05%; Market rate 10,99%; Amount of the government grant 65,367,488; * Calculation method[3].
Administration of Nur-Sultan	80,000	Contract duration - from 29.05.2020 to 29.05.2028; Nominal rate -0,01%; Market rate – 13,8100%, Discount amount – 58,789; * Calculation method[3].
	500,000,000	Contract duration - from 11.10.2021 to 11.10.2029; Nominal rate -0,15%; Market rate – 10,4401%, Discount amount – 214,958; * Calculation method[3].
	200,000,000	Contract duration - from 27.10.2021 to 05.11.2029; Nominal rate -0,15%; Market rate – 10,4401%, Discount amount – 58,789; * Calculation method[3].
"Karazhanbasmunai" JSC	1,316,432	Contract duration - from 16.11.2020 to 16.11.2024; Nominal rate – 2%; Market rate – 11,54%. Discount amount – 383,153; * Calculation method[3].
"NIS" AEO	218,900	Contract duration - from 20.12.2020 to 25.12.2028; Nominal rate – 0,01%; Market rate – 10,72% - 11,43%. Discount amount – 123,747; * Calculation method[3].

[1] The rate of return on government securities with the same maturity period;
[2] The rate of return on government securities denominated in tenge by linearising the specified dependence using a linear function;
[3] A multi-component methodology for fair value measurement including, in a particular, the Nelson-Siegel parametric model and used by NMH "Baiterek" and subsidiaries.
* According to the Methodology for determining the fair value of financial assets and financial liabilities of Otbasy Bank JSC. The methodology has been developed in accordance with the legislation of the Republic of Kazakhstan, International Financial Reporting Standards, the Bank's Accounting Policy, and the Parent Company's General Methodology for Determining the Fair Value of Financial Assets and Financial Liabilities. In 2021, the Bank changed its judgment to change the valuation method if such a change results in the most accurate estimate under the circumstances. When events (described in the Methodology) occur, the Bank uses an adjusted valuation method for each group/type of assets/liabilities in accordance with this Methodology.

5 Adoption of New or Revised Standards and Interpretations

The following revised standards became effective for the Bank from 1 January 2021:

Amendment to IFRS 16 on accounting for lease concessions related to COVID-19 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendment provides tenants with an exemption in the form of an optional exemption from assessing whether a COVID-19 lease concession is a lease modification. Lessees may choose to treat lease assignments as if such assignments were not a lease modification. This practical solution only applies to rental concessions granted directly in connection with the COVID-19 pandemic and only if all of the following conditions are met: a change in rental payments results in a revision of the rental reimbursement so that it does not exceed the reimbursement for the lease immediately prior to the change; any reduction in lease payments only affects payments due no later than 30 June 2021; and no significant changes to other terms of the lease. On 31 March 2021, due to the ongoing pandemic, the IASB published additional amendments to include assignment dates from 30 June 2021 to 30 June 2022 (effective for annual periods beginning on or after 1 April 2021).

This amendment does not affect the Bank's financial statements due to the fact that the Bank did not have lease incentives.

5 Adoption of New or Revised Standards and Interpretations (Continued)

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of "IBOR reform": For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

- End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

Under these amendments, changes to the basis for determining the contractual cash flows are reflected by adjusting the effective interest rate. No immediate gain or loss is recognised. The same practical expedient exists for lease liabilities. These revisions of effective interest rate are only applicable when the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis. Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes result in a modification or derecognition gain or loss. If lease modifications are made in addition to those required by the IBOR reform, the normal requirements of IFRS 16 are applied to the entire lease modification, including the changes required by the IBOR reform.

This reform has no impact on the Bank's financial statements due to the fact that the Bank does not have financial instruments with floating interest rates.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Bank has not early adopted.

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- "Proceeds before intended use", "Onerous contracts – cost of fulfilling a contract", "Reference to the Conceptual Framework" – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 8: "Definition of Accounting Estimates" (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

7 Cash and Cash Equivalents

(in thousands of Kazakhstani Tenge)	**31 December 2021**	**31 December 2020**
Cash balances with the NBRK (other than mandatory reserve deposits)	495,033,497	62,261,558
NBRK notes with a maturity of less than three months	69,628,315	61,663,506
Mandatory cash balances with the NBRK	21,889,749	9,030,015
Reverse sale and repurchase agreements with original maturities of less than three months	4,582,581	2,850,498
Cash on hand	2,293,195	2,070,277
Current accounts	1,257,484	145
Correspondent accounts in other banks	383,903	383,415
Less credit loss allowance	(2,403)	(1,522)
Total cash and cash equivalents	**595,066,321**	**138,257,892**

Since 2021, the Bank has placed temporarily free cash, including funds from the Bank's customers in term deposits and notes of the National Bank of the Republic of Kazakhstan.

7 Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances at 31 December 2021:

(in thousands of Kazakhstani Tenge)	Cash balances with the NBRK, including mandatory reserves	NBRK notes with a maturity of less than three months	Reverse sale and repurchase agreements with original maturities of less than three months	Correspondent accounts in other banks	Current accounts	Total
Neither past due nor impaired						
- National Bank of Republic of Kazakhstan (BBB- rated)	516,922,154	69,627,089	-	-	1,257,479	587,806,722
- BBB- to BBB+ rated	-	-	4,582,503	-	-	4,582,503
- BB- to BB+ rated	-	-	-	383,896	5	383,901
Total cash and cash equivalents, excluding cash on hand	**516,922,154**	**69,627,089**	**4,582,503**	**383,896**	**1,257,484**	**592,773,126**

Credit ratings are based on Standard and Poor's ratings where available or Moody's and Fitch ratings, which are then converted to the nearest equivalent on the Standard and Poor's rating scale.

The table below discloses the credit quality of cash and cash equivalents balances at 31 December 2020:

(in thousands of Kazakhstani Tenge)	Cash balances with the NBRK, including mandatory reserves	NBRK notes with a maturity of less than three months	Reverse sale and repurchase agreements with original maturities of less than three months	Current accounts	Reverse sale and repurchase agreements with original maturities of less than three months	Total
Neither past due nor impaired						
- NBRK (BBB- rated)	71,291,350	61,662,263	-	140	-	132,953,753
- BBB- to BBB+ rated	-	-	2,850,449	-	-	2,850,449
- BB- to BB+ rated	-	-	-	5	383,408	383,413
Total cash and cash equivalents, excluding cash on hand	**71,291,350**	**61,662,263**	**2,850,449**	**145**	**383,408**	**136,187,615**

Credit ratings are based on Standard and Poor's ratings where available or Moody's and Fitch ratings, which are then converted to the nearest equivalent on the Standard and Poor's rating scale.

As of 31 December 2021, the Bank had notes of NBRK with a maturity of less than three months in the total amount of Tenge 69,627,089 thousand (2020: Tenge 61,662,263 thousand), and also balances with NBRK, including mandatory reserves in the amount of Tenge 516,922,154 thousand (2020: Tenge 71,291,350 thousand).

7 Cash and Cash Equivalents (Continued)

For reverse repurchase transactions, securities of KazAgroFinance JSC and Samruk Kazyna National Welfare Fund JSC with a fair value of Tenge 4,582,503 thousand (2020: Tenge 2,850,449 thousand) serve as collateral.

	31 December 2021		31 December 2020	
(in thousands of Kazakhstani Tenge)	**Carrying amount of REPO**	**Fair value of collateral**	**Carrying amount of REPO**	**Fair value of collateral**
With B- to BBB+ rated collateral	4,582,503	4,582,581	2,850,449	2,850,498
Total	**4,582,503**	**4,582,581**	**2,850,449**	**2,850,498**

As of 31 December 2021, the Bank had 2 counterparty banks, except for NBRK (2020: 1 counterparty bank). The total aggregate amount of these balances amounted to Tenge 383,896 thousand (2020: Tenge 383,408 thousand).

Interest rate analysis of cash and cash equivalents is disclosed in Note 23. Information on transactions with related parties is disclosed in Note 29.

As at 31 December 2021 and 31 December 2020, for the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. There were no transitions between stages in 2021 and 2020. Refer to Note 23 for the ECL measurement approach.

8 Investments in Debt Securities

(in thousands of Kazakhstani Tenge)	**31 December 2021**	**31 December 2020**
Debt securities at FVOCI	102,853,035	127,381,358
Debt securities at AC	84,024,132	104,829,094
Total investments in debt securities	**186,877,167**	**232,210,452**

The decrease in investment in debt securities is associated with the redemption of securities carried at amortized cost.

8 Investments in Debt Securities (Continued)

The table below discloses investments in debt securities at 31 December 2021 by measurement categories and classes.

(в тысячах казахстанских тенге)	Debt securities at FVOCI	Debt securities at AC	Total
Government securities of the Ministry of Finance of RK	56,386,067	45,793,469	102,179,536
Bonds of Kazakhstani non-bank financial institutions	15,620,014	1,045,831	16,665,845
Corporate bonds	16,115,469	25,256,749	41,372,218
Notes of the National Bank of RK	-	11,511,699	11,511,699
Bonds issued by international financial organizations	11,959,098	474,769	12,433,867
Administration of Shymkent	2,894,217	-	2,894,217
Total investments in debt securities at 31 December 2021 (fair value or gross carrying amount)	102,974,865	84,082,517	187,057,382
Credit loss allowance	(121,830)	(58,385)	(180,215)
Total investments in debt securities at 31 December 2021 (carrying amount)	**102,853,035**	**84,024,132**	**186,877,167**

The table below discloses investments in debt securities at 31 December 2020 by measurement categories and classes.

(in thousands of Kazakhstani Tenge)	Debt securities at FVOCI	Debt securities at AC	Total
Government securities of the Ministry of Finance of RK	76,575,156	50,224,065	126,799,221
Notes of the National Bank of RK	-	43,574,846	43,574,846
Corporate bonds	13,825,081	11,058,483	24,883,564
Bonds of Kazakhstani non-bank financial institutions	20,179,198	-	20,179,198
Bonds issued by international financial organizations	17,112,585	-	17,112,585
Total investments in debt securities at 31 December 2020 (fair value or gross carrying amount)	127,692,020	104,857,394	232,549,414
Credit loss allowance	(310,662)	(28,300)	(338,962)
Total investments in debt securities at 31 December 2020 (carrying amount)	**127,381,358**	**104,829,094**	**232,210,452**

8 Investments in Debt Securities (Continued)

(a) Investments in debt securities at FVOCI

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2021, for which an ECL allowance is recognised, based on credit risk grades. Refer to Note 23 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at FVOCI.

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
- Government securities of the Ministry of Finance of RK		
BBB- rated	56,386,067	76,575,156
Gross carrying amount	**56,386,067**	**76,575,156**
Less credit loss allowance	(7,653)	(22,381)
Carrying amount (fair value)	**56,378,414**	**76,552,775**
Corporate bonds		
- BBB+ to BBB- rated	15,524,299	5,065,351
- BB+ to BB- rated	-	7,754,613
- B+ to B- rated	591,170	1,005,117
Gross carrying amount	**16,115,469**	**13,825,081**
Less credit loss allowance	(34,060)	(212,448)
Carrying amount (fair value)	**16,081,409**	**13,612,633**
Bonds issued by international financial organizations		
- AAA rated	3,228,195	5,393,515
- BBB- rated	8,730,903	11,719,070
Gross carrying amount	**11,959,098**	**17,112,585**
Less credit loss allowance	(986)	(3,941)
Carrying amount (fair value)	**11,958,112**	**17,108,644**
Bonds of Kazakhstani non-bank financial institutions		
- BBB+ to BBB- rated	8,288,614	18,204,601
- BB+ to BB- rated	7,331,400	1,974,597
Gross carrying amount	**15,620,014**	**20,179,198**
Less credit loss allowance	(78,533)	(71,892)
Carrying amount (fair value)	**15,541,481**	**20,107,306**
Administration of Shymkent		
- BBB- rated	2,894,217	-
Gross carrying amount	**2,894,217**	-
Less credit loss allowance	(598)	-
Carrying amount (fair value)	**2,893,619**	-

Gross carrying amount of investments at FVOCI as at 1 January 2021 was Tenge 102,974,865 thousand (31 December 2020: Tenge 127,692,020 thousand), and credit loss allowance was Tenge 121,830 thousand (2020: Tenge 310,662 thousand). During the year ended 31 December 2021, there were no transfers between credit quality stages.

8 Investments in Debt Securities (Continued)

Debt securities at FVOCI at 31 December 2021 are included in Stage 1. The debt securities at FVOCI are not collateralised.

The credit ratings are based on Standard and Poor's ratings where available, or Moody's and Fitch rating converted to the nearest equivalent on the Standard and Poor's rating scale.

(b) Investments in debt securities at AC

The following table contains an analysis of debt securities at AC by credit quality at 31 December 2021 based on credit risk grades and discloses the balances by three stages for the purpose of ECL measurement. Refer to Note 23 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at AC. The carrying amount of debt securities at AC at 31 December 2021 below also represents the Bank's maximum exposure to credit risk on these assets.

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
Notes of the National Bank of RK		
BBB- rated	11,511,699	43,574,846
Gross carrying amount	**11,511,699**	**43,574,846**
Credit loss allowance	(1,138)	(3,274)
Carrying amount	**11,510,561**	**43,571,572**
Government securities of the Ministry of Finance of RK		
BBB- rated	45,793,469	50,224,065
Gross carrying amount	**45,793,469**	**50,224,065**
Credit loss allowance	(9,872)	(21,287)
Carrying amount	**45,783,597**	**50,202,778**
Corporate bonds		
BBB rated	25,256,749	11,058,483
Gross carrying amount	**25,256,749**	**11,058,483**
Credit loss allowance	(46,722)	(3,739)
Carrying amount	**25,210,027**	**11,054,744**
Bonds of Kazakhstani non-bank financial institutions		
BBB rated	1,045,831	-
Gross carrying amount	**1,045,831**	-
Credit loss allowance	(592)	-
Carrying amount	**1,045,239**	-
Bonds issued by international financial organizations		
BBB rated	474,769	-
Gross carrying amount	**474,769**	-
Credit loss allowance	(61)	-
Carrying amount	**474,708**	-

Gross carrying amount of investments at AC as at 31 December 2021 was Tenge 84,082,517 thousand (31 December 2020: Tenge 104,857,394 thousand), and credit loss allowance was Tenge 58,385 thousand (2020: Tenge 28,300 thousand). During the year ended 31 December 2021, there were no transfers between credit quality stages. Debt securities at AC as at 31 December 2021 were included in Stage 1.

As at 31 December 2021, debt securities at AC are not collateralised (2020: not collateralised).

9 Loans and Advances to Customers

(in thousands of Kazakhstani Tenge)	**31 December 2021**	**31 December 2020**
Interim housing loans	964,640,025	480,327,089
Preliminary housing loans	687,558,140	481,631,483
Housing loans	357,098,761	365,184,539
Less credit loss allowance	(9,970,415)	(7,461,986)
Total loans and advances to customers	**1,999,326,511**	**1,319,681,125**

As of 31 December 2021, the Bank had Top 10 borrowers with total loan amounts exceeding Tenge 94,426 thousand (2020: Tenge 90,000 thousand). The aggregate amount of these loans was Tenge 982,863 thousand (2020: Tenge 906,757 thousand), or 0,05% of the loan portfolio before allowance for loan impairment (2020: 0,07%). In 2021, the volume of interim loans issued amounted to 91% of the total amount of loans issued, including through lump sum pension payments.

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2021 and 31 December 2020 are disclosed in the table below:

	31 December 2021			**31 December 2020**		
(in thousands of Kazakhstani Tenge)	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**
Interim housing loans	964,640,025	(1,365,539)	**963,274,486**	480,327,089	(1,617,973)	**478,709,116**
Preliminary housing loans	687,558,140	(7,459,917)	**680,098,223**	481,631,483	(4,390,211)	**477,241,272**
Housing loans	357,098,761	(1,144,959)	**355,953,802**	365,184,539	(1,453,802)	**363,730,737**
Total loans and advances to customers at AC	**2,009,296,926**	**(9,970,415)**	**1,999,326,511**	**1,327,143,111**	**(7,461,986)**	**1,319,681,125**

The main reasons for the decrease in the amount of the allowance for interim loans in 2021 were: the transition of interim loans in the amount of about 204,5 billion tenge to the category of housing loans, the improvement in the quality of loans; in particular, the net transfer from the second stage of impairment to the first amounted to about 35,6 billion. In addition, about 80% of the interim loan portfolio was issued in 2021.

For 2021, the amount of expenses against the allowance amounted to 2,541,097 thousand tenge (2020: 5,323,208 thousand tenge). Compared to 2020, the expenses on the allowance for credit losses decreased, since in 2020, on the recommendation of the Agency, the Bank formed additional provisions for a total of 3,111,386 thousand tenge on loans restructured due to the incomplete construction of the “Bagystan” residential complex.

9 Loans and Advances to Customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for interim housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
(in thousands of Kazakhstani Tenge)	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total
Interim loans								
At 1 January 2021	**(218,911)**	**(532,031)**	**(867,031)**	**(1,617,973)**	**382,723,073**	**95,587,654**	**2,016,362**	**480,327,089**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	77,486	(129,969)	-	(52,483)	(119,995,089)	119,995,089	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(1,258)	328,870	327,612	-	865,354	(865,354)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	218	2,373	(178,556)	(175,965)	(411,703)	(266,697)	678,400	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(19,596)	206,432	65,006	251,842	36,968,149	(36,794,714)	(173,435)	-
New originated or purchased	(508,592)	(106,680)	(173,492)	(788,764)	715,306,607	42,808,095	555,240	758,669,942
Repayment in full or in part during the period	35,320	78,379	103,016	216,715	(94,504,146)	(108,615,819)	(541,551)	(203,661,516)
Changes to ECL measurement model assumptions	2,263	193,757	49,458	245,478	-	-	-	-
Write-offs	-	-	23,383	23,383	-	-	(23,383)	(23,383)
Unwinding of discount	-	-	-	-	(447,548)	(1,031,470)	(12,975)	(1,491,993)
Changes in accrued interest	-	-	-	-	(141,060)	(380,032)	(997)	(522,089)
Transfer from preliminary and interim loans	9,130	158,028	37,458	204,616	(13,448,442)	(55,162,712)	(46,871)	(68,658,025)
Total movements with impact on credit loss allowance charge for the period	**(403,771)**	**401,062**	**255,143**	**252,434**	**523,326,768**	**(38,582,906)**	**(430,926)**	**484,312,936**
At 31 December 2021	**(622,682)**	**(130,969)**	**(611,888)**	**(1,365,539)**	**906,049,841**	**57,004,748**	**1,585,436**	**964,640,025**

9 Loans and Advances to Customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for preliminary housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
(in thousands of Kazakhstani Tenge)	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total
Preliminary loans								
At 1 January 2021	**(271,956)**	**(716,009)**	**(3,402,246)**	**(4,390,211)**	**380,415,166**	**96,117,398**	**5,098,919**	**481,631,483**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	181,796	(1,827,796)	-	(1,646,000)	(283,213,644)	283,213,644	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(152,253)	1,824	(150,429)	-	381,184	(381,184)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	974	9,561	(521,171)	(510,636)	(794,951)	(384,373)	1,179,324	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(10,569)	49,331	34,194	72,956	8,216,684	(8,134,195)	(82,489)	-
New originated or purchased	(182,093)	(1,104,034)	(829,569)	(2,115,696)	169,527,774	101,661,862	1,095,819	272,285,455
Repayment in full or in part during the period	15,852	24,509	224,225	264,586	(20,342,070)	(21,187,771)	(758,362)	(42,288,203)
Changes to ECL measurement model assumptions	(23,678)	232,532	600,700	809,554	-	-	-	-
Write-offs	-	5,718	745	6,463	-	(5,718)	(745)	(6,463)
Unwinding of discount	-	-	-	-	(762,345)	(5,516,300)	(25,467)	(6,304,112)
Changes in accrued interest	-	-	-	-	(11,292)	(72,532)	83,248	(576)
Transfer from preliminary and interim loans	229	35,018	164,249	199,496	(758,061)	(16,814,167)	(187,216)	(17,759,444)
Total movements with impact on credit loss allowance charge for the period	**(17,489)**	**(2,727,414)**	**(324,803)**	**(3,069,706)**	**(128,137,905)**	**333,141,634**	**922,928**	**205,926,657**
At 31 December 2021	**(289,445)**	**(3,443,423)**	**(3,727,049)**	**(7,459,917)**	**252,277,261**	**429,259,032**	**6,021,847**	**687,558,140**

9 Loans and Advances to Customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
(in thousands of Kazakhstani Tenge)	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total
Housing loans								
At 1 January 2021	**(264,496)**	**(422,821)**	**(766,485)**	**(1,453,802)**	**248,935,339**	**114,511,121**	**1,738,079**	**365,184,539**
Movements with impact on credit loss allowance charge for the period: Transfers:								
- to lifetime (from Stage 1 to Stage 2)	7,193	(24,020)	-	(16,827)	(8,270,973)	8,270,973	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(1,158)	197,081	195,923	-	517,058	(517,058)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	451	2,817	(182,465)	(179,197)	(431,437)	(271,045)	702,482	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(14,741)	93,650	153,284	232,193	21,520,423	(21,107,683)	(412,740)	-
New originated or purchased	(59,183)	(23,812)	(14,152)	(97,147)	63,163,163	6,149,866	29,092	69,342,121
Repayment in full or in part during the period	60,784	90,408	205,962	357,154	(116,271,282)	(46,743,890)	(645,737)	(163,660,909)
Changes to ECL measurement model assumptions	39,271	92,879	68,653	200,803	-	-	-	-
Write-offs	-	20,053	-	20,053	-	(20,053)	-	(20,053)
Unwinding of discount	-	-	-	-	(981)	16,901	240	16,160
Changes in accrued interest	-	-	-	-	(123,650)	(58,262)	1,346	(180,566)
Transfer from preliminary and interim loans	(9,359)	(193,046)	(201,707)	(404,112)	14,206,503	71,976,879	234,087	86,417,469
Total movements with impact on credit loss allowance charge for the period	**24,416**	**57,771**	**226,656**	**308,843**	**(26,208,234)**	**18,730,744**	**(608,288)**	**(8,085,778)**
At 31 December 2021	**(240,080)**	**(365,050)**	**(539,829)**	**(1,144,959)**	**222,727,105**	**133,241,865**	**1,129,791**	**357,098,761**

9 Loans and Advances to Customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for interim housing loans and advances to customers carried at amortised cost between the beginning and the end of the similar past reporting period.

	Credit loss allowance				**Gross carrying amount**			
	Stage 1	**Stage 2**	**Stage 3**		**Stage 1**	**Stage 2**	**Stage 3**	
(in thousands of Kazakhstani Tenge)	**(12-months ECL)**	**(lifetime ECL for SICR)**	**(lifetime ECL for credit im-paired)**	**Total**	**(12-months ECL)**	**(lifetime ECL for SICR)**	**(lifetime ECL for credit im-paired)**	**Total**
Interim loans								
At 1 January 2020	**(203,239)**	**(38,118)**	**(495,640)**	**(736,997)**	**355,252,577**	**9,571,689**	**1,043,021**	**365,867,287**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	67,685	(211,855)	-	(144,170)	(116,293,131)	116,293,131	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(668)	42,854	42,186	-	115,821	(115,821)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	641	4,485	(519,125)	(513,999)	(1,108,067)	(494,202)	1,602,269	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1,314)	6,938	9,787	15,411	2,250,286	(2,223,835)	(26,451)	-
New originated or purchased	(105,280)	(467,951)	(42,115)	(615,346)	222,738,067	80,073,447	113,731	302,925,245
Repayment in full or in part during the period	13,627	3,347	47,244	64,218	(57,784,861)	(62,275,011)	(489,551)	(120,549,423)
Changes to ECL measurement model assumptions	(9,187)	5,212	32,885	28,910	-	-	-	-
Write-offs	-	-	1,121	1,121	-	-	(1,121)	(1,121)
Unwinding of discount	-	-	-	-	21,687	505,882	1,468	529,037
Changes in accrued interest	-	-	-	-	(146,559)	(241,902)	15,031	(373,430)
Transfer from preliminary and interim loans	18,156	166,579	55,958	240,693	(22,206,926)	(45,737,366)	(126,214)	(68,070,506)
Total movements with impact on credit loss allowance charge for the period	**(15,672)**	**(493,913)**	**(371,391)**	**(880,976)**	**27,470,496**	**86,015,965**	**973,341**	**114,459,802**
At 31 December 2020	**(218,911)**	**(532,031)**	**(867,031)**	**(1,617,973)**	**382,723,073**	**95,587,654**	**2,016,362**	**480,327,089**

9 Loans and Advances to Customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for preliminary housing loans and advances to customers carried at amortised cost between the beginning and the end of the similar past reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
(in thousands of Kazakhstani Tenge)	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total
Preliminary loans								
At 1 January 2020	**(155,563)**	**(304,938)**	**(356,801)**	**(817,302)**	**267,026,821**	**72,675,739**	**746,785**	**340,449,345**
Movements with impact on credit loss allowance charge for the period:								
- to lifetime (from Stage 1 to Stage 2)	47,294	(447,627)	-	(400,333)	(76,995,141)	76,995,141	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(4,500)	91,459	86,959	-	242,182	(242,182)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	4,444	7,931	(3,241,829)	(3,229,454)	(3,777,600)	(1,021,979)	4,799,579	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(39,594)	169,580	11,524	141,510	44,088,568	(44,057,422)	(31,146)	-
New originated or purchased	(74,012)	(201,697)	(28,262)	(303,971)	155,085,576	24,065,690	52,272	179,203,538
Repayment in full or in part during the period	4,799	12,220	33,705	50,724	(7,145,649)	(19,756,400)	(244,308)	(27,146,357)
Changes to ECL measurement model assumptions	(59,460)	16,908	4,383	(38,169)	-	-	-	-
Unwinding of discount	-	-	-	-	2,368,219	936,802	8,547	3,313,568
Changes in accrued interest	-	-	-	-	(5,215)	(42,866)	111,097	63,016
Transfer from preliminary and interim loans	136	36,114	83,575	119,825	(230,413)	(13,919,489)	(101,725)	(14,251,627)
Total movements with impact on credit loss allowance charge for the period	**(116,393)**	**(411,071)**	**(3,045,445)**	**(3,572,909)**	**113,388,345**	**23,441,659**	**4,352,134**	**141,182,138**
At 31 December 2020	**(271,956)**	**(716,009)**	**(3402,246)**	**(4,390,211)**	**380,415,166**	**96,117,398**	**5,098,919**	**481,631,483**

9 Loans and Advances to Customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for housing loans and advances to customers carried at amortised cost between the beginning and the end of the similar past reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
(in thousands of Kazakhstani Tenge)	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit im-paired)	Total
Housing loans								
At 1 January 2020	**(186,973)**	**(123,887)**	**(267,897)**	**(578,757)**	**228,816,801**	**46,687,748**	**706,041**	**276,210,590**
Movements with impact on credit loss allowance charge for the period:								
- to lifetime (from Stage 1 to Stage 2)	16,710	(86,319)	-	(69,609)	(24,965,183)	24,965,183	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(1,233)	75,825	74,592	-	455,140	(455,140)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	719	3,730	(486,625)	(482,176)	(825,791)	(455,140)	1,280,931	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(4,822)	12,321	29,418	36,917	7,446,297	(7,366,789)	(79,508)	-
New originated or purchased	(65,330)	(28,716)	(34,628)	(128,674)	78,336,584	6911,811	93,605	85,342,000
Repayment in full or in part during the period	18,691	14,092	41,255	74,038	(62,342,270)	(16,356,399)	(42,865)	(78,741,534)
Changes to ECL measurement model assumptions	(25,199)	-10,116	15,700	(19,615)	-	-	-	-
Unwinding of discount	-	-	-	-	105,954	32,285	(5,535)	132,704
Changes in accrued interest	-	-	-	-	(74,392)	(19,573)	12,611	(81,354)
Transfer from preliminary and interim loans	(18,292)	(202,693)	(139,533)	(360,518)	22,437,339	59,656,855	227,939	82,322,133
Total movements with impact on credit loss allowance charge for the period	**(77,523)**	**(298,934)**	**(498,588)**	**(875,045)**	**20,118,538**	**67,823,373**	**1032,038**	**88,973,949**
At 31 December 2020	**(264,496)**	**(422,821)**	**(766,485)**	**(1,453,802)**	**248,935,339**	**114,511,121**	**1,738,079**	**365,184,539**

9 Loans and Advances to Customers (Continued)

The credit quality of loans is as follows at 31 December 2021:

(in thousands of Kazakhstani Tenge)	**Stage 1 (12-months ECL)**	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Interim loans	**905,427,159**	**56,873,778**	**973,549**	**963,274,486**
Neither past due nor impaired fully collateralized:	905,045,614	52,441,500	773,283	958,260,397
- LTV less than 25%	5,826,122	281,871	3,445	6,111,438
- LTV from 25% to 50%	112,196,465	6,161,015	121,295	118,478,775
- LTV from 51% to 75%	701,602,652	41,493,315	525,594	743,621,561
- LTV from 76% to 100%	29,949,318	2,248,731	11,268	32,209,317
- LTV more than 100%	55,471,057	2,256,568	111,681	57,839,306
- unsecured	-	-	-	-
- less than 30 days overdue	1,004,227	3,544,402	88,285	4,636,914
- 31 to 60 days overdue	-	708,448	12,152	720,600
- 61 to 90 days overdue	-	308,913	71,291	380,204
- 91 to 180 days overdue	-	-	230,225	230,225
- 181 to 360 days overdue	-	-	54,973	54,973
- over 360 days overdue	-	1,484	355,228	356,712
Credit loss allowance	**(622,682)**	**(130,969)**	**(611,888)**	**(1,365,539)**
Preliminary loans	**251,987,816**	**425,815,609**	**2,294,798**	**680,098,223**
Neither past due nor impaired fully collateralized:	252,056,976	421,339,857	5,536,492	678,933,325
- LTV less than 25%	513,386	463,879	8,212	985,477
- LTV from 25% to 50%	24,166,247	25,723,438	72,837	49,962,522
- LTV from 51% to 75%	163,177,039	260,716,412	1,013,025	424,906,476
- LTV from 76% to 100%	39,242,362	114,731,724	226,133	154,200,219
- LTV more than 100%	24,957,647	19,704,404	4,216,285	48,878,336
- unsecured	295	-	-	295
- less than 30 days overdue	220,285	6,301,343	20,456	6,542,084
- 31 to 60 days overdue		1,205,101	-	1,205,101
- 61 to 90 days overdue	-	412,731	871	413,602
- 91 to 180 days overdue	-	-	206,517	206,517
-181 to 360 days overdue	-	-	36,658	36,658
- over 360 days overdue	-	-	220,853	220,853
Credit loss allowance	**(289,445)**	**(3,443,423)**	**(3,727,049)**	**(7,459,917)**
Housing loans	**222,487,024**	**132,876,816**	**589,962**	**355,953,802**
Neither past due nor impaired fully collateralized:	222,395,474	129,405,651	783,512	352,584,637
- LTV less than 25%	69,888,735	25,834,643	432,711	96,156,089
- LTV from 25% to 50%	139,212,935	99,834,817	329,606	239,377,358
- LTV from 51% to 75%	13,152,228	3,629,748	21,195	16,803,171
- LTV from 76% to 100%	136,265	82,705	-	218,970
- LTV more than 100%	3,103	23,040	-	26,143
- unsecured	2,208	698	-	2,906
- less than 30 days overdue	331,630	2,995,483	50,264	3,377,377
- 31 to 60 days overdue	-	605,454	28,925	634,379
- 61 to 90 days overdue	-	235,278	13,447	248,725
- 91 to 180 days overdue	-	-	168,147	168,147
- 181 to 360 days overdue	-	-	45,073	45,073
- over 360 days overdue	-	-	40,423	40,423
Credit loss allowance	**(240,080)**	**(365,050)**	**(539,829)**	**(1,144,959)**
Gross carrying amount	**1,381,054,206**	**619,505,645**	**8,737,075**	**2,009,296,926**
Credit loss allowance	(1,152,207)	(3,939,442)	(4,878,766)	(9,970,415)
Carrying amount	**1,379,901,999**	**615,566,203**	**3,858,309**	**1,999,326,511**

9 Loans and Advances to Customers (Continued)

The credit quality of loans is as follows at 31 December 2020:

(in thousands of Kazakhstani Tenge)	Stage 1 (12-months ECL)	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Interim loans	**382,504,162**	**95,055,623**	**1,149,331**	**478,709,116**
Neither past due nor impaired fully collateralized:	382,295,841	91,690,762	742,459	474,729,062
- LTV less than 25%	1,403,533	365,777	5,253	1,774,563
- LTV from 25% to 50%	31,957,452	7,219,343	56,452	39,233,247
- LTV from 51% to 75%	306,396,276	73,162,719	563,278	380,122,273
- LTV from 76% to 100%	15,757,921	3,632,107	65,024	19,455,052
- LTV more than 100%	26,780,659	7,310,816	52,452	34,143,927
- unsecured	-	-	-	-
- less than 30 days overdue	427,232	2,952,713	22,666	3,402,611
- 31 to 60 days overdue	-	648,902	23,793	672,695
- 61 to 90 days overdue	-	295,277	14,371	309,648
- 91 to 180 days overdue	-	-	603,115	603,115
- 181 to 360 days overdue	-	-	33,628	33,628
- over 360 days overdue	-	-	576,330	576,330
Credit loss allowance	(218,911)	(532,031)	(867,031)	(1,617,973)
Preliminary loans	**380,143,210**	**95,401,389**	**1,696,673**	**477,241,272**
Neither past due nor impaired fully collateralized:	380,014,935	90,145,459	4,474,265	474,634,659
- LTV less than 25%	1,018,764	209,217	9,289	1,237,270
- LTV from 25% to 50%	17,772,747	2,840,034	29,319	20,642,100
- LTV from 51% to 75%	257,844,998	35,314,414	256,808	293,416,220
- LTV from 76% to 100%	83,679,565	49,805,597	118,251	133,603,413
- LTV more than 100%	19,698,571	1,976,197	4,060,598	25,735,366
- unsecured	290	-	-	290
- less than 30 days overdue	400,231	4,748,709	37,766	5,186,706
- 31 to 60 days overdue	-	845,378	43,319	888,697
- 61 to 90 days overdue	-	377,852	-	377,852
- 91 to 180 days overdue	-	-	182,072	182,072
- 181 to 360 days overdue	-	-	42,788	42,788
- over 360 days overdue	-	-	318,709	318,709
Credit loss allowance	(271,956)	(716,009)	(3,402,246)	(4,390,211)
Housing loans	**248,670,843**	**114,088,300**	**971,594**	**363,730,737**
Neither past due nor impaired fully collateralized:	248,457,010	111,027,403	1,128,782	360,613,195
- LTV less than 25%	63,416,540	18,035,416	323,671	81,775,627
- LTV from 25% to 50%	165,078,871	87,878,621	719,383	253,676,875
- LTV from 51% to 75%	19,831,095	4,999,774	85,728	24,916,597
- LTV from 76% to 100%	96,983	37,611	-	134,594
- LTV more than 100%	33,521	73,145	-	106,666
- unsecured	-	2,836	-	2,836
- less than 30 days overdue	478,329	2,699,740	69,366	3,247,435
- 31 to 60 days overdue	-	585,393	19,730	605,123
- 61 to 90 days overdue	-	198,585	6,403	204,988
- 91 to 180 days overdue	-	-	206,151	206,151
- 181 to 360 days overdue	-	-	113,456	113,456
- over 360 days overdue	-	-	194,191	194,191
Credit loss allowance	(264,496)	(422,821)	(766,485)	(1,453,802)
Gross carrying amount	**1,012,073,578**	**306,216,173**	**8,853,360**	**1,327,143,111**
Credit loss allowance	(755,363)	(1,670,861)	(5,035,762)	(7,461,986)
Carrying amount	**1,011,318,215**	**304,545,312**	**3,817,598**	**1,319,681,125**

9 Loans and Advances to Customers (Continued)

For description of the credit risk grading used in the tables above refer to Note 23.

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if there is any. Based on this, the ageing analysis of loans that are individually determined as impaired is presented above.

LTV coefficient represents ratio of gross carrying amount of loans as of the reporting date to the cost of collateral, which consists of real estate and cash collateral in the form of deposits.

All loans were issued to individuals.

Information about collateral is as follows at 31 December 2021:

(in thousands of Kazakhstani Tenge)	Interim loans	Preliminary loans	Housing loans	Total
Unsecured loans	1,484	294	2,881	4,659
Loans guaranteed by other individuals	32,168	32,623	2,295,052	2,359,843
Loans collateralised by:				
- residential real estate	903,445,743	634,376,074	346,693,000	1,884,514,817
- land	1,339,309	69,114	1,000,636	2,409,059
- other real estate	733,607	-	255,296	988,903
- cash deposits	52,330,945	33,418,581	85,143	85,834,669
- residential real estate, deposits and guarantees (multi-pledged)	9,737	107,037	-	116,774
Loans collateralised by other assets:	5,381,493	12,094,500	5,621,794	23,097,787
Total loans and advances to customers	**963,274,486**	**680,098,223**	**355,953,802**	**1,999,326,511**

Loans collateralized by commercial real estate are categorized within other real estate. Loans collateralized by property right are classified as other. Loans and advances to customers are allocated by types of collateral depending on the highest cost of collateral, i.e. a loan is categorized to a certain category, if it is secured by collateral except for loans secured by property rights and a deposit. These loans are classified as cash deposits.

The amount of deposits held as collateral on loans granted as at 31 December 2021 was Tenge 700,746,174 thousand (2020: Tenge 385,858,999 thousand).

Information about collateral is as follows at 31 December 2020:

(in thousands of Kazakhstani Tenge)	Interim loans	Preliminary loans	Housing loans	Total
Unsecured loans	-	289	2,745	3,034
Loans guaranteed by other individuals	-	-	2,299,597	2,299,597
Loans collateralised by:				
- residential real estate	443,341,048	454,176,732	353,964,323	1,251,482,103
- land	810,751	12,460	1,073,539	1,896,750
- other real estate	398,198	-	176,118	574,316
- cash deposits	33,753,366	22,860,552	23,036	56,636,954
- residential real estate, deposits and guarantees (multi-pledged)	122,503	191,239	-	313,742
Loans collateralised by other assets:	283,250	-	6,191,379	6,474,629
Total loans and advances to customers	**478,709,116**	**477,241,272**	**363,730,737**	**1,319,681,125**

9 Loans and Advances to Customers (Continued)

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying amount of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying amount of the asset ("under-collateralised assets"). The fair value of collateral includes fixed collateral in the form of real estate and cash deposits.

The effect of collateral on impaired assets of Stage 3 at 31 December 2021 is as follows:

	Over-collateralised assets		Under-collateralised assets	
(in thousands of Kazakhstani Tenge)	Carrying amount of the assets	Fair value of collateral	Carrying amount of the assets	Fair value of collateral
Interim housing loans	916,863	2,386,189	56,686	56,928
Preliminary housing loans	1,160,077	2,778,881	1,134,721	1,134,721
Housing loans	589,962	3,024,469	-	-

The effect of collateral on impaired assets of Stage 3 at 31 December 2020 is as follows:

	Over-collateralised assets		Under-collateralised assets	
(in thousands of Kazakhstani Tenge)	Carrying amount of the assets	Fair value of collateral	Carrying amount of the assets	Fair value of collateral
Interim housing loans	1,120,206	2,966,778	29,125	29,322
Preliminary housing loans	569,416	1,630,768	1,127,257	1,119,897
Housing loans	971,594	5,340,592	-	-

At the end of the reporting period the fair value of collateral in the form of real estate was determined by the revaluation carried out every six months. The 2021 revaluation was conducted by the employees of Collateral Risk Division of the Risk Management Department. The amount of deposits was deducted from the carrying amount of the portfolio. The estimated fair value of each class of loans and advances to customers is presented in Appendix 26. Interest rate analysis of loans and advances to customers is disclosed in Note 23. Information on related party transactions is disclosed in Note 29.

10 Premises, Equipment, Right-of-Use Assets and Intangible Assets

Below is presented movement of premises, equipment intangible assets:

(in thousands of Kazakhstani Tenge)	Land and buildings	Office computer and equipment	Vehicles	Total
Cost at 1 January 2020	2,457,808	5,912,255	238,747	8,608,810
Accumulated depreciation	(434,249)	(3,336,586)	(78,305)	(3,849,140)
Carrying amount at 1 January 2020	**2,023,559**	**2,575,669**	**160,442**	**4,759,670**
Additions for the year	-	1,608,108	8,725	1,616,833
Disposals	-	(68,961)	-	(68,961)
Depreciation charge	(59,915)	(1,078,494)	(42,092)	(1,180,501)
Depreciation charge on disposal	-	68,961	-	68,961
Carrying amount at 31 December 2020	**1,963,644**	**3,105,283**	**127,075**	**5,196,002**
Cost at 31 December 2020	2,457,808	7,451,402	247,472	10,156,682
Accumulated depreciation	(494,164)	(4,346,119)	(120,397)	(4,960,680)
Carrying amount at 1 January 2021	**1,963,644**	**3,105,283**	**127,075**	**5,196,002**
Additions for the year		691,282		691,282
Transfer from non-current assets held for sale	(81,202)	-	-	(81,202)
Disposals	(23,957)	(24,104)	-	(48,061)
Other (intrinsic value)	-	(3,548)	-	(3,548)
Depreciation charge	(47,794)	(1,076,917)	(42,906)	(1,167,617)
Transfer of accumulated depreciation	23,957	24,104	-	48,061
Carrying amount at 31 December 2021	**1,834,648**	**2,716,099**	**84,169**	**4,634,916**
Cost at 31 December 2021	2,352,649	8,115,031	247,472	10,715,152
Accumulated depreciation	(518,001)	(5,398,932)	(163,303)	(6,080,236)
Carrying amount at 31 December 2021	**1,834,648**	**2,716,099**	**84,169**	**4,634,916**

10 Premises, Equipment, Right-of-Use Asset and Intangible Assets (Continued)

(in thousands of Kazakhstani Tenge)	**PC Software Licenses**	**Internally developed software**	**Total**
Cost at 1 January 2020	5,462,677	8,935	5,471,612
Accumulated depreciation	(1,588,459)	(8,935)	(1,597,394)
Carrying amount at 1 January 2020	**3,874,218**	-	**3,874,218**
Additions	2,619,816	184,884	2,804,700
Disposals	(129,846)	-	(129,846)
Depreciation charge	(993,524)	(734)	(994,258)
Depreciation charge on disposal	129,846	-	129,846
Carrying amount at 31 December 2020	**5,500,510**	**184,150**	**5,684,660**
Cost at 31 December 2020	7,952,647	193,819	8,146,466
Accumulated depreciation	(2,452,137)	(9,669)	(2,461,806)
Carrying amount at 1 January 2021	**5,500,510**	**184,150**	**5,684,660**
Additions	1,136,930	44,253	1,181,183
Disposals	(26,136)	-	(26,136)
Depreciation charge	(1,260,715)	(39,095)	(1,299,810)
Depreciation charge on disposal	26,136	-	26,136
Carrying amount at 31 December 2021	**5,376,725**	**189,308**	**5,566,033**
Cost at 31 December 2021	9,063,441	238,072	9,301,513
Accumulated depreciation	(3,686,716)	(48,764)	(3,735,480)
Carrying amount at 31 December 2021	**5,376,725**	**189,308**	**5,566,033**

10 Premises, Equipment, Right-of-Use Asset and Intangible Assets (Continued)

The Bank leases offices. Lease contracts are typically made for fixed periods of up to one year.

Leases concluded by the Bank for a period of more than one year are recognised as right-of-use assets and a corresponding liability from the date when the leased asset becomes available for use by the Bank.

The right-of-use assets by class of underlying items is analysed as follows.

(in thousands of Kazakhstani Tenge)	Buildings	Total
Carrying amount at 1 January 2020	**496,529**	**496,529**
Additions	80,096	80,096
Depreciation charge	(310,395)	(310,395)
Carrying amount at 31 December 2020	**266,230**	**266,230**
Cost at 31 December 2020	742,790	742,790
Accumulated depreciation	(476,560)	(476,560)
Carrying amount at 1 January 2021	**266,230**	**266,230**
Additions	497,725	497,725
Depreciation charge	(210,852)	(210,852)
Carrying amount at 31 December 2021	**553,103**	**553,103**
Cost at 31 December 2021	1,240,515	1,240,515
Accumulated depreciation	(687,412)	(687,412)
Carrying amount at 31 December 2021	**553,103**	**553,103**

Interest expense on finance lease liabilities was Tenge 60,484 thousand (2020: Tenge 39,818 thousand).

Expenses relating to short-term leases are included in general and administrative expenses.

(in thousands of Kazakhstani Tenge)	2021	2020
Expense relating to short-term leases	760,950	637,952

Total cash outflow for finance leases in 2021 was Tenge 337,134 thousand excluding VAT (2020: Tenge 361,357 thousand).

11 Other Financial Assets and Other Assets

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
Receivables on payment service providers	6,934,372	5,417,469
Receivables on the state to reimburse deposit premiums	4,496,382	-
Other	19,699	-
Total other financial assets	**11,450,453**	**5,417,469**

Other financial assets are neither past due nor impaired. For the purposes of ECL measurement, other financial assets are included in Stage 1. Due to the short-term nature of other financial assets, the Bank does not create credit loss allowance for them.

The credit quality of receivables on banking activity as at 31 December 2021 and 31 December 2020 is as follows:

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
Neither past due nor impaired		
- BBB- to BBB+ rated	4,496,808	1,875
- BB- to BB+ rated	6,603,084	5,269,713
- B- to B+ rated	330,582	145,824
- unrated	19,979	57
Total receivables on banking activity, neither past due nor impaired	**11,450,453**	**5,417,469**

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
Prepayments for services	231,632	192,855
Prepayments for taxes excluding profit tax	63,381	5,608
Inventories and other materials	52,275	54,128
Other	10,916	17,040
Less: provision for impairment	(4,150)	(1,608)
Total other assets	**354,054**	**268,023**

12 Customer Accounts

Customer accounts include amounts on currents accounts and term deposits of individuals and are presented as follows:

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
Legal entities		
Current accounts	140,603,363	40,648,577
Long-term deposits	40,111	650
Individuals		
Long-term deposits	808,746,489	648,718,202
Current accounts	248,292,865	22,432,867
Customer accounts	**1,197,682,828**	**711,800,296**
Deposits served as collateral on loans given	700,746,174	385,858,999
Total customer accounts	**1,898,429,002**	**1,097,659,295**

12 Customer Accounts (Continued)

At 31 December 2021, customer accounts in the amount of Tenge 141,018,046 thousand (7% of the total balance) represented accounts of ten major clients, including Tenge 140,589,549 thousand on funds of legal entities and Tenge 428,497 thousand on funds of individuals. At 31 December 2020, customer accounts in the amount of Tenge 40,912,695 thousand (4% of the total balance) represented accounts of ten major clients, including Tenge 40,576,028 thousand on funds of legal entities and Tenge 336,667 thousand on funds of individuals. A substantial increase in the balance of current accounts for legal entities is associated with the current operating activities of the legal entity.

According to the terms of the Contract on house construction savings, the Bank depositors have the right to receive a housing loan in the amount equal to a difference between contract amount and their accumulated deposits, estimated fees and state premium based on the decision of government, provided that they fully comply with the terms of the agreement concluded with them on housing construction savings. Therefore, the Bank has contingent liabilities to depositors for granting a housing loan (Note 27).

Annually the government provides premiums on house construction savings of depositors from the government budget, including estimated fees not exceeding 20% of 200 monthly calculation indexes per one depositor to encourage house construction savings in Kazakhstan.

Recording and placement of amounts of the government premium into accounts of depositors takes place only after its actual receipt from the state.

The Bank does not have any obligations to depositors, if the state does not transfer the government premium to the Bank's accounts.

From 2 January 2021, citizens of the Republic of Kazakhstan have the opportunity to use their pension savings for the purposes provided for by the legislation of the Republic of Kazakhstan (improvement of living conditions, payment for treatment), by transferring them from a special current account for their intended purpose. In this connection, there is a significant increase in the balance of current accounts of individuals.

Refer to Note 26 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 23. Information on related party balances is disclosed in Note 29.

Current accounts represent current accounts of legal entities, including companies under common control. The Bank accrues interest on the current account balances of the Parent Company's subsidiaries.

13 Borrowed Funds

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
Ministry of Finance of the Republic of Kazakhstan	56,050,579	42,445,200
Asian Development Bank	8,632,743	-
Parent company	7,671,270	7,136,849
Administration of Almaty	6,083,975	3,070,888
Administration of Nur-Sultan	366,343	31,797
"Nazarbayev Intellectual Schools" AEO	105,418	45,545
Samruk Kazyna" National Welfare Fund" JSC	-	14,883,776
Total borrowed funds	**78,910,328**	**67,614,055**

At initial recognition the Bank recognized abovementioned loans at the fair value (Note 4).

In February 2021, the Bank received the first tranche from the Asian Development Bank in the amount of Tenge 8,400,000 thousand under the Loan Agreement for implementation of women's mortgage.

As at 31 December 2021 and 31 December 2020 all financial covenants in accordance with the requirements of the loan agreement with the Asian Development Bank are observed.

13 Borrowed Funds (Continued)

The table below provides movements in the Bank's borrowed funds arising as a result of financing activities for each period presented. Indebtedness items were recorded in the statement of cash flows within financing activities.

(in thousands of Kazakhstani Tenge)	Borrowed funds
Balance at 1 January 2020	**59,157,994**
Cash flows from financing activities	69,187,000
Interest paid calculated using the effective interest method	(448,851)
Other changes not related to cash flows from financing activities	(60,282,088)
Balance at 31 December 2020	**67,614,055**
Balance at 1 January 2021	**67,614,055**
Cash flows from financing activities	113,393,900
Interest paid calculated using the effective interest method	(956,703)
Other changes not related to cash flows from financing activities	(101,140,924)
Balance at 31 December 2021	**78,910,328**

Information on fair value of each class of other borrowed funds is disclosed in Note 26. Interest rate analysis of other borrowed funds is disclosed in Note 23. Information on related party transactions is disclosed in Note 29.

14 Other Financial Liabilities and Other Liabilities

Other liabilities comprise the following:

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
Deferred commission fee	1,953,690	2,260,544
Accrued commission liabilities	884,006	582,054
Other accrued liabilities	874,440	422,574
Long-term lease	636,304	294,164
Transfer accounts	1,412	3,732
Total other financial liabilities	**4,349,852**	**3,563,068**
Accrued employee benefits costs	1,233,330	930,753
Accrued expenses for administrative activities	852,592	646,912
Taxes payable other than income tax	478,596	353,406
Other	117,346	78,512
Total other liabilities	**2,681,864**	**2,009,583**

Deferred commission fee is a part of the commission fee of 50% for the conclusion of the contract for housing construction savings and the change in the terms of the contract for housing construction savings, which at the time of receiving the loan is transferred to the discount account for the loan and amortized taking into account commissions related to the issue of a loan for the entire period of the loan received at the effective interest rate.

14 Other Financial Liabilities and Other Liabilities (Continued)

The table below shows the changes in the long-term lease of the Bank arising from financial activities in 2021. Debt items are reflected in the statement of cash flows as financial activities.

(in thousands of Kazakhstani Tenge)	Long-term lease
Balance at 1 January 2020	**535,607**
Cash flow	(361,357)
Other changes not associated with cash flow from financing activities	119,914
Balance at 31 December 2020	**294,164**
Balance at 1 January 2021	**294,164**
Cash flow	(337,134)
Other changes not associated with cash flow from financing activities	679,274
Balance at 31 December 2021	**636,304**

15 Debt Securities in Issue

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
Bonds issued on domestic market	191,456,190	113,680,020
Total debt securities in issue	**191,456,190**	**113,680,020**

During 2021 the Bank paid half-year coupons in the amount of Tenge 14,199,469 thousand (2020: Tenge 7,581,660 thousand) on issued debt securities of the Bank.

Upon initial recognition, the Bank recognised the bonds issued at fair value (Note 4).

In April-May 2021, the Bank placed the remaining part of the bonds under the first bond program in the amount of 20,000,000 bonds on the floor of Kazakhstan Stock Exchange JSC (organized market), with a nominal value of Tenge 1,000, with a maturity date of 17 June 2026, a coupon rate of 10,27% per annum, with a coupon payment frequency of 2 times a year, to finance the lending and investment activities of the Bank.

Subsequently, in April, the Bank placed the first and third issue of bonds under the second bond program of the Bank in the amount of 30,000,000 bonds and 90,000,000 bonds, respectively, with a nominal value of Tenge 1,000, with a maturity of 20 years, a coupon rate of 4,05% per annum, with a coupon payment frequency of 2 times a year on the unorganized market by concluding a Securities Purchase and Sale Agreement with the Parent Company to provide interim and preliminary housing loans within the "Shanyrak" state program.

15 Debt Securities in Issue (Continued)

The table below shows the changes in issued debt securities arising from financial activities for each period presented. Debt items are reflected in the statement of cash flows as financial activities.

(in thousands of Kazakhstani Tenge)	Debt securities
At 1 January 2020	**78,650,059**
Cash flows from financing activities	91,316,432
Interest paid calculated using the effective interest method	(7,581,660)
Other changes not related to cash flows from financing activities	(48,704,811)
At 31 December 2020	**113,680,020**
At 1 January 2021	**113,680,020**
Cash flows from financing activities	140,000,000
Interest paid calculated using the effective interest method	(14,199,469)
Other changes not related to cash flows from financing activities	(48,024,361)
At 31 December 2021	**191,456,190**

As at 31 December 2021, the Bank had issued debt securities held by 17 counterparties (2020: 5 counterparties). The balance of debt securities issued as at 31 December 2021 is Tenge 191,456,190 thousand (2020: Tenge 113,680,020 thousand).

Information on fair value of each class of debt securities in issue is disclosed in Note 26. Information on related party transactions with debt securities in issue is disclosed in Note 29.

16 Government Grants

Government grants. The Bank recognised the amount of benefits provided through a low-interest rate on funds received from the state and the Parent Company for the implementation of the government programs "Bakytty Otbasy" and "Shanyrak" as a government grant.

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
Balance at the beginning of the year	**121,753,860**	**33,893,322**
Government grant received under the government program "Bakytty Otbasy" from the Government of the Republic of Kazakhstan by obtaining a loan (Note 13)	64,600,262	46,774,007
Government grant received under the government program "Shanyrak" from the Parent Company through the debt securities issue (Note 15)	65,367,487	-
Government grant received under the government program "Bakytty Otbasy" from local executive bodies by obtaining a loan (Note 13)	2,636,250	57,747,025
Use of government grants once loans to the Bank customers are issued	(32,375,919)	(16,660,494)
Total government grants	**221,981,940**	**121,753,860**

After initial recognition, the Bank recognized in profit or loss an amount corresponding to the net income/expenses on loans to customers from borrowed funds and the amount of the amortized discount on borrowed funds. The Bank has an obligation to share benefits to end borrowers through a low interest rate on loans.

During the year ended 31 December 2021, government grants transferred to profit or loss amounted to Tenge 32,375,919 thousand (2020: Tenge 16,660,494 thousand) and were included in other income.

17 Share Capital

(in thousands of Kazakhstani Tenge except for number of shares)	Shares (thousands of units)	Ordinary shares	Total
At 1 January 2020	**7,830**	**78,300,000**	**78,300,000**
New shares issued	-	-	-
At 31 December 2020	**7,830**	**78,300,000**	**78,300,000**
At 1 January **2021**	**7,830**	**78,300,000**	**78,300,000**
New shares issued	-	-	-
At 31 December 2021	**7,830**	**78,300,000**	**78,300,000**

According to the decision of the Parent Company, dividends for 2020 were not paid.

18 Interest Income and Expenses

(in thousands of Kazakhstani Tenge)	2021 г.	2020 г.
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	113,341,703	77,794,558
Due from National Bank of the Republic of Kazakhstan	28,731,589	4,321,199
Debt securities at AC	15,284,116	16,663,556
Debt securities at FVOCI	10,699,618	10,805,425
Due from other credit institutions at AC	2,966,303	1,848,916
Total interest income calculated using the effective interest method	**171,023,329**	**111,433,654**
Interest expenses calculated using the effective interest method		
Customer accounts	(29,869,006)	(21,830,987)
- *Individuals*	*(23,544,928)*	*(17,258,287)*
- *Legal entities*	*(6,324,078)*	*(4,572,700)*
Bonds in issue	(17,777,413)	(9,426,881)
Borrowed funds	(6,890,130)	(4,586,929)
Total interest expenses calculated using the effective interest method	**(54,536,549)**	**(35,844,797)**
Other similar expense		
Lease liabilities	(60,484)	(39,818)
Total interest and similar expense	**(54,597,033)**	**(35,884,615)**
Net margin on interest and similar income	**116,426,296**	**75,549,039**

The increase in income on funds placed with the National Bank of the Republic of Kazakhstan is associated with an increase in the volume of short-term deposits placed with the National Bank of the Republic of Kazakhstan for a period of 1 to 7 days.

The increase in expenses on issued bonds is due to additional issues and placements of the Bank's bonds. The additional issue of issued and placed bonds is aimed at lending to participants in the Bank's programs (Note 15)

Interest income includes interest income in the amount of Tenge 98,626 thousand (2020: Tenge 97,848 thousand) recognized on impaired non-performing loans of the clients.

19 Fee and Commission Income and Expenses

(в тысячах казахстанских тенге)	2021 Mortgage/Retail banking	2021 Investment banking	2020 Mortgage/Retail banking	2020 Investment banking
Fee and commissions income				
Fee and commission income not relating to financial instruments at FVTPL:				
Fee charged for early money withdrawal from savings account	956,808	-	618,346	-
Transfer operations	541,921	-	309,729	-
Cash operations	114,822	-	338,098	-
Agency services	111,501	-	68,004	-
Servicing of legal entities	72,274	-	2,126	-
Assignment of deposit	65,742	-	161,510	-
Other	55,598	-	40,540	-
Total fee and commission income	**1,918,666**	-	**1,538,353**	-
Fee and commision expense				
Fee and commission expense not relating to financial instruments at FVTPL				
Agent commission	(5,235,384)	-	(5,320,133)	-
Settlement transactions	(1,817,562)	-	(1,190,467)	(85,126)
Transactions with securities	-	(30,053)	-	(8,227)
Other	-	(28,095)	-	(33,279)
Total fee and commission expense	**(7,052,946)**	**(58,148)**	**(6,510,600)**	**(126,632)**
Net fee and commission expense	**(5,134,280)**	**(58,148)**	**(4,972,247)**	**(126,632)**

20 Other Operating Income, Net

(in thousands of Kazakhstani Tenge)	2021 г.	2020 г.
Expenses in form of contributions into the Kazakhstan Deposit Insurance Fund JSC	(2,057,517)	(1,503,403)
Net income from forfeit (penalty, fine)	139,008	41,876
Net other expense from banking activity	14,654	1,362
Net other income/expense from non-operating activity	(842)	(26,599)
Income from disposal of premises and equipment and intangible assets	89	151
Expenses from the disposal of premises and equipment and intangible assets	-	(2,402)
Expenses from the disposal of inventory	-	(861)
(Charge)/recovery of the provision created for receivables not related to non-operating activities	(2,880)	15
Total other operating income	**(1,907,488)**	**(1,489,861)**

21 Administrative Expenses

Administrative and other operating expenses include:

(in thousands of Kazakhstani Tenge)	2021 г.	2020 г.
Staff costs	(11,850,529)	(10,455,994)
Repair and maintenance	(2,201,227)	(1,533,370)
Depreciation of premises and equipment	(1,499,535)	(1,490,896)
Amortisation of software and other intangible assets	(1,299,810)	(994,258)
Communictaion services	(1,281,569)	(805,609)
Other	(874,666)	(768,870)
Operating lease expenses	(760,950)	(637,952)
Taxes other than on income	(653,863)	(692,592)
Advertising and marketing services	(538,816)	(320,135)
Outsourcing expenses	(463,197)	(359,226)
Staff training	(156,207)	(127,140)
Business trip expenses	(140,399)	(74,840)
Consulting services	(135,001)	(155,240)
Stationery and printing expenses	(111,289)	(122,234)
Materials	(87,689)	(88,232)
Administrative expenses of the Board of Directors	(16,718)	(12,455)
Insurance	(15,725)	(14,300)
Transportation expense	(13,047)	(31,190)
Charity and sponsorship	-	(3,522)
Total administrative and other operating expenses	**(22,100,237)**	**(18,688,055)**

22 Income Taxes

Income tax expense represented in profit and losses for the year include the following components:

(in thousands of Kazakhstani Tenge)	2021	2020
Current income tax expense	(11,302,320)	(2,383,691)
Deferred tax savings	1,226,540	1,152,767
Deferred income tax expenses	**(10,075,780)**	**(1,230,924)**

The income tax rate applicable to the majority of the Banks's income is 20% (2020: 20%).

The increase in the effective tax rate in 2021 is associated with the receipt of income from the placement of deposits with the National Bank of the Republic of Kazakhstan, at the expense of funds received from the Government of the Republic of Kazakhstan for the implementation of the "Shanyrak" state program, as well as customer funds received from the Unified Accumulative Pension Fund.

22 Income Taxes (Continued)

The effective interest rate differs from statutory income tax rate. A reconciliation of income tax expense based on statutory rates with actual expenditures:

(in thousands of Kazakhstani Tenge)	2021	2020
Profit before tax	75,830,603	33,015,007
Statutory tax rate	20%	20%
Theoretical tax charge at statutory rate	**(15,166,121)**	**(6,603,001)**
Non-taxable income on state securities and securities at the highest and next to the highest listing categories	5,200,440	5,534,967
Other non-taxable/non-deductible income/expense	(110,099)	(162,890)
Income tax expense	**(10,075,780)**	**(1,230,924)**

Differences between IFRS and statutory taxation regulations in Kazakhstan lead to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

The tax effect of the movements in these temporary differences is detailed below.

(in thousands of Kazakhstani)	1 January 2020	Credited/ (charged) to profit or loss	Credited/ (charged) directly to equity	31 December 2020	Credited/ (charged) to profit or loss	Credited/ (charged) directly to equity	31 December 2021
Tax effect of deductible temporary differences							
Loans and advances to customers	4,251,021	3,908,716	-	8,159,737	6,287,365	-	14,447,102
Government grants	6,778,664	17,572,108	-	24,350,772	20,045,645	-	44,396,417
Other liabilities	509,896	76,193	-	586,089	272,639	-	858,728
Deferred tax assets	**11,539,581**	**21,557,017**	-	**33,096,598**	**26,605,649**	-	**59,702,247**
Tax effect of taxable temporary differences							
Borrowed funds	(26,789,468)	(20,107,792)	(3,606,511)	(50,503,771)	(25,205,355)	(8,016,096)	(83,725,222)
Premises and equipment and intangible assets	(488,224)	(429,376)	-	(917,600)	97,048	-	(820,552)
Other assets	(133,035)	132,918	-	(117)	(270,802)	-	(270,919)
Deferred tax liabilities	**(27,410,727)**	**(20,404,250)**	**(3,606,511)**	**(51,421,488)**	**(25,379,109)**	**(8,016,096)**	**(84,816,693)**
Deferred tax liabilities (net)	**(15,871,146)**	**1,152,767**	**(3,606,511)**	**(18,324,890)**	**1,226,540**	**(8,016,096)**	**(25,114,446)**

The Bank expects recovery and repayment of deferred tax assets and liabilities in the amount of Tenge 594,692 thousand during not more than twelve months after the end of the reporting period and Tenge 25,709,138 thousand upon expiry of more than twelve months after the end of the reporting period.

23 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks and operational risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures in order to minimize operational risks.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets. The Bank plans to validate the expected credit loss model in 2022 with the involvement of an external consultant.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For commitments to provide loans, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 27. The credit risk is mitigated by collateral and other credit enhancements.

Credit risk management. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The Bank assesses credit risk using Probability of Default ("PD"), Exposure at Default ("EAD"), and Loss Given Default ("LGD").

Limits. The Bank structures the levels of credit risk by placing limits, but not limited to the following limits: limits on the aggregate amount of lending to one borrower, on products, on quality of collateral, on authority of the Credit Committee of the Bank's branches, on authority of the Credit Committee of the "Decision Making Centre" of the Bank (the "DMC"), on volume of loans guaranteed by an individual, maximum rate of non-performing loans in the loan portfolio.

In accordance with internal documents, limits are approved by Credit Committee of the Bank/Management Board of the Bank/Board of Directors of the Bank and are reviewed at least once a year.

The Bank established a number of collective bodies for the purposes of implementing internal credit policy and making any credit decisions:

- The Bank's Credit Committee is a regular collegial body at the Central Office of the Bank with the main objectives of realization of the Bank's internal credit policy and making any credit decisions on lending to the Bank's customers;
- The Credit Committee of the Bank's branch is a regular collegial body at the branch of the Bank with the main objective of implementation of the Bank's credit policy and making any credit decisions on lending to the Bank's customers within the established limits.
- DMC Credit Committee is a regular collegial body at the Central Office of the Bank implementing internal credit policy of the Bank, the main objective of which is to make decisions on loan applications of the Bank's clients and ensure post-credit servicing of loans within banking software, in which business processes are carried out to provide banking services.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Bank: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. *Probability of Default (PD)* is an estimate of the likelihood of default to occur over a given time period. *Loss Given Default (LGD)* is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime* period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

23 Financial Risk Management (Continued)

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward-looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

ECL measurement for loans

For the ECL measurement, the Bank uses assessment on an individual basis and on a portfolio basis (homogenous loans):

- **individual loan** is a loan meeting one/several of the following criteria: carrying amount of loan as of the reporting date exceeds 0,2% of equity according to the financial statement as of the end of the reporting year, but not less than Tenge 50 (fifty) million; a loan represents a claim to a related party;
- **homogenous loans** is a group of loans with similar characteristics of credit risk;

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Bank defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low.

When assessment is performed on a portfolio basis, the Bank determines the staging of the exposures and measures the loss allowance on a collective basis. The Bank analyses its loan portfolio by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks.

In assessing credit risk, the Bank groups its loan portfolio into 5 pools:

1. interim loans;
2. preliminary loans;
3. housing loans;
4. housing (interim) loans: a housing loan classified in the past as an interim loan.
5. housing (preliminary) loans: a housing loan classified in the past as a preliminary loan.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. In assessing financial assets for impairment, the Bank applies a three-stage model of impairment accounting. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1.

ECL for POCI financial assets is always measured on a lifetime basis. The Bank therefore only recognises the cumulative changes in lifetime expected credit losses.

23 Financial Risk Management (Continued)

For purposes of measuring PD, the Bank defines default as a situation when the exposure meets one or more of the following criteria:

- more than 90 calendar days past due payments or the Bank expects that the borrower is not able to repay debts to the Bank in full without any special terms.
- suspension of accrual for loan interest due to the borrower's financial status worsening, borrower's death, unavailability of a co-borrower on the loan;
- writing-off of the borrower's debt amount in part and/or in full due to a significant increase in credit risk from the loan provision date;
- the borrower refuses to perform obligations under the loan due to bad faith (fraud);
- restructuring due to the borrower's financial status worsening (upon the recommendation of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market based on the results of the audit of the activities of the Bank, amendments were made to the Methodology for calculating provisions (reserves) of the Bank in terms of reflecting construction-in-progress/delayed completion of construction activities as one of the indication of a significant deterioration in the financial condition of the borrower);
- filing a borrower bankruptcy application in accordance with the legislation of the Republic of Kazakhstan;
- the borrower files a bankruptcy application in accordance with the legislation of the Republic of Kazakhstan.

For purposes of disclosure, the Bank fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to loans.

For the borrowers who have been granted deferred payment related to COVID-19 pandemic, portfolio quality is acceptable. The NPL level (90+) for them was 0,17% of the total COVID-19 portfolio, which did not have a substantial impact on the level of created provisions.

A loan is considered to no longer be in default when a default is cured and/or after more than 12 months from the restructuring action initiation. A credit impaired financial asset is transferred to Stage 2 subject to the borrower's repayment of debt, which leads to the decrease in the carrying amount of a financial asset as of creation of provisions till the level equal or below debt amount as of the moment of a financial asset's transition to the category of credit impaired financial assets or if as of the assessment date there are no events objectively confirming impairment based on impairment indicators of a financial asset.

The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Bank. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

Significant increase in credit risk (SICR). The Bank identifies a SICR based on a three-factor analysis: backstop indicator – over 30 days past due, qualitative and quantitative analysis.

Quantitative analysis. In identifying SICR since initial recognition, the Bank applies a relative approach based on calculation of the average annual probability of default (APD) from the reporting date till the end of maturity.

The Bank uses the following qualitative criteria:

- multiple overdue for the last 12 months;
- loans, which were subject to restructuring. Such loans will remain in Stage 2 for 3 months from the date of transfer from Stage 3;
- loans, which were subject to payment request-orders;
- loans, for which there was a decrease in the market cost of real estate property upon revaluation results by 40% and more.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above.

23 Financial Risk Management (Continued)

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of "survival" (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Bank uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as developing lifetime PD curves based on the historical default data.

The Bank calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of loan portfolio.

During 2021, the following actions were carried out:

- in March 2021, in accordance with the Agency's act on the results of a due diligence of the Bank's activities dated 4 September 2020, all other impairment triggers were included in the default statistics used for vintage analysis, except for loans overdue by more than 90 days, which led to a significant increase in the level of the provision and affected the grouping by Stages (in particular, a significant transfer of loans from Stage 1 to Stage 2);

- in May 2021, in accordance with the Agency's act on the results of a due diligence of the Bank's activities dated 4 September 2020, the calculation of expected credit losses for Stage 3 was finalized. The calculation is based on cash flows and a scenario approach is applied (optimistic, basic and pessimistic scenarios); also, in accordance with the Methodology for calculating provisions (reserves), the following indicators were revised and approved by the Decision of the Board No. 72 dated 6 May 2021: the minimum LGD for Stage 1 and Stage 2 at the level of 29% (paragraph 54) and the minimum ECL for Stage 3 at the level of 29% (paragraph 59). The decrease in these indicators from 37% to 29% affected the decrease in the volume of provisions by Tenge 1,383 billion in May 2021.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Bank identified certain key economic variables that correlate with developments in credit risk and ECLs. Risk parameters are predictable, i.e. include the impact of expected economic conditions of the following macro-economic factors: inflation rate, average monthly salary, unemployment rate, GDP. The Bank does not forecast future macro-economic conditions during the loan lifetime. The extent of judgment required for ECL measurement depends on the availability of relevant information. As forecast period increases, the availability of detailed information decreases and relevance of judgment for ECL measurement increases. Therefore, the Bank uses in its calculation the impact of forward-looking macro-economic factors only for the period of not more than three years, after which the linear extrapolation of data to units is applied. The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Bank also provides other possible scenarios along with scenario weightings. The Bank determines scenario weightings in equal proportions at least annually or when conditions significantly change compared to previous assumptions.

23 Financial Risk Management (Continued)

ECL measurement for other financial assets

ECL measurement for other financial assets includes further assessments of PD, corresponding loss coefficients and default ratios between counterparties. The Bank assesses credit risk using PD, EAD and LGD.

In calculating PD, migration matrix based on external data is applied. The Bank uses data provided by Moody's credit agency as detailed information. If such information is unavailable, data provided by Standard and Poor's or Fitch agencies is used. Migration matrix represents the probability of changes is credit rating during a definite period of time.

For the purposes of calculating provisions, the Bank disaggregates financial assets by state, corporate and financial institutions. For each category, the Bank uses individual migration matrix based on Moody's data, or data provided by Standard and Poor's or Fitch.

Default on interbank deposits, securities, correspondent accounts and REPO transactions is an event of non-performance by a counterparty of obligations towards the Bank.

Obtained MPD result is applied as probability of default in calculating ECLs. Minimum default level cannot be lower than 0,03% set by Basel Committee.

If the official credit rating of a counterparty does not reflect the last counterparty-related information that in its turn increases credit risk, the Bank, based on expert opinion decreases, the counterparty's credit rating. In such cases, the maximum rating decrease by the Bank will be between 2 ratings with a possibility of using interim values of default probability proportionally between the official credit rating of a counterparty and its lower border. In making such a decrease, the Bank considers rating of other counterparties operating in this sector as an additional factor.

LGD measurement. LGD varies in time depending on payments and cost of collateral. Key elements of LGD coefficient are as follows:

- Time aspect (division of EAD parameter by secured and unsecured portions) and
- Changes in the cost of collateral over time (in the event of such pledges as real estate property, cost can remain unchanged)

If there is no collateral on a financial instrument and sufficient historical default data, the Bank applies expert assessment. Depending on circumstances and data integrity as of the reporting date, the Bank applies one of the following approaches to measure LGD ratio on a stage-by-stage basis:

a) Historical data. This approach is based on historical data of defaults and based on historical level of loss recovery by applying an expert judgment. In the event of unavailability of historical data and non-representativeness of statistical data on recovered funds and/or investments, the Bank applies an approach described in Clause b).

b) Approach based on historical data from external sources such as Moody's, Standard & Poor's, or Fitch rating agencies that provide data on recovery rate based on databases for similar portfolios. LGD is based on data available as of the reporting date. If no data is available, the Bank applies an approach described in Clause c).

c) IRB-Foundation approach defined by the Basel Committee on Banking Supervision, within which a minimum LGD value for subordinated debts is assigned in the amount of 75%, and for other instruments – in the amount of 45%.

EAD measurement. The Bank calculates EAD as of future reporting date by the end of contractual maturity at each reporting date using the following:

- Contractual maturity;
- Contractual debt repayment schedule.

23 Financial Risk Management (Continued)

At the end of each months between the reporting date and maturity of a financial asset, the expected EAD is calculated based on contractual schedule. The Bank assumes that current EAD will be repaid proportionally to planned contractual payments as follows:

EAD at reporting date = Principal Debt + Accrued interest + Unamortised amount of premium/discount

EAD at future reporting date = Principal Debt + Accrued Interest + Unamortised amount of premium/discount – contractual payments according to schedule.

Significant increase in credit rating. In assessing securities (including "REPO" transactions) and receivables for impairment, the Bank uses a three-stage model of impairment accounting.

Financial assets as of recognition date are included in Stage 1, except for credit impaired assets that are classified into Stage 3.

As of the reporting period, the Bank assesses a significant increase in credit risk on each financial asset. If credit risk increases, the Bank transfers an asset to the next Stage. The Bank identifies a significant increase in credit risk based on a three-factor analysis:

- Quantitative analysis. Comparison of PD ratio as of the reporting date to PD ratio as of the asset recognition date;
- Qualitative analysis.
- Backstop indicator. The over 30 days overdue is considered as an indicator for the transfer to Stage 2, and the over 90 days overdue is considered as an indicator for the transfer to Stage 3.

Market risk. The Bank is exposed to market risk arising from open positions in (a) currency, (b) interest and (c) equity instruments, which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

In 2021, the Bank did not conduct foreign exchange transactions except for the purchase of foreign currency for fulfilment of liabilities under the administrative and economic contracts. As at 31 December 2021, the Bank did not have in its portfolio financial instruments denominated in foreign currency or the value of which depends on the foreign exchange rate. As at 31 December 2021, the Bank has correspondent accounts in other banks denominated in foreign currencies.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of the reporting date:

	31 December 2021			**31 December 2020**		
(in thousands of Kazakhstani Tenge)	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
US Dollars	376,813	-	376,813	350,090	-	350,090
Euros	71	-	71	22,485	-	22,485
Russian rubles	4,039	-	4,039	2,525	-	2,525
Total	**380,923**	-	**380,923**	**375,100**	-	**375,100**

The above analysis includes only monetary assets and liabilities.

23 Financial Risk Management (Continued)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant:

(in thousands of Kazakhstani Tenge)	31 December 2021 Impact on profit or loss	31 December 2021 Impact on equity	31 December 2020 Impact on profit or loss	31 December 2020 Impact on equity
US Dollar strengthening by 20%	75,363	75,363	70,018	70,018
US Dollar weakening by 20%	(75,363)	(75,363)	(70,018)	(70,018)
Euro strengthening by 20%	14	14	4,497	4,497
Euro weakening by 20%	(14)	(14)	(4,497)	(4,497)
Total	-	-	-	-

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

Interest rate risk. The Bank takes on exposure 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 reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates. As of 31 December 2021, the Bank has government investment securities for the amount of Tenge 186,193,280 thousand (2020: Tenge 231,989,386 thousand).

(in thousands of Kazakhstani Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2021					
Total financial assets	622,262,877	39,588,037	22,656,020	2,108,232,264	2,792,739,198
Total financial liabilities	419,837,017	76,912,885	39,385,355	1,637,010,113	2,173,145,370
Net interest sensitivity gap at 31 December 2021	**202,425,860**	**(37,324,848)**	**(16,729,335)**	**471,222,151**	**619,593,828**
31 December 2020					
Total financial assets	145,143,135	79,039,963	26,981,398	1,445,203,992	1,696,368,488
Total financial liabilities	82,756,783	136,655,227	151,284,254	911,812,176	1,282,508,440
Net interest sensitivity gap at 31 December 2020	**62,386,352**	**(57,615,264)**	**(124,302,856)**	**533,391,816**	**413,860,048**

As of 31 December 2021, the net gap for periods of up to 6 months and up to 12 months arose due to the availability of deposits for periods of Tenge 77 billion (up to 6 months) and Tenge 39 billion (up to 12 months).

As of 31 December 2021, and 31 December 2020, assets with floating exchange rate are absent. The Bank monitors interest rates for its financial instruments. All financial instruments are denominated in Kazakhstani Tenge, except for correspondent accounts in other banks denominated in foreign currency.

23 Financial Risk Management (Continued)

The table below summarises average effective interest rates (EIR) at 31 December 2021 and 31 December 2020:

(in % p.a.)	31 December 2021	31 December 2020
Assets		
Cash and cash equivalents	8.45%	8.17%
Debt securities at FVOCI	8.93%	8.39%
Debt securities at AC	9.32%	9.46%
Loans and advances to customers	7.04%	6.82%
Liabilities		
Customer accounts	1.98%	1.96%
Corporate clients funds	7.00%	7.00%
Borrowed funds from the Government of RK	10.18%	9.83%
Borrowings from Samruk-Kazyna	-	4.72%
Borrowings from NMH Baiterek	7.97%	7.97%
Borrowings from Administration of Almaty	11.06%	11.58%
Borrowings from Administration of Nur-Sultan	10.79%	13.81%
Borrowings from Asian Development Bank	10.68%	-
Borrowings from "Nazarbayev Intellectual Schools" AEO	11.04%	11.43%
Bonds in issue	11.46%	11.87%

Other price risk. In 2021, the Bank did not conduct operations with equity shares. There were no active operations and transactions that would indicate a potential decrease in value.

The Bank is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Bank's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortized cost and the prepayment right is at, or close to, the amortized cost of the loans and advances to customers (2021: no material impact).

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities at 31 December 2021 is set out below:

(in thousands of Kazakhstani Tenge)	Kazkakhstan	Russia	Other countries	Total
Financial assets				
Cash and cash equivalents	595,066,321	-	-	595,066,321
Cash balances with credit institutions	17,000	-	-	17,000
Loans and advances to customers	1,999,306,151	20,360	-	1,999,326,511
Investments in debt securities	174,444,347	-	12,432,820	186,877,167
Investments in equity securities	1,747	-	-	1,747
Other financial assets	11,450,453	-	-	11,450,453
Total financial assets	**2,780,286,019**	**20,360**	**12,432,820**	**2,792,739,199**
Financial liabilities				
Customer accounts	1,898,417,021	9,136	2,845	1,898,429,002
Borrowed funds	78,910,328	-	-	78,910,328
Debt securities in issue	191,456,190	-	-	191,456,190
Other financial liabilities	4,336,259	234	13,359	4,349,852
Total financial liabilities	**2,173,119,798**	**9,370**	**16,204**	**2,173,145,372**
Net position in on-balance sheet financial instruments	**607,166,221**	**10,990**	**12,416,616**	**619,593,827**
Credit related commitments	**32,357,889**	-	-	**32,357,889**

23 Financial Risk Management (Continued)

Assets and liabilities have been based on the country in which the counterparty is located. Cash on hand have been allocated based on the country in which they are physically held.

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2020 is set out below (restated):

(in thousands of Kazakhstani Tenge)	Kazakhstan	Russia	Other countries	Total
Financial assets				
Cash and cash equivalents	138,257,892	-	-	138,257,892
Cash balances with credit institutions	17,000	-	-	17,000
Loans and advances to customers	1,319,668,636	12,489	--	1,319,681,125
Investments in debt securities	215,101,808	-	17,108,644	232,210,452
Investments in equity securities	1,747	-	-	1,747
Other financial assets	5,417,469	-	-	5,417,469
Total financial assets	**1,678,464,552**	**12,489**	**17,108,644**	**1,695,585,685**
Financial liabilities				
Customer accounts	1,097,640,563	7,572	11,160	1,097,659,295
Borrowed funds	67,614,055	-	-	67,614,055
Debt securities in issue	113,680,020	-	-	113,680,020
Other financial liabilities	3,562,432	224	412	3,563,068
Total financial liabilities	**1,282,497,070**	**7,796**	**11,572**	**1,282,516,438**
Net position in on-balance sheet financial instruments	**395,967,482**	**4,693**	**17,097,072**	**413,069,247**
Credit related commitments	**30,694,775**	**-**	**-**	**30,694,775**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets (Note 9). The Bank did not have any such significant risk concentrations at 31 December 2021 and 31 December 2020.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

The Bank seeks to maintain a stable funding base primarily consisting of funds received from the RK Government and deposits (housing construction savings of individuals). The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

23 Financial Risk Management (Continued)

The liquidity management of the Bank requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a monthly basis in accordance with the requirement of the National Bank of the Republic of Kazakhstan. These ratios include:

- Current liquidity coefficient (k4), which is calculated as the average monthly value of highly liquid assets of the Bank to the average monthly value of demand liabilities considering accrued interest. At 31 December 2021 this coefficient was 1.503 (2020: 3.381);
- Acid-test coefficient (k4-1), which is calculated as the average monthly value of highly liquid assets to the average monthly value of term liabilities with remaining maturity of up to seven days inclusive. At 31 December 2021 this coefficient was 125.672 (2020: 76.716);
- Acid-test coefficient (k4-2), which is calculated as the average monthly value of liquid assets with remaining maturity of up to one month (inclusive), including highly liquid assets, to the average monthly value of term liabilities with the remaining maturity of up to one month inclusive. At 31 December 2021 this coefficient was 27.368 (2020: 22.446);
- Acid-test coefficient (k4-3), which is calculated as the average monthly value of liquid assets with remaining maturity of up to three months (inclusive), including highly liquid assets, to the average monthly value of term liabilities with remaining maturity of up to three months inclusive. At 31 December 2021 this coefficient was 10.574 (2020: 8.912).

The Treasury Department provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The Bank monitors the daily liquidity position and regularly conducts liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions.

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows on financial liabilities and financial assets differ from the amounts included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

Impaired loans are included at their carrying amounts net of impairment provisions and based on the expected timing of cash inflows.

23 Financial Risk Management (Continued)

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial instruments at 31 December 2021 is as follows:

(in thousands of Kazakhstani Tenge)	**On demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	596,683,992	-	-	-	-	596,683,992
Loans and advances to customers	285,763	2,603,995	7,310,133	411,371,761	3,104,880,199	3,526,451,851
Investment securities at FVOCI	14,450,022	17,928,746	14,173,418	38,332,743	18,198,655	103,083,584
Investment securities at AC	-	19,116,134	1,520,716	-	62,944,392	83,581,242
Other financial liabilities	11,450,453	-	-	-	-	11,450,453
Total assets	**622,870,230**	**39,648,875**	**23,004,267**	**449,704,504**	**3,186,023,246**	**4,321,251,122**
Liabilities						
Borrowed funds	-	308,501	-	14,582,074	373,696,497	388,587,072
Bonds in issue	3,876,500	5,206,994	9,083,494	113,931,729	427,893,620	559,992,338
Customer accounts	411,004,611	76,953,614	40,005,205	431,132,004	1,232,833,475	2,191,928,909
Other financial liabilities	4,349,852	-	-	-	-	4,349,852
Total potential future payments for financial liabilities	**419,230,963**	**82,469,109**	**49,088,699**	**559,645,807**	**2,034,423,592**	**3,144,858,171**
Contingent liabilities						
Irrevocable loan commitment	3,235,789	16,178,944	12,943,156	-	-	32,357,889

The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

23 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2020 is as follows:

(in thousands of Kazakhstani Tenge)	**On demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	169,165,863	10,868,981	-	-	-	180,034,844
Loans and advances to customers	184,852	4,604,534	11,051,213	376,917,069	1,636,890,317	2,029,647,985
Investment securities at FVOCI	2,070,404	23,301,486	16,433,041	71,754,480	14,056,969	127,616,381
Investment securities at AC	-	40,834,027	-	11,011,432	43,497,726	95,343,185
Other financial assets	5,417,469	-	-	-	-	5,417,469
Total assets	**176,838,588**	**79,609,028**	**27,484,254**	**459,682,981**	**1,694,445,012**	**2,438,059,864**
Liabilities						
Borrowed funds	5,007,903	47,264	10,235,312	13,505,624	237,345,220	266,141,323
Bonds in issue			2,513,058		325,080,405	327,593,463
Customer accounts	74,221,982	137,678,992	141,067,860	242,557,460	641,563,917	1,237,090,211
Other financial liabilities	3,555,070	-	-	-	-	3,555,070
Total potential future payments for financial liabilities	**82,784,955**	**137,726,256**	**153,816,230**	**256,063,084**	**1,203,989,542**	**1,834,380,067**
Contingent liabilities						
Irrevocable loan commitments	3,069,478	15,347,387	12,277,910	-	-	30,694,775

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities and the resulting expected liquidity gap as follows:

(in thousands of Kazakhstani Tenge)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
At 31 December 2021						
Financial assets	723,706,176	17,581,306	14,584,327	353,907,558	1,682,959,831	2,792,739,198
Financial liabilities	419,837,017	76,912,885	39,385,355	461,996,109	1,175,014,004	2,173,145,370
Net liquidity gap based on expected maturities	**303,869,159**	**(59,331,579)**	**(24,801,028)**	**(108,088,551)**	**507,945,827**	**619,593,828**
Accumulated liquidity gap based on expected maturities	**303,869,159**	**244,537,580**	**219,736,552**	**111,648,001**	**619,593,828**	**-**
At 31 December 2020						
Financial assets	303,606,962	20,759,640	22,941,841	352,125,055	996,917,991	1,696,351,489
Financial liabilities	82,756,783	136,655,227	151,284,254	241,898,298	669,913,878	1,282,508,440
Net liquidity gap based on expected maturities	**220,850,179**	**(115,895,587)**	**(128,342,413)**	**110,226,757**	**327,004,113**	**413,843,049**
Accumulated liquidity gap based on expected maturities	**220,850,179**	**104,954,592**	**(23,387,821)**	**86,838,936**	**413,843,049**	**-**

The net gap for periods of up to 6 months, up to 12 months and up to 5 years arose due to the availability of deposits for periods of Tenge 77 billion (up to 6 months), Tenge 39 billion (up to 12 months) и Tenge 408 billion (up to 5 years).

23 Financial Risk Management (Continued)

The entire portfolio of trading securities is classified as "On demand and less than one month" in accordance with the assessment of the liquidity management of the portfolio.

In the opinion of the Bank's management, the matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks 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 maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being "on demand", diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

24 Capital Management

The Bank's capital management has the following objectives: (i) compliance with the capital requirements set by the National Bank of the Republic of Kazakhstan; (ii) ensuring the Bank's ability to maintain the continuity of operations; and (iii) maintain capital base at the level required to ensure that the capital adequacy ratio. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shares' value.

Capital adequacy ratio established by the competent authority. Since 1 January 2018, the NBRK requires the Bank to maintain capital adequacy ratio k1 at a rate 5,5%, k1-2 at rate of 6,5% and k2 at 8% of the assets, contingent liabilities, potential claims and liabilities and operational risks in accordance with the regulations established by the National Bank of Republic of Kazakhstan.

Capital adequacy ratios calculations in accordance with the regulations established by the NBRK:

- Primary capital adequacy ratio k1 is calculated as main capital to the risk-weighted assets, contingent liabilities, potential claims and liabilities and the operational risk;
- Tier 1 capital adequacy ratio k1-2 is calculated as tier 1 capital to the risk-weighted assets, contingent liabilities, potential claims and liabilities and the operational risk;
- Capital adequacy ratio k2 is calculated as own capital to the risk-weighted assets, contingent liabilities, potential claims and liabilities and the operational risk.

As of 31 December 2021, and 31 December 2020, the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

As of 31 December 2021, and 31 December 2020, the Bank's capital adequacy ratios calculated in accordance with the requirements of the NBRK were as follows:

(in thousands of Kazakhstani Tenge)	**2021**	**2020**
Tier 1 capital	375,415,598	276,787,999
Tier 2 capital	-	-
Total regulatory capital	**375,415,598**	**276,787,999**
Risk-weighted assets and contingent liabilities, potential claims and liabilities	1,052,202,098	727,072,554
Operational risk	31,972,978	31,972,978
Capital adequacy ratio k1	34,60%	36,50%
Capital adequacy ratio k1-2	34,60%	36,50%
Capital adequacy ratio k2	34,60%	36,50%

25 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The Bank's CODM is the Management Board. For the purpose of operating decisions and distribution of resources, the Management Board uses IFRS financial information.

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

The Bank is organized on the basis of two main business segments: mortgage/retail banking that includes housing loans, deposits and individual customer accounts; and investment banking represented by cash and cash equivalents, securities and due from other banks.

(b) Information about reportable segment profit or loss, assets and liabilities

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

(in thousands of Kazakhstani Tenge)	Note	Mortgage/Retail banking	Investment banking	Total
Cash and cash equivalents	7	-	595,066,321	595,066,321
Cash balances with financial institutions		-	17,000	17,000
Loans and advances to customers	9	1,999,326,511		1,999,326,511
Investments in debt securities	8	-	186,877,167	186,877,167
Investments in equity securities	8	-	1,747	1,747
Other financial assets	11	11,450,453	-	11,450,453
Total assets of operating segments		**2,010,776,964**	**781,962,235**	**2,792,739,199**
Customer accounts	12	1,898,429,002	-	1,898,429,002
Borrowed funds	13	78,910,328	-	78,910,328
Debt securities in issue	15	191,456,190	-	191,456,190
Government grants	16	221,981,940	-	221,981,940
Other financial liabilities	14	4,349,852	-	4,349,852
Total liabilities of operating segments		**2,395,127,312**	-	**2,395,127,312**
Capital expenditures		-	**(1,155,941)**	**(1,155,941)**

25 Segment Analysis (Continued)

Capital expenditures represent acquisition of property and equipment.

(in thousands of Kazakhstani Tenge)	Mortgage/Retail banking	Investment banking	Total
2021:			
Segment revenues			
Interest income on loans to customer	113,341,703	-	113,341,703
Interest income on securities and due from the National Bank of the Republic of Kazakhstan and other credit institutions	-	57,681,626	57,681,626
Interest expense on customer accounts	(29,869,006)	-	(29,869,006)
Interest expense on bonds in issue	(17,777,413)	-	(17,777,413)
Interest expense on borrowed funds	(6,890,130)	-	(6,890,130)
Interest expense on other financial liabilities	(60,484)	-	(60,484)
Income on government grants	32,375,919	-	32,375,919
Net interest income	**91,120,589**	**57,681,626**	**148,802,215**
Credit loss allowance	(2,541,097)	134,850	(2,406,247)
Net interest income after credit loss allowance	**88,579,492**	**57,816,476**	**146,395,968**
Fee and commission income	1,918,666	-	1,918,666
Fee and commission expense	(6,894,243)	(216,851)	(7,111,094)
Losses on initial recognition of assets at rates below market	(41,393,980)	-	(41,393,980)
Gains less losses from trading securities	-	19,587	19,587
Other (expenses)/income	(2,070,589)	9,181	(2,061,408)
Administrative expenses	-	(22,100,237)	(22,100,237)
Segment results	**40,139,346**	**35,528,156**	**75,667,502**

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

(in thousands of Kazakhstani Tenge)	Note	Mortgage/Retail banking	Investment banking	Total
Cash and cash equivalents	7	-	138,257,892	138,257,892
Cash balances with credit institutions		-	17,000	17,000
Loans and advances to customers	9	1,319,681,125	-	1,319,681,125
Investments in debt securities	8	-	232,210,452	232,210,452
Investments in equity securities	8	-	1,747	1,747
Total assets of operating segments		**1,319,681,125**	**370,487,091**	**1,690,168,216**
Customer accounts	12	1,097,659,295	-	1,097,659,295
Borrowed funds	13	67,614,055	-	67,614,055
Debt securities in issue	15	113,680,020	-	113,680,020
Government grants	16	121,753,860	-	121,753,860
Other financial liabilities	14	3,563,068	-	3,563,068
Total liabilities of operating segments		**1,404,270,298**	-	**1,404,270,298**
Capital expenditures		-	**(1,676,391)**	**(1,676,391)**

25 Segment Analysis (Continued)

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

(in thousands of Kazakhstani Tenge)	Mortgage/Retail banking	Investment banking	Total
2020:			
Segment revenues			
Interest income on loans to customer	77,794,558	-	77,794,558
Interest income on securities and due from the National Bank of the Republic of Kazakhstan and other banks	-	33,639,096	33,639,096
Interest expense on customer accounts	(21,830,987)	-	(21,830,987)
Interest expense on bonds in issue	(9,426,881)	-	(9,426,881)
Interest expense on borrowed funds	(4,586,929)	-	(4,586,929)
Interest expense on other financial liabilities	(39,818)	-	(39,818)
Income on government grants	16,660,494	-	16,660,494
Net interest income	**58,570,437**	**33,639,096**	**92,209,533**
Credit loss allowance	(5,323,208)	(206,456)	(5,529,664)
Net interest income after credit loss allowance			
Fee and commission income	1,538,353	-	1,538,353
Fee and commission expense	(6,510,600)	(126,632)	(6,637,232)
Losses on initial recognition of assets at rates below market	(22,895,729)	-	(22,895,729)
Losses from modification of financial assets measured at amortised cost, that did not lead to derecognition	(5,754,051)	-	(5,754,051)
Gains less losses from trading securities	-	205,853	205,853
Other (expenses)/income	(1,558,049)	55,860	(1,502,189)
Administrative expenses	-	(18,688,055)	(18,688,055)
Segment results	**18,067,153**	**14,879,666**	**32,946,819**

25 Segment Analysis (Continued)

(c) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

(in thousands of Kazakhstani Tenge)	31 December 2021	31 December 2020
Total assets of operating segments	**2,792,739,199**	**1,695,585,685**
Property and equipment and right-of-use assets	5,188,019	5,462,232
Intangible assets	5,566,033	5,684,660
Current income tax prepayment	-	196,015
Other assets	354,054	268,023
Non-current assets held for sale	272,678	191,476
Total assets	**2,804,119,983**	**1,707,388,091**
Total liabilities of operating segments	**2,395,127,312**	**1,404,270,298**
Deferred tax liabilities	25,114,446	18,324,890
Current income tax liabilities	92,900	-
Other liabilities	2,681,864	2,009,583
Total liabilities	**2,423,016,522**	**1,424,604,771**

(in thousands of Kazakhstani Tenge)	2021	2020
Segment results	**75,667,502**	**32,946,819**
Other income	163,101	68,188
Profit before tax	**75,830,603**	**33,015,007**
Income tax expense	(10,075,780)	(1,230,924)
Profit for the period	**65,754,823**	**31,784,083**

The Bank generates its revenues in Kazakhstan. The Bank does not have major external customers abroad. The Bank does not have significant income or expense between operating segments. The Bank does not have clients which would represent at least ten percent of total revenues for 2021 (2020: no clients).

26 Fair Value Disclosures

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

26 Fair Value Disclosures (Continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that IFRS require or permit in the statement of financial position at the end of each reporting period. The levels in the fair value hierarchy, into which the recurring fair value measurements are categorized, are as follows:

	31 December 2021		31 December 2020	
(in thousands of Kazakhstani Tenge)	**Level 2**	**Total**	**Level 2**	**Total**
Assets measured at fair value				
Financial assets				
Investments in debt securities				
- Treasury bonds of the Ministry Finance of the Republic of Kazakhstan	56,378,414	56,378,414	76,552,775	76,552,775
- Administration of Shymkent	2,893,619	2,893,619	-	-
- Corporate bonds	16,081,409	16,081,409	13,612,634	13,612,634
- Bonds issued by international financial organizations	11,958,112	11,958,112	17,108,644	17,108,644
- Bonds of Kazakhstani non-banking financial institutions	15,541,481	15,541,481	20,107,305	20,107,305
Investments in equity securities				
- Ordinary shares	1,747	1,747	1,747	1,747
Total assets recurring fair value measurements	**102,854,782**	**102,854,782**	**127,383,105**	**127,383,105**

The fair value of investment securities was assessed using the rates of Kazakhstan Stock Exchange JSC. Due to insignificant trade volumes of similar instruments, these investment securities are defined at Level 2.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analyzed by level in the fair value hierarchy and the carrying value of assets not measured at fair value are as follows:

	31 December 2021			31 December 2020		
(in thousands of Kazakhstani Tenge)	**Level 2 Fair value**	**Level 3 Fair value**	**Carrying value**	**Level 2 Fair value**	**Level 3 Fair value**	**Carrying value**
Financial assets						
Cash and cash equivalents	532,289,543	-	532,289,543	125,104,465	-	125,104,465
Loans and advances to customers	1,999,326,511	-	1,999,326,511	1,319,681,125	-	1,319,681,125
Investment securities at AC	78,280,729	-	84,024,132	104,829,094	-	104,829,094
Other financial assets	-	11,450,453	11,450,453	-	5,417,469	5,417,469
Total	**2,609,896,783**	**11,450,453**	**2,627,090,639**	**1,549,614,684**	**5,417,469**	**1,555,032,153**

26 Fair Value Disclosures (Continued)

Fair values analysed by level in the fair value hierarchy and the carrying value of liabilities not measured at fair value are as follows:

	31 December 2021			31 December 2020		
(in thousands of Kazakhstani Tenge)	**Level 2 Fair Value**	**Level 3 Fair Value**	**Carrying value**	**Level 2 Fair Value**	**Level 3 Fair Value**	**Carrying value**
Financial liabilities						
Customer accounts	1,898,429,002	-	1,898,429,002	1,097,659,295	-	1,097,659,295
Borrowed funds	61,938,996	-	78,910,328	53,410,720	-	67,614,055
Debt securities in issue	146,781,389	-	191,456,190	113,264,450	-	113,680,020
Other financial liabilities	-	4,349,852	4,349,852	-	3,563,068	3,563,068
Total	**2,107,149,387**	**4,349,852**	**2,173,145,372**	**1,264,334,465**	**3,563,068**	**1,282,516,438**

Cash and cash equivalents. Cash is measured at amortised cost and classified at Level 2. The fair value of these funds is equal to their carrying amount.

Loans and customer accounts. The estimated fair value of all loans and advances to customers / customer accounts approximates their carrying value due to the fact that the interest rates under the programs have not changed since they were incurred. These loans and customer accounts were classified by the Bank's management as Level 2 of the fair value hierarchy.

Investment securities carried at amortised cost. Due to the inactivity of trading at the KASE secondary market, investment securities carried at amortized cost are classified at Level 2.

Due from other credit institutions and borrowed funds and debt securities. Estimated fair value of due from other banks is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturities. The estimated fair value of borrowed funds and debt securities in issue is based on the expected future cash flows calculated using the yield curve for government bonds.

27 Contingencies and Commitments

Legal proceedings. 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 of the Bank.

Tax legislation. The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice are in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Bank. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years after the end of the tax year.

The Bank management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax positions will be sustained.

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provisions in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

27 Contingencies and Commitments (Continued)

The Bank's contingent liabilities are contingencies on provision of a housing loan in the amount stipulated by the housing construction savings contract, which arise on achievement of the estimated value on deposit attracted, accumulation period of not less than 3 years, provision by the depositor of relevant collateral for a housing loan, confirmation of the borrower's solvency to repay the housing loan. A contingent liability is written off from memorandum accounts, when a housing loan is granted or the depositor refuses to obtain a housing loan. A housing loan is granted only after application underwriting and decision-making procedure by the Competent Authority. Therefore, these contingent liabilities do not result in any credit risks for the Bank. As at 31 December 2021 and 2020, there was no need to create and the Bank did not create provisions in these financial statements for any of the mentioned above contingent liabilities.

Credit related commitments. The agreement on loan commitments to open deposits at the National Bank of the Republic of Kazakhstan stipulates a condition for concluding a transaction with a T+ settlement date.

The agreements on loan commitments represent Bank's contingent liability to provide loans to customers, when all conditions stipulated in the contract on housing construction savings are met.

Financial and contingent liabilities of the Bank included:

(in thousands of Kazakhstani Tenge)	**31 December 2021**	**31 December 2020**
Deposit commitments	302,000,000	37,000,000
Loan commitments	32,357,889	30,694,775
Financial and contingent liabilities	**334,357,889**	**67,694,775**

The increase is due to the Bank's participation in the deposit auction of the National Bank of the Republic of Kazakhstan (T+2 settlement scheme) at the expense of cash balances on the accounts of individuals and legal entities.

28 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments", the Bank classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets at FVOCI, and (c) financial assets at AC. "Financial assets at FVTPL" have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2021:

(in thousands of Kazakhstani Tenge)	**Debt instruments at FVOCI**	**Equity instruments at FVOCI**	**AC**	**Total**
ASSETS				
Cash and cash equivalents			**69,627,089**	**69,627,089**
Loans and advances to customers:				
- Interim housing loans	-	-	963,274,486	963,274,486
- Preliminary housing loans	-	-	680,098,223	680,098,223
- Housing loans	-	-	355,953,802	355,953,802
Investments in debt securities				
- Government securities of the Ministry of Finance of RK	56,378,414	-	45,783,597	102,162,011
- Administration of Shymkent	2,893,619	-	-	2,893,619
- Corporate bonds	16,081,409	-	25,210,027	41,291,436
- Bonds issued by international financial organizations	11,958,112	-	474,708	12,432,820
- Bonds of Kazakhstani non-banking financial institutions	15,541,481	-	1,045,239	16,586,720
- Notes of the National Bank of RK	-	-	11,510,561	11,510,561
- Bonds of Kazakhstani banks	-	-	-	-
Investments in equity securities				
- Corporate shares	-	1,747	-	1,747
TOTAL FINANCIAL ASSETS	**102,853,035**	**1,747**	**2,152,977,732**	**2,255,832,514**

28 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2020:

(in thousands of Kazakhstani Tenge)	Debt instruments at FVOCI	Equity instruments at FVOCI	AC	Total
ASSETS				
Cash and cash equivalents			**61,662,263**	**61,662,263**
Loans and advances to customers:				
- Interim housing loans	-	-	478,709,116	478,709,116
- Preliminary housing loans	-	-	477,241,272	477,241,272
- Housing loans	-	-	363,730,737	363,730,737
Investments in debt securities				
- Government securities of the Ministry of Finance of RK	76,552,775	-	50,202,778	126,755,553
- Corporate bonds	13,612,634		11,054,744	24,667,378
- Bonds issued by international financial organizations	17,108,644	-	-	17,108,644
- Bonds of Kazakhstani non-banking financial institutions	20,107,305	-	-	20,107,305
- Notes of the National Bank of RK	-	-	43,571,572	43,571,572
- Bonds of Kazakhstani banks	-	-	-	-
Investments in equity securities				
- Corporate shares	-	1,747	-	1,747
TOTAL FINANCIAL ASSETS	**127,381,358**	**1,747**	**1,486,172,482**	**1,613,555,587**

As of 31 December 2021, and 31 December 2020 all financial liabilities of the Bank were carried at amortized cost.

29 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

These financial statements disclose information about individually insignificant transactions and balances with the government and parties that are related to the entity because the Kazakhstani Government has control, joint control or significant influence over such party.

The Bank purchases goods and services from a large number of enterprises with state participation. These purchases alone amount to insignificant amounts and are usually carried out on a commercial basis. The operations with the state also include taxes, which are disclosed in Note 22.

Other related parties include the Government, Government-controlled entities and other affiliated individuals.

29 Related Party Transactions (Continued)

At 31 December 2021, the outstanding balances with related parties were as follows:

(in thousands of Kazakhstani Tenge)	Parent company	Companies under common control	Key management personnel	Other related parties
Cash and cash equivalents (effective rate 9.74%-9.75%)	-	-	-	587,806,722
Credit to customers (contractual interest rate: 4%-8.5%)	-	-	365,120	30,980
Investments in debt securities (contractual interest rate: 5% – 11.9%)	14,214,357	33,761,447	-	126,468,542
Other financial assets	-	-	-	321
Other assets	-	-	-	63,381
Borrowing funds (contractual interest rate: 4.57-13.81%)	7,671,270	-	-	62,606,315
Debt securities in issue (9.58-10.27%)	148,963,388	-	-	17,438,410
Customer accounts (contractual interest rate: 2%-7.5 %)	-	140,518,960	233,640	51,901
Government grants	101,347,561	-	-	120,634,379
Other financial liabilities	-	1,649	-	1,199,025
Other liabilities	-	-	-	-
Additional paid in capital	13,541,732	-	-	113,929,042

The income and expense items with related parties for 2021 were as follows:

(in thousands of Kazakhstani Tenge)	Parent company	Companies under common control	Key management personnel	Other related parties
Interest income calculated using the effective interest method	1,609,450	1,270,895	17,417	50,472,463
Interest and similar expenses	(14,691,202)	(6,324,078)	(3,051)	(4,794,496)
Provision for impairment	3,656	147,352	(378)	70,782
Government grants	17,022,604	-	-	15,414,526
Gains net of losses from operations with securities at FVOCI	-	-	-	18,464
Other operating expenses, net of income	-	4	-	1,000
Administrative and other operating expenses	-	19,792	-	(2,057,517)
Income tax expense	-	-	-	(10,075,780)

Aggregate amounts lent to and repaid by related parties during 2021 were:

(in thousands of Kazakhstani Tenge)	Other related parties
Amounts lent to related parties during the period	213,107
Amounts repaid by related parties during the period	192,285

29 Related Party Transactions (Continued)

At 31 December 2020, the outstanding balances with related parties were as follows:

(in thousands of Kazakhstani Tenge)	Parent company	Companies under common control	Key management personnel	Other related parties
Cash and cash equivalents (effective rate 9.93%-10.07%)	-	-	-	132,953,753
Credit to customers (contractual interest rate: 4%-9%)	-	-	101,116	197,930
Investments in debt securities (contractual interest rate: 3% – 11%)	16,117,838	7,593,252	-	191,390,719
Other financial assets	-	-	-	315
Other assets	-	50	-	196,015
Borrowing funds (contractual interest rate: 0.01-13.81%)	7,136,849	-	-	60,477,205
Debt securities in issue (9.58-10.27%)	91,814,988	-	-	17,437,295
Customer accounts (contractual interest rate: 2%-7.75 %)	-	40,270,779	67,721	164,411
Government grants	53,002,677	-	-	68,751,182
Other liabilities	-	1,649	-	793,169
Additional paid-in capital	13,541,732	-	-	81,864,657

The income and expense items with related parties for 2020 were as follows:

(in thousands of Kazakhstani Tenge)	Parent company	Companies under common control	Key management personnel	Other related parties
Interest income calculated using the effective interest method	1,298,325	898,083	5,587	27,721,564
Interest and similar expenses	(7,888,357)	(4,572,700)	(776)	(5,650,909)
Comission income				
Provision for impairment	(2,543)	(141,407)	(245)	(86,999)
Gains net of losses from operations with securities at FVOCI		205,853		
Government grants	4,744,348			11,916,146
Other operating expenses, net of income		487	-	62,536
Administrative and other operating expenses	-	(20,189)	-	(1,242,839)
Income tax expense	-	-	-	(1,230,924)

Aggregate amounts lent to and repaid by related parties during 2020 were:

(in thousands of Kazakhstani Tenge)	Other related parties
Amounts lent to related parties during the period	134,495
Amounts repaid by related parties during the period	79,661

29 Related Party Transactions (Continued)

Key management compensation is presented below:

(in thousands of Kazakhstani Tenge)	31 December 2021 Expenses	31 December 2021 Accrued liability	31 December 2020 Expenses	31 December 2020 Accrued liability
Short-term benefits:				
- Salaries	264,407	-	251,362	-
- Short-term bonuses	28,690	-	20,943	-
- Benefits in-kind	2,421	-	2,476	-
- Long-term bonus scheme	83,699	83,699	72,699	72,699
Total	**379,217**	**83,699**	**347,480**	**72,699**

30 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to owners of the Parent by the number of ordinary shares in issue during the year. The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

(in thousands of Kazakhstani Tenge)	Note	31 December 2021	31 December 2020
Profit for the year attributable to ordinary shareholders		65,754,823	31,784,083
Number of ordinary shares in issue (thousands)	17	7,830	7,830
Basic and diluted earnings per ordinary share (expressed in Tenge per share)		**8,398**	**4,059**

31 Events after the End of the Reporting Period

On 2 January 2022, rallies of the population began in the Mangistau region, caused by an increase in prices for automobile gas, which then spread to other regions of Kazakhstan. During the rallies, a number of socio-economic and political demands were put forward. Despite the fact that the Government took a set of specific measures in response to the demands of the population, including to reduce gas prices, later the rallies turned into mass riots with the seizure of buildings of akimats and law enforcement agencies. The main events unfolded in Almaty and the southern regions of the country. In this regard, on January 5, 2022, a state of emergency was introduced in the country until January 19, 2022, restrictions were imposed on communications, as well as the movement of citizens and transport, including rail and air travel.

To date, the situation has stabilized in all regions of the country, the state of emergency has been lifted. The work of communal facilities and life support systems has been restored, restrictions on communications, as well as the movement of citizens and transport, have been lifted. These events did not have a material impact on the Bank's operations. The borrowers did not apply to the Bank for loan restructuring.

In accordance with the instruction of the Head of State on the need to reform the current housing policy aimed at creating affordable financial instruments to ensure equal access to housing for the needy population of the country, as well as transferring the functions of local executive bodies for accounting and distribution of housing to citizens on the waiting list in Otbasy bank, as well as the creation on its basis of the Center for Housing Provision, a draft law was prepared on amending the legislation of the Republic of Kazakhstan on the issue of reforming housing policy.

In accordance with this draft law, the status of the Bank will be changed from the status of a second-tier bank to a Bank with the status of a national development institution.

In accordance with the instruction of the Head of State, dated 5 January 2022, the Bank was entrusted with the function of subsidizing the rent payments of a certain category of citizens for housing rented in a private housing stock. By order of the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan, the Rules were approved, which provide

31 Events after the End of the Reporting Period (Continued)

for a mechanism for subsidizing rental payments (at the expense of the budget - 50%, at the expense of the recipient of subsidies - 50%).

Due to geopolitical events around Ukraine and Russia, sanctions have been imposed against a number of Russian banks. Sberbank and Alfa Bank, which have subsidiaries in Kazakhstan, also fell under various restrictions. The Bank has immaterial assets in these banks, in the form of balances on correspondent accounts and other claims on payment service providers.

On 23 February 2022, due to these events, the exchange rate of the national currency of the Kazakh tenge against the US dollar began to sharply weaken. On 24 February 2022, the National Bank of the Republic of Kazakhstan decided to raise the base rate by 3.25 percentage points to 13.50% while maintaining the +/-1% band.

To ensure the stability of the financial market and maintain the attractiveness of tenge deposits, the National Bank of the Republic of Kazakhstan, together with the Government, will implement the Program for the Protection of Tenge Deposits, which provides for the accrual of compensation (premiums) on deposits of individuals at the expense of the budget.

The program does not apply to current and card accounts, as well as demand deposits and conditional deposits. Compensation (premium) in the amount of 10 percent is accrued to one person in each bank once for the specified deposits in the total amount within the balances at the end of the day on 23 February 2022, but not more than 20 million (not more than the actual amount of the deposit, if it does not exceed 20 million tenge), 12 months after the start of the program.

The program involves depositors - individuals who have tenge deposits, issued as fixed-term or savings deposits. In the Bank, all deposits are opened as housing savings agreements, therefore, they will automatically be eligible for participation in the program.

"Otbasy Bank" JSC

Book value of one share at 1 January 2022 based on the statement of financial position for the year ended 31 December 2021.

This calculation of the book value of one share was made according to the Listing Rules (the "Rules") (Annex 2 to Rules) approved by the Resolution of the Board of Directors of Kazakhstan Stock Exchange JSC (Minutes dated 10 March 2021 No.14).

The book value of one common share is calculated as follows:

$$BV_{CS} = NAV / NO_{CS}$$, where

BV_{CS} - (book value per common share) carrying amount per common share as of calculation date;
NAV - (net asset value) net asset value for common shares as of calculation date;
NO_{CS} - (number of outstanding common shares) number of outstanding common shares as of calculation date.

Net asset value for common shares is calculated as follows:

$$NAV = (TA - IA) - TL - PS$$, where

TA — (total assets) assets of a share issuer in the statement of financial position as of calculation date;
IA — (intangible assets) intangible assets in the statement of financial position of a share issuer as of calculation date, which the entity cannot sell to third parties for recovering cash or cash equivalents paid and/or obtaining economic benefits;
TL — (total liabilities) liabilities in the statement of financial position of a share issuer as of calculation date;
PS — (preferred stock) balance of "equity, preference shares" item in the statement of financial position of a share issuer as of calculation date.

The table below summarises calculation of the book value of one common share as of the reporting date:

(in thousands of Kazakhstani Tenge except for the number of shares)	**31 December 2021**	**31 December 2020**
Number of ordinary shares (thousands shares)	7,830	7,830
Total assets	2,804,119,983	1,707,388,091
Less intangible assets	5,566,033	5,684,660
Less liabilities	2,423,016,522	1,424,604,771
Total net assets	**375,537,428**	**277,098,660**
Book value of one common share, Tenge	**47,961**	**35,389**

Beysembaev Miras Berikovich
Acting Chairman of the Board

Kiltbayeva Zhanerke Almasbekovna
Chief Accountant