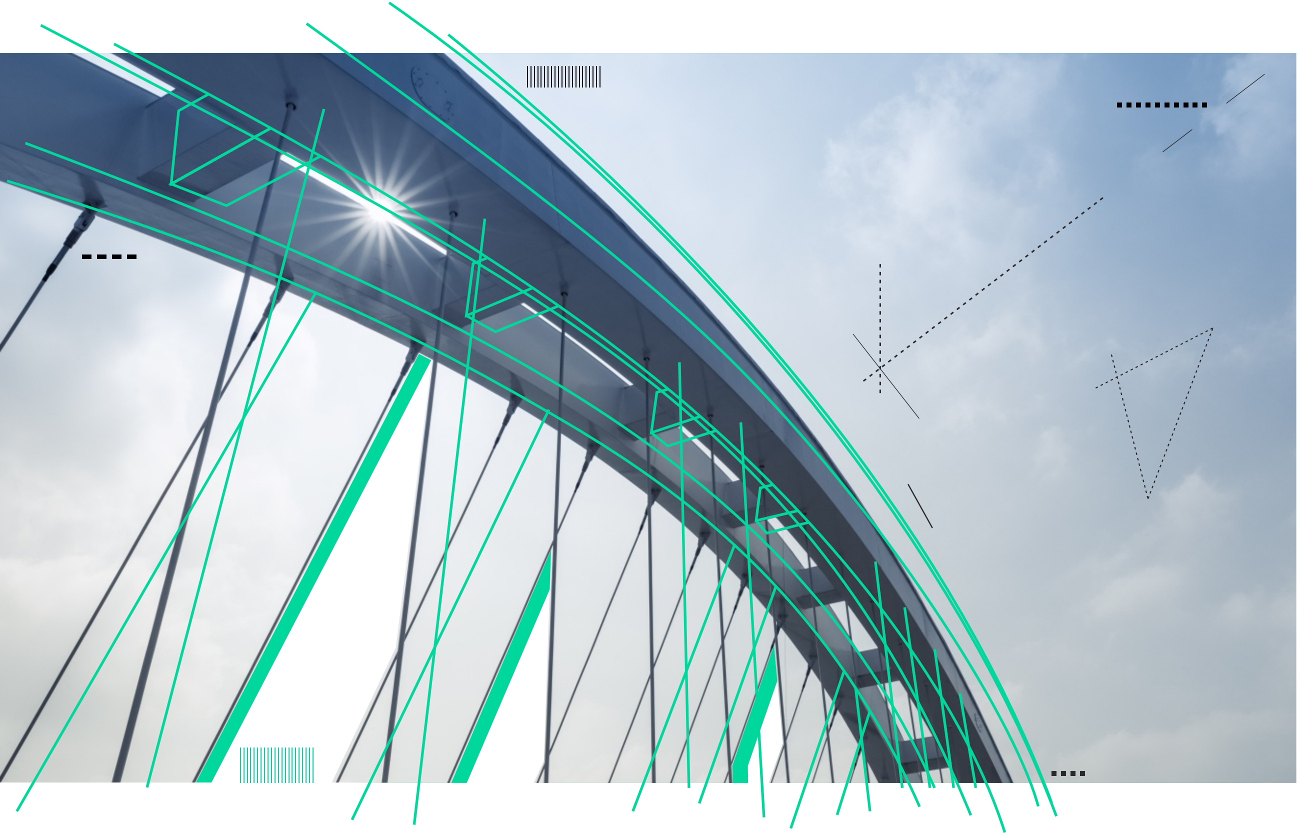
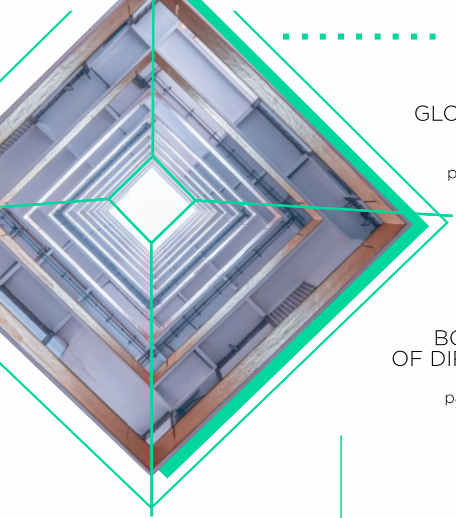


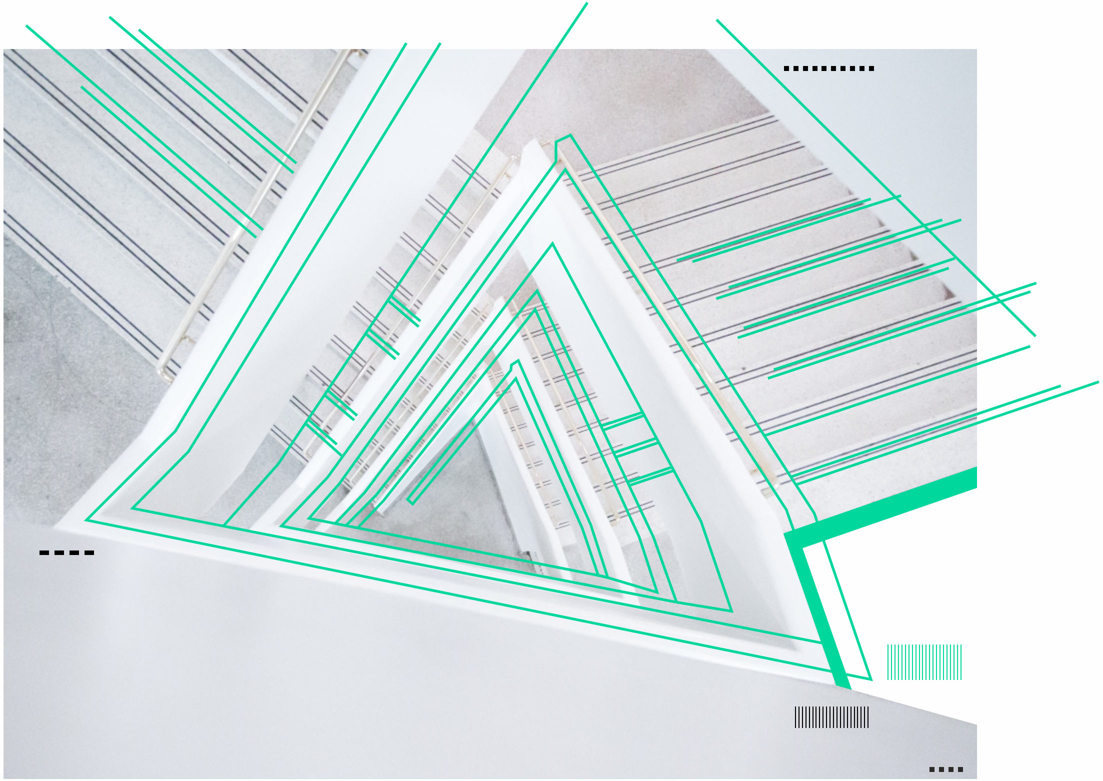
HALYK BANK

OPEN PERSPECTIVES 2021

ANNUAL REPORT



HALYK BANK



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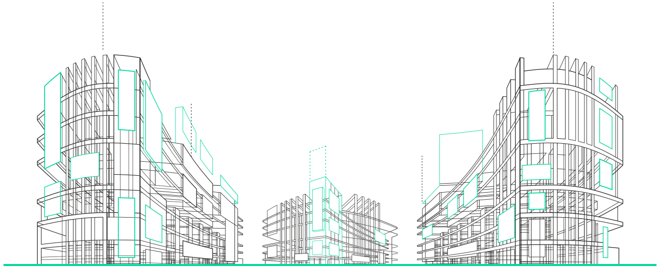
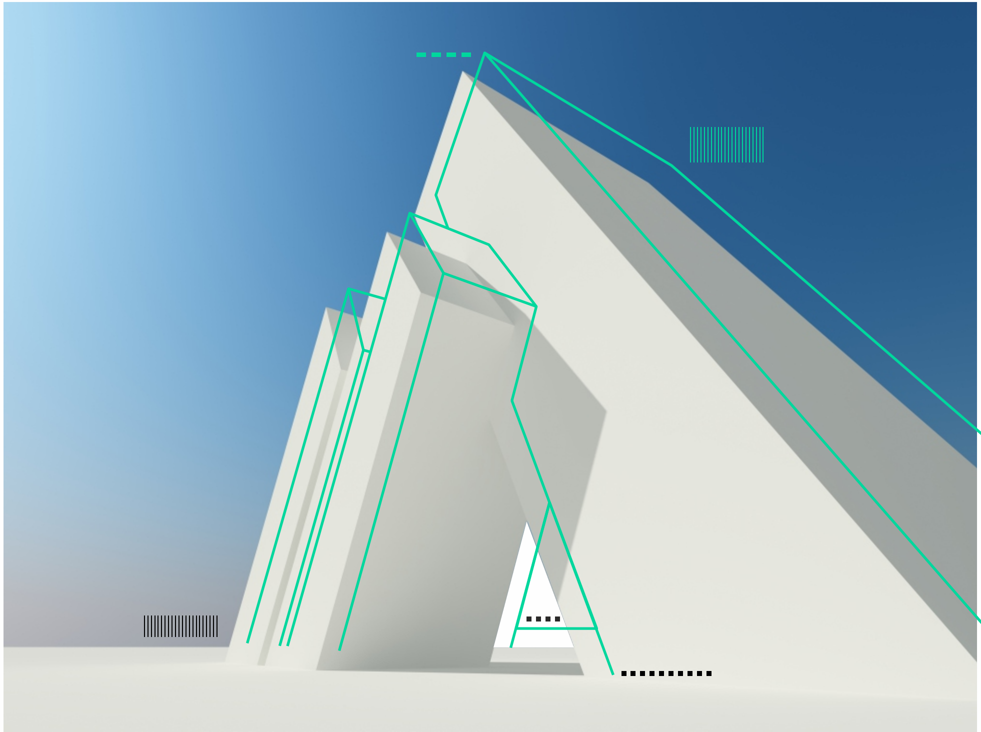
GLOSSARY

1 GLOSSARY

AIX	Astana International Exchange
AIXQI	AIX Qazaq Index
Altyn Bank	Altyn Bank (subsidiary of China CITIC Bank Corporation Limited)
AML/CFT	Anti-Money Laundering and Countering Financing of Terrorism
ATM	Automated teller machine (bank machine)
BSI	British Standards Institute
Business Roadmap – 2025	The "Road Map for Business 2025" Unified Programme for Supporting Entrepreneurship and Business Development
CET	Common equity tier
CIS	Commonwealth of Independent States
CITIC Bank	China CITIC Bank Corporation Limited
Damu Fund	Damu Entrepreneurship Development Fund
DAU	Daily active users
ESG	Environmental, social and governance
ETN	Exchange-traded note
FATF	Financial Action Task Force
GDP	Gross domestic product
GDR	Global depositary receipt
GMV	Gross merchandise value
GovTech	Government technology
GRI	Global Reporting Initiative
Halyk Bank, the Bank	Halyk Bank of Kazakhstan
Halyk Group, the Group	Halyk Group of Companies
HR	Human resources
IaaS	Infrastructure as a service
IFRS	International Financial Reporting Standards
IS	Information security
IT	Information technology
KASE	Kazakhstan Stock Exchange
KPI	Key performance indicator
KRI	Key risk indicator
KVM	Kernel-based virtual machine
LMS	Learning management system
LSE	London Stock Exchange
MAU	Monthly active users
NSFR	Net stable funding ratio
OPEC	Organization of the Petroleum Exporting Countries
ORAP	Organisation and Reinforcement of Preventive Action
POCI	Purchased or originated credit-impaired
POS	Point of sale
PR	Public relations
QR	Quick response (code)
RCC	Retail Credit Committee of the Head Office
REPO	Repurchase agreement
ROAE	Return on average equity
SKU	Stock keeping unit
SME	Small and medium-sized enterprise
TONIA	Tenge OverNight Index Average
UN	United Nations





2 AT A GLANCE

2 HALYK BANK AT A GLANCE

FINANCIAL HIGHLIGHTS (CONSOLIDATED BASIS)

Key indicators	31.12.2021		31.12.2020	
	KZT million	US$ million*	KZT million	US$ million*
Loans to customers	5,872,228	13,604	4,446,275	10,563
Total assets	12,091,370	28,011	10,387,832	24,679
Amounts due to customers	8,473 ,407	19,629	7,455,977	17,714
Debt securities issued	499,812	1,158	778,192	1,849
Amounts due to credit institutions	1,071,642	2,483	300,727	714
Total equity	1,573,604	3,645	1,493,261	3,548

Key indicators	2021		2020	
	KZT million	US$ million**	KZT million	US$ million**
Net interest income	517,077	1,214	372,575	902
Fee and commission income	138,389	325	124,121	301
Operating expenses (including impairment loss on non-financial assets)	(182,437)	(428)	(150,959)***	383
Net income	462,378	1,085	352,654	854

Key ratios	2021	2020
Return on average equity (RoAE)	29.7%	25.5%
Return on average assets (RoAA)	4.2%	3.6%
Net interest margin	5.2%	4.7%
Cost-to-income	24.6%	25.8%
Operating expenses/average total assets	1.7%	1.5%
CET1 capital adequacy ratio (CET)	19.3%	24.4%
Tier 1 capital adequacy ratio	19.3%	24.4%
Total capital adequacy ratio	19.9%	25.5%

Number of customers/accounts

Key indicators	31.12.2021	31.12.2020
Retail clients (active), thousands	9,025	8,367
SME loan borrowers (active), thousands	201.7	165.6
Corporate clients	3,034	2,858
Payment cards, thousands	15,501	12,507
Retail loans, thousands	1,640	1,037
Mortgage loans, thousands	29	33
Other secured and unsecured customer loans, thousands	1,611	1,004
Internet banking users, thousands		
-Individuals	7,999	6,187
-Legal entities	273	215

* Calculated using the official National Bank of Kazakhstan rate on the corresponding date

** Calculated using the official National Bank of Kazakhstan average rate for the corresponding period

*** In the consolidated statements of profit and loss for the years ending 31 December 2020 and 2019, changes were made to the way that certain items were classified to align with the results for the year ending 31 December 2021, which represent the Group's financial results more clearly. The reclassification relates to the loyalty programme under which the Bank accrues bonuses to customers for card transactions. Based on IFRS 15, these should be recognised as a "decrease in revenue": that is, in this case, a decrease in fee and commission income. As such, starting from 2021, loyalty programme bonuses payable to customers are included in fee and commission income. All of the previous periods have been reclassified accordingly.

DISTRIBUTION NETWORK

HALYK BANK	589 branches and outlets, including:
	- 24 regional branches
	- 120 sub-regional offices
	- 337 personal service centres
	- 3 VIP centres
	- 52 banking service centres
	- 20 cash settlement units
	- 33 business centres (legal entities)
	4,526 ATMs
	148,351 POS terminals
	970 payment terminals

Halyk Insurance Company	18 branches and more than 190 points of sale
Halyk Life	18 branches, 1 territorial office and 7 representative offices
Halyk Finance	1 branch
Halyk Collection	19 branches and 36 offices
Halyk Bank Kyrgyzstan	10 branches, 12 cash settlement units and 17 mobile cash settlement units
Halyk Bank Georgia	8 branches
Moskommertsbank	2 branches and 5 additional offices
Halyk Bank Tajikistan	2 branches
Tenge Bank	16 branches (2 banking service centres and 14 personal service centres) and 6 universal cash settlement units
Kazteleport	22 regional offices
Halyk Project	1 branch in Russia
KUSA Halyk	1 branch in Russia

As of 31 December 2021, Halyk Group had 17,038 full-time equivalent employees.

INFORMATION ABOUT SHAREHOLDERS OF HALYK GROUP WITH AT LEAST 5% OF HALYK BANK'S COMMON SHARES ISSUED AS OF 1 JANUARY 2022[1]

Name	Common shares	Proportion of total shares in circulation
Total shares authorised	**25,000,000,000**	**-**
Holding Group ALMEX	7,583,538,228	69.6%
GDRs (ISIN: US46627J3023/US46627J2033)	3,119,831,600	28.6%
Other	192,635,022	1.8%
Total shares in circulation	**10,896,004,850**	**100.0%**
Shares bought back by the Bank	(2,539,270,930)	-
Shares retained by companies in the Group	(12,269,002)	-
Total shares issued	**13,447,544,782**	**-**
Total shares in circulation (as per KASE listing rules)	**3,324,711,013**	**-**
Market price of local shares, KZT*	**185.70**	**-**
Market price of global depositary receipts (GDRs), KZT / US$**	**7,122.56 / 16.50**	**-**

* Market price of local shares as of 31 December 2021, determined and published by the Kazakhstan Stock Exchange (KASE; www.kase.kz)
** Market price of GDRs as of 31 December 2021, based on information from the London Stock Exchange (LSE)
1 Common shares of the Bank have been listed on the Kazakhstan Stock Exchange (KASE) since 1998 and common shares in the form of global depositary receipts have been listed on the London Stock Exchange (LSE) since 2006.

Holding Group ALMEX is a holding company that has a controlling interest in Halyk Bank.

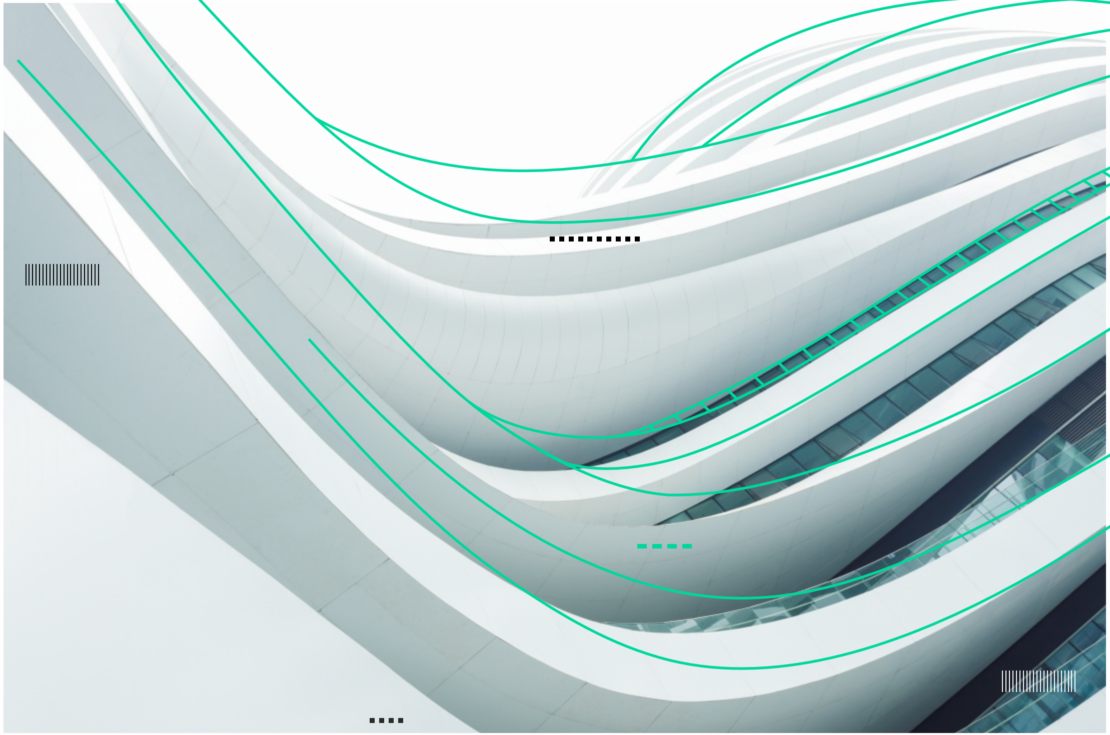
STRUCTURE OF HALYK GROUP

HOLDING GROUP ALMEX
69.6%
HALYK BANK

Halyk Bank Georgia 100%
Halyk Bank Kyrgyzstan 100%
Moskommertsbank 100%
Tenge Bank 100%
Halyk Bank Tajikistan 100%

Halyk Finance 100%
Halyk Global Markets 100%
Halyk Insurance Company 99.99%
Halyk Life 100%
Kazteleport 100%
Halyk Finservice 100%
Halyk Collection 100%
Halyk Leasing 100%
Halyk Project 100%
Halyk Aktiv 100%
Halyk Aktiv 1 100%
KUSA Halyk 100%

As of the date of publication of this annual report:
- Halyk Bank's stake in Altyn Bank (a subsidiary of China CITIC Bank Corporation Limited) is 40%
- Halyk Bank's stake in First Credit Bureau is 38.8%



3

BUSINESS MODEL

3 BUSINESS MODEL

SOLID FINANCIAL POSITION IN THE FACE OF NEW MACROECONOMIC CHALLENGES

- The Bank's business model is resilient to macroeconomic risks: return on average equity (ROAE) and cost-to-income ratio averaged a respective 20.8% and 30.1% over 2008-21
- High level of capitalisation: common equity tier 1 (CET 1) capital adequacy ratio of 19.3%, tier 1 capital adequacy ratio of 19.3% and total capital adequacy ratio of 19.9%
- High level of profitability supports shareholder returns: ROAE of 29.7% in 2021
- High level of liquidity: liquid assets to total assets ratio of 36.9% and net stable funding ratio (NSFR) of 1.60
- High-quality funding base: loans to deposits ratio of 69.3%
- One of the lowest funding rates among second-tier banks
- Deposits account for 80.6% of total liabilities, of which 32.5% are current accounts with zero or low interest rates (the highest proportion in the market)
- Low leverage: debt securities account for only 4.8% of total liabilities (the Bank fully redeemed both of its high-coupon US dollar-denominated Eurobonds in 2021)
- Effective risk management and continuous work to improve asset quality: the share of non-performing loans (overdue by 90 days or more) declined from 4.1% to 2.6%, the provision coverage ratio increased to 238.3%, the share of Stage 3[1] loans dropped from 12.3% to 8.6% and the cost of risk fell to 0.2%
- Balanced forex position: the share of loans denominated in foreign currency is at a record low of just 21.4% of all loans
- Continued high level of operational efficiency provides additional support for profitability: the cost-to-income ratio was 24.6% in 2021
- The Bank's highly experienced management team guided it through the turbulence of 2008-09 and 2015-16, as well as the pandemic
- Highest long-term credit ratings among second-tier Kazakh banks with no major overseas shareholders confirmed by international ratings agencies, despite the deterioration in the global operating environment. For the first time in Kazakhstan's history, Halyk Bank's ratings were upgraded to the sovereign level:
  - Moody's Investor Services – Baa2 (ratings under review, 14 January 2022)
  - Fitch Ratings – BBB- ('stable', 13 April 2021)
  - Standard & Poor's – BB+ ('stable', 26 January 2022)

REGIONAL FINANCIAL GROUP WITH A DOMINANT MARKET POSITION AND HIGH LEVEL OF SYSTEMIC IMPORTANCE

- Kazakhstan's leading universal financial group, with the largest client base and sales channel network in the country: 9.0 million active retail customers and 248,000 active corporate and SME customers; 8 million retail customers using the Homebank online banking system and 273,000 corporate and SME customers using the Onlinebank portal; largest branch network with 589 branches and outlets, 4,526 ATMs (market share of 36.4%) and 148,351 POS terminals (market share of 29%)
- Halyk Bank is the undisputed leader in Kazakhstan in terms of assets (total market share of 30.9%), equity (34.1%) and net income (39.7%); its share of retail deposits among second-tier banks is 32.2% and of corporate deposits among second-tier banks is 32.4%; its share of gross loans is 30.8% and of net loans is 31.1%; its share of corporate and SME loans is 45% and of retail loans is 18%
- Halyk Group ranks third in terms of assets and second in terms of net income among commercial banks in the CIS
- Largest processing bank in Kazakhstan: in 2021, retail transactions totalling KZT32 trillion were handled
- Largest payment agent for pensions and social payments: 2.5 million customers
- Active participant in all government community and business support programmes, including pandemic response measures and concessional SME lending programme

[1] Including POCI

SIGNIFICANT PROGRESS IN THE MAIN AREAS OF DIGITAL TRANSFORMATION

1. Continuous development of digital service channels

- Homebank is one of the leading retail online banking platforms in Kazakhstan: 4.2 million monthly active users (MAU) and 1,344,000 daily active users (DAU), up a respective 61.5% and 69.4% year-on-year
- The Onlinebank platform for corporate and SME customers has 156,000 MAU for the web version and mobile app (up 83.5% year-on-year), and 273,000 online banking users out of a total customer base of 388,000

2. Halyk Bank has created the broadest open ecosystem in the country and offers its clients cutting-edge digital products

- Launch of digital and non-banking ecosystem products and services:
  - Halyk Market, a technological solution for online purchases: gross merchandise value (GMV) of KZT70,051 million (up 5 times year-on-year), 673 partners (23 partners at the end of 2020) and 175,000 stock keeping units (SKUs; 19,000 SKUs at the end of 2020)
  - Halyk Invest, an investment app: 44,400 new customers (up 4.2 times year-on-year)
  - Halyk Travel, an app to search for, compare and purchase air and rail tickets, as well as book hotels online: 52,000 tickets purchased (up 8.7 times year-on-year)
  - Kino.kz, a service to find and obtain tickets to various entertainment events: 1.6 million MAU (1.2 million MAU at the end of 2020)
  - Online auto insurance portal: GMV of 2,095 million (up 3.7 times year-on-year)
- Online customer registration in Homebank and Onlinebank
- Online loans for individual entrepreneurs and retail customers, as well as instalment loans for retail customers
- Online government services: one-time pension payments, ASHYQ programme, online auto sales and registration, maternity and birth benefits, and registration of individual entrepreneurs

3. Data-driven approach

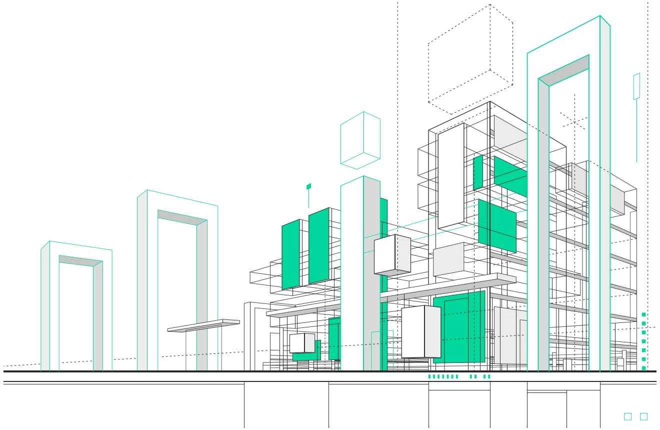
- Data Factory launched
- More than KZT75 billion in additional GMV (since August 2021)
- A total of 600 million personal stories per month in app
- A total of 5 million SMS push notifications per month

4. Digital-oriented organisation

- IT headcount up 1.8 times (since 2019)
- A total of 30% Agile teams

COMPLIANCE WITH ESG BEST PRACTICES

- In 2021, MSCI ESG Research raised Halyk Bank's ESG rating from 'B' (low) to 'BB' (medium) following improvements in the ESG disclosures made in the Bank's reporting for 2019 and 2020
- Halyk Bank was the first second-tier bank in Kazakhstan to provide financing under a green lending agreement, which was independently verified by the Green Finance Centre of the Astana International Financial Centre, for the construction of a 5 megawatt bioelectric power plant in the Karaganda region
- The Bank has embedded ESG principles into its strategy
- Since 2020, Halyk Bank has published an annual Sustainability Report in accordance with Global Reporting Initiative (GRI) standards, which discloses the main aspects of the Bank's ESG efforts

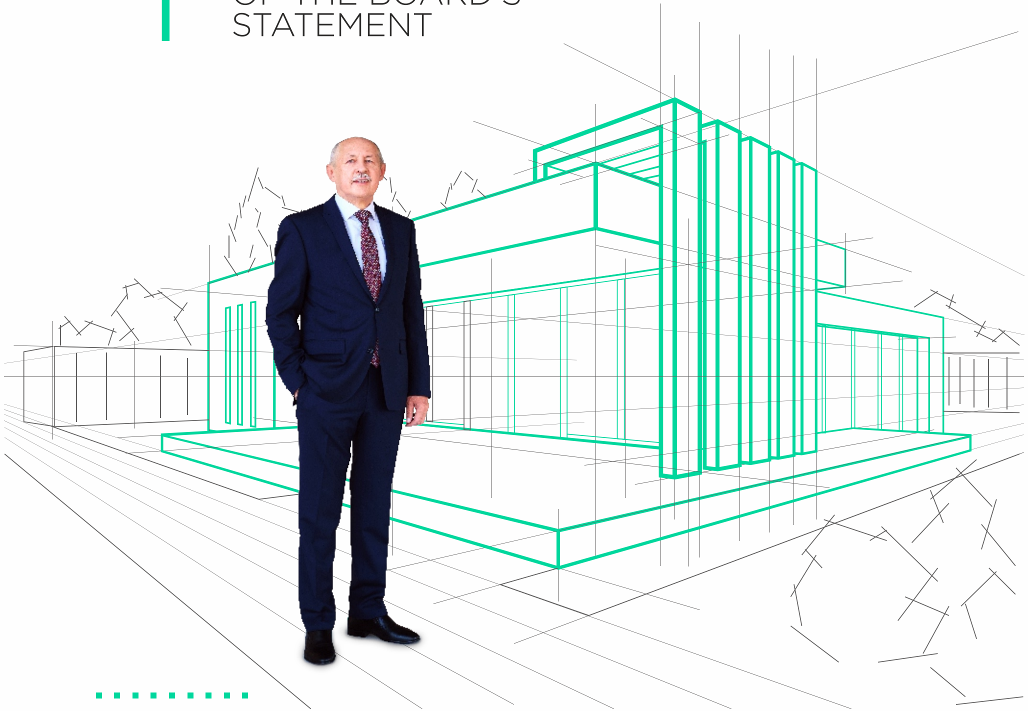


HALYK BANK

4

CHAIRMAN OF THE BOARD'S STATEMENT

4 CHAIRMAN OF THE BOARD'S STATEMENT



DEAR SHAREHOLDERS, CLIENTS AND PARTNERS,

In 2021, Kazakhstan celebrated the 30th anniversary of its independence. Having chosen the path of market-based development, in a relatively short time by historical measures, the republic has made a major leap forward, has established and is developing its own economy, and has an independent monetary policy. As the leading country in Central Asia, Kazakhstan has earned deserved authority in the international arena. We have one of the best country ratings in the post-Soviet space.

Since independence, national GDP has increased 16-fold, while investments in the economy have amounted to around US$350 billion. In addition, thousands of companies have been created and hundreds of new products developed.

In 2021, despite the ongoing COVID pandemic and related restrictions, thanks to state measures to support growth, the economy expanded by 4% year-on-year. The main drivers of this were the processing, construction and service sectors.

Amid greater inflationary pressure, the National Bank tightened monetary policy in the year, increasing the base rate to 9.75%. Nonetheless, as of December, inflation had reached 8.4%.

Last year marked an important stage in Halyk Group's development. By preserving its traditional values, and focusing on pursuing innovation and new initiatives to digitalise the business, as well as on developing a unique ecosystem and a new modern image, the Group maximised its efforts to provide the highest-quality products and services for clients.

In 2021, Halyk Bank continued to strengthen its standing as a high-tech financial institution, the bank of choice for the majority of clients and a key player on the financial services market. It retained its leading positions in all segments and reputation as the largest and most reliable financial institution in the country. For Halyk Group, keeping profitability high and focusing on the interests of shareholders and clients are key objectives on the financial market, and they will form the basis for developing new business lines.

In the reporting period, commercial and consumer activity recovered as pandemic-related restrictions were eased, while Halyk Bank developed its digital services and pursued a major business transformation programme, all of which allow to generate sufficient capital. Against this backdrop, in 2021, the Bank announced dividends of KZT211.6 billion for 2020, a record and equal to 60% of Halyk Group's net income.

In parallel, Halyk Bank continued its work to take corporate governance and transparency to the next level. In particular, it conducted an evaluation (self-evaluation) of the work of the Board of Directors based on international best practice, and reviewed the results at the Annual General Meeting of Shareholders on 23 April 2021.

In addition, Halyk Group devised and approved a new strategy for 2022-24. The main priority is to create a reliable, technology-based and innovative ecosystem that will ensure high standards of customer service and a robust approach to delivering products and services.

One of the important parts of the new strategy will be actively pursuing the ESG agenda. As part of this, when preparing all parts of its development strategy, Halyk Bank sought to balance economic, social and environmental considerations.

In 2021, Halyk Bank also became the first second-tier bank in Kazakhstan to launch 'green financing', signing an agreement on green financing with Kaz Green Energy towards the year-end. Having undergone an independent assessment by the AIFC Green Finance Centre Ltd., the company is conducting a project to build a 5 MWt biopower station in Zhezkazgan in the Karaganda region. In addition, as part of a social initiative to develop sustainable tourism in Almaty, the Bank purchased 11 emergency shelters, 18 solar batteries and 1 unmanned aircraft.

As part of its focus on setting and achieving ESG and sustainable development objectives, the Bank also devised and approved a Policy on Sustainable Development, an Environmental Policy and a Policy on Supporting the Freedom of Associations, Conducting Collective Negotiations and Diversifying the Workforce.

In subdivisions of the business, Halyk Bank actively uses feedback channels to identify clients' needs and thereby launch new products and services aimed at fulfilling the requirements of different social groups. In 2021, for example, in the Halyk Homebank mobile application, it added functions allowing users to re-register vehicles, apply for special payment cards for receiving social benefits, open accounts for receiving one time pension withdrawal and other services. In addition, together with the Ministry of Digital Development, Innovation and the Aerospace Industry, the Bank launched a new service enabling people to register an individual entrepreneurship online, without leaving home.

In December 2021, Halyk Bank officially began working with a new payment service, Google Pay. The main advantage is that it allows contactless payments to be made instantly, even without internet access and the need for additional applications.

Given its strong capital adequacy and liquidity ratios, in the reporting period, Halyk Bank resolved to make its capital work more efficiently by conducting a share buyback. The Board of Directors took the corresponding decision, which included global depositary receipts, on 2 December, and the transaction took place at market prices as of that date. The offer was made to all shareholder on equal terms on the Kazakh and overseas markets, and the buyback took place on 10 December. International and local shareholders participated, and demand exceeded supply.

As the leader of Kazakhstan's banking sector, and an active developer of cutting-edge fintech solutions and its own ecosystem, Halyk Bank is committed to creating a talent pool of highly qualified professionals for the sector. In 2021, taking into account the requirements of the state and business, it continued to support young talent on IT courses in the country's leading universities, as part of Halyk Academy. This strategic long-term joint project involves Bank employees taking part in practical lessons at the Kazakh-British Technical University and the International Information Technology University. In the reporting period, the Suleyman Demirel University also joined the initiative.

In the annual SME Bank Awards organised by Global Finance, an authoritative international financial publication, Halyk Bank won the Best SME Bank in Kazakhstan 2021 nomination.

Among the second-tier banks in Kazakhstan without foreign participation, Halyk Bank continues to have the highest credit ratings from international rating agencies. In 2021, Standard & Poor's upgraded its ratings for Halyk Bank from 'BB/B' to 'BB+/B', the outlook is 'stable' and Moody's from 'Baa3' to 'Baa2', the outlook is also 'stable'; while the MSCI[1] raised its ESG rating from 'B' to 'BB'.

Halyk Group has always adhered to the principles of pursuing open dialogue with society and productive cooperation with the state. To this end, we focus on maintaining constructive communication and partnerships over the long term. This is the basis for successfully achieving all of the Group's business objectives.

By harnessing our experience and international best practice, we also focus on achieving the best results in our work. This enables us to contribute to the progressive development of society and the country as a whole.

In conclusion, on behalf of the Board of Directors, I would like to express my appreciation and gratitude to all shareholders, partners and colleagues for their productive collaboration, belief and support for Halyk Group's strategic development course.

ALEXANDER PAVLOV

Chairman of the Board of Directors
Halyk Bank

[1] MSCI ESG Research is a leading ESG research and rating agency. It evaluates the resilience to long-term ESG risks of over 7,500 companies, analysing their sensitivity to them, while taking into account the sector and risk management ability. Its findings are used by more than 1,400 investors worldwide when making investment and portfolio management decisions. MSCI awards ratings to international public and private companies on a scale of 'CCC' to 'AAA'.

5

CHAIRPERSON OF THE MANAGEMENT BOARD'S REVIEW

5 CHAIRPERSON OF THE MANAGEMENT BOARD'S REVIEW

DEAR CLIENTS, PARTNERS AND SHAREHOLDERS,

Reflecting on the past year, I can confidently say that 2021 was positive for Kazakhstan's economy and financial sector. The development of new vaccines and treatments for COVID-19, the ability to rapidly diagnose infections, and the progress in identifying and treating new strains of the virus set the stage for global macroeconomic stabilisation.

The gradual easing of pandemic-related restrictions and rising energy and commodity prices stimulated business expansion and strengthened positive sentiment, both in society and on global markets.

The year was marked by the gradual adaptation of businesses to working amid the pandemic and the nascent recovery of Kazakhstan's economy. Following the slower economic growth during the peak of the pandemic in 2020, a positive trend in 2021 was the expansion of national GDP by 4% year-on-year. To a certain extent, this was influenced by the government's substantial monetary and fiscal support measures.

In these conditions, Kazakhstan's banking sector demonstrated stability and resilience amid the crisis, unlike other sectors of the economy. This was made possible by the substantial liquidity reserves at most Kazakh banks and their high-quality deposit bases.

For the Kazakh banking sector, 2021 was a record year in terms of growth in net profit, revenues and the customer base. In addition to the expansion of retail lending, which surpassed corporate lending, second-tier banks continued to clean up their loan portfolios throughout the year.

Meanwhile, 2021 also saw a breakthrough in digital banking services. Companies in the banking sector and relevant state bodies were actively engaged in this process, including government ministries, the National Bank of Kazakhstan and the Agency for Financial Market Regulation and Development. The broader market development trend was also driven by the growth of e-commerce, the opening of digital accounts and the expansion of digital lending opportunities.

One positive market signal for the domestic banking sector was the increase in the international credit ratings of most Kazakh second-tier banks. For the first time in Kazakhstan's history, Halyk Bank's ratings were upgraded to the sovereign level. Notably, Halyk Bank is the only bank in Kazakhstan without majority foreign ownership that holds such high financial strength ratings.

Amid the continued gradual stabilisation of the economy and recovery of the financial markets, Halyk Bank remained on a positive trajectory, confirming the effectiveness of its strategy and the productive actions of its management and entire team.

Consistent with international best practice, Halyk Bank was the first company in the Kazakh banking sector to begin publishing non-financial reports on environmental, social and governance (ESG) matters, and this continued in 2021 with the release of its second annual sustainability report. In recognition of this, MSCI ESG Research raised Halyk Bank's ESG rating to 'BB'. After publishing its sustainability reports for 2019 and 2020, Halyk Bank became the first financial company in Kazakhstan to be assessed and receive such a rating.

In all aspects of the financial institution's business, 2021 was a year of hard work. Throughout the year, the Bank strived to introduce and improve its Halyk Homebank and Onlinebank mobile apps for retail and corporate customers. It expanded their functionality and the range of services offered and continuously sought new innovations to make them more convenient for customers to use.

Retail business

As of 1 January 2022, the Bank's customer base totalled 12.4 million people. The share of unique active customers using at least one product is 73% and the number of payment cards in the portfolio exceeds 15 million. Today, Halyk Bank is the leader in servicing payroll customers and recipients of pensions and benefits.

The Bank remains the leader in retail deposits, where it has a market share of 32.5% (KZT4.17 trillion).

As of 1 January 2022, Halyk Bank's loan portfolio was KZT1,807 billion and its market share in retail lending was more than 18%. For many years, it has operated one of the most extensive networks of regional offices in Kazakhstan. As of 1 January 2022, it had 24 branches and 589 sales channels. As of the end of the reporting period, the Bank's payment infrastructure included 4,526 ATMs, 970 payment terminals and 148,351 POS terminals.

The user base of the Halyk Homebank app has increased to 8 million customers, who have conducted more than 130 million payments and transfers.

The Halyk Market sales platform was launched as a pilot in early 2021 and is expanding rapidly. The full launch took place in April. By the end of the year, the Bank's team had achieved decent results in terms of gross merchandise value and customer base growth.

In May, Halyk Bank began to accept banking cards issued by Russia's Mir national payment system. The Bank's POS terminals and ATMs are now compatible with cards from the Russian payment system and the Visa and Mastercard international payment systems, as well as cards from American Express and China's UnionPay International.

SMEs and state programmes

As of 1 January 2022, the Bank had around 449,900 SME customers, including more than 22,700 borrowers. The SME loan portfolio totalled KZT1,045 billion. In 2021, the SME portfolio expanded by 31.1%, or around KZT248 billion, and the number of borrowers increased by 120.4%, or more than 12,400 borrowers.

Halyk Bank remains a leader in the SME segment, including transaction services and lending. It launched a digital loan product to help individual entrepreneurs overcome the difficulties caused by the pandemic, which provided more than KZT90.2 billion to more than 20,000 enterprises from across Kazakhstan to implement business ideas. More than 5,600 of these enterprises received financing under the Damu Fund's government programme, which provided a total of KZT21.4 billion at a preferential interest rate of 6%.

Together with the Damu Fund, Halyk Bank played an active role throughout 2021 in government programmes aimed at supporting entrepreneurship in Kazakhstan, and it continues to do so today. Under most of these programmes, the Bank is the leader in terms of the amount of funds allocated, as well as the number and volume of subsidy and guarantee agreements signed. The Bank also participates in other entrepreneurial support programmes from development institutions such as the Development Bank of Kazakhstan, Agrarian Credit Corporation and KazakhExport.

In 2021, the Bank delivered record growth in the corporate, SME and retail loan portfolios. It launched digital microbusiness lending and developed and implemented innovative solutions in the acquiring and transactional business. The Bank has also made significant progress in the GovTech business. Today, customers can apply for benefits and immediately open a special card account, register as an individual entrepreneur, transfer vehicle ownership, open a pension account and receive payments. They can also check COVID-19 test results, a service that the Bank's customers have already used more than 15 million times.

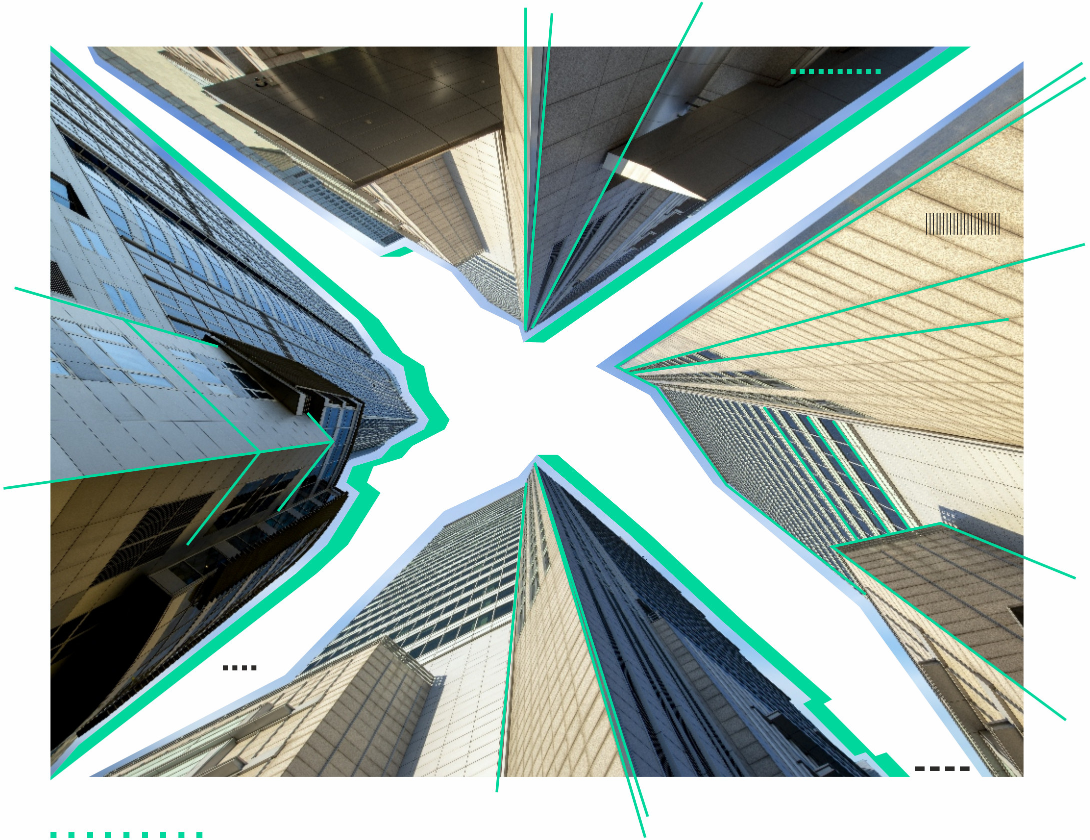
Authoritative international experts have recognised the financial institution's achievements. During the reporting period, the Bank was honoured as Kazakhstan's best corporate and investment bank for 2020 by the international financial publication Asiamoney, won the Most Innovative Digital Initiative Kazakhstan 2021 category of the annual World Economic Magazine Awards 2021, and was named Best SME Bank in Kazakhstan 2021 at the Global Finance Best SME Bank Awards.

More detailed information about the Bank's achievements and successes can be found inside this Annual Report.

I would like to personally add that Halyk Group is the financial backbone of Kazakhstan's economy. It is present in a wide range of business lines, including banking, insurance and investment. The Group's financial subsidiaries also operate in Russia, Uzbekistan, Kyrgyzstan and Georgia.

Our vast experience in a variety of situations, including crises, and our considerable financial strength and ample opportunities allow us to continuously improve our traditional banking business and enhance our customer service. At the same time, we strive to deepen our digital transformation and increase the efficiency of our business processes. We are ready to expand our ecosystem into new areas and launch additional innovative solutions. This all serves one purpose: to maximise value for all our customers, partners and shareholders.

UMUT SHAYAKHMETOVA
Chairperson of the Management Board
Halyk Bank



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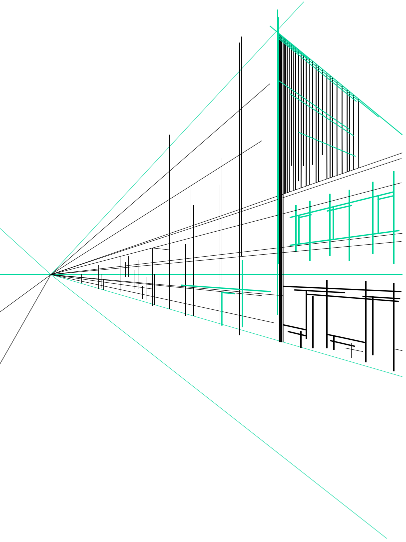
BOARD OF DIRECTORS



6 BOARD OF DIRECTORS

ALEXANDER PAVLOV (b. 1953)
Chairman, Independent Director

Mr Pavlov was elected Chairman of the Board of Halyk Bank in March 2004 and re-elected to the same post in May 2020.

Mr Pavlov has held numerous high-level posts in Kazakhstan's government over the years, including first deputy prime minister, deputy prime minister – minister of finance, and head of the Main Tax Inspectorate – first deputy minister of finance. He has also worked in managerial positions in large Kazakh machinery and natural resource companies and represented Kazakhstan at numerous international financial organisations.

Mr Pavlov is a graduate of the Belarus State Institute of People's Economy, where he specialised in economics (1970-74), and of the Academy for Social Sciences of the Central Committee of the Communist Party of the USSR, where he specialised in political science (1991).

ARMAN DUNAEV (b. 1966)
Independent Director

Mr Dunaev was elected to the Board of Halyk Bank in September 2013 and re-elected to the same post in May 2020.

Mr Dunaev's experience in Kazakhstan's government includes such posts as first deputy minister of finance, minister of finance and Chairman of the Agency for Regulation and Supervision of the Financial Market and Financial Organisations. He has also held managerial positions in the quasi-government sector. He is currently a member of the boards of directors of several Halyk Bank subsidiaries.

Mr Dunaev is a graduate of Kazakh State University named after S. Kirov with a degree in political economy and has a PhD from Moscow State University named after M. Lomonosov.

FRANCISCUS CORNELIS WILHELMUS (FRANK) KUIJLAARS (b. 1958)
Independent Director

Mr Kuijlaars was elected to the Board of Halyk Bank in April 2009 and re-elected to the same post in May 2020.

From 1990 to 2007, Mr Kuijlaars served at ABN AMRO Bank and later at RBS as head of corporate and investment banking in Belgium, regional manager in Brazil and country manager in Russia and Argentina. Mr Kuijlaars was a member of the Supervisory Board in Russia, Kazakhstan and Uzbekistan. After his appointment as corporate executive vice president in 2001, in addition to supervision of global energy issues, he was a member of the executive committees of EMEA countries, as well as a member of the Corporate and Investment Banking Committee.

He is an adviser to several international organisations and for a long time was a member of the Foreign Investor Council of the President of the Republic of Kazakhstan. Mr Kuijlaars was Chairman of the Board of Directors and independent director of National Company KazMunayGas, as well as an independent non-executive director and independent member of the Supervisory Board of Amsterdam Trade Bank N.V. He is the owner and managing director of Eureka (Energy) Ventures B.V.

Mr Kuijlaars received a Master's in law from Erasmus University (Netherlands). He studied at the Dutch Institute of Banks and Insurance Companies and in a number of postgraduate programmes in such international institutions as Fontainebleau (France), Cambridge (UK) and Harvard Business School (US).

MAZHIT YESSENBAYEV (b. 1949)
Member of the Board of Directors,
Representative of Holding Group ALMEX

Mr Yessenbayev was elected to the Board of Halyk Bank in April 2014 and re-elected to the same post in May 2020.

Over the years, Mr Yessenbayev has held numerous important positions in Kazakhstan's government, including head of the Main Tax Inspectorate – first deputy minister of finance, Chairman of the State Tax Committee, governor of Karaganda region, minister of finance, minister of industry and trade, governor of Akmola region, Chairman of the Agency for Competition Protection and Chairman of the Customs Control Committee of the Ministry of Finance. He has also represented Kazakhstan in a number of international financial organisations.

Since February 2014, he has been Chairman of the Management Board and a member of the Board of Directors of Holding Group ALMEX.

Mr Yessenbayev graduated from the Kazakh Polytechnic Institute named after V. Lenin with a degree in economics and management of the mining industry. He also completed postgraduate studies on the Council for the Study of Productive Forces under the State Planning Committee of the USSR, has a PhD in economics and is an associate professor.

CHRISTOF RUEHL (b. 1958)
Independent Director

Mr Ruehl was appointed to the Board of Halyk Bank in June 2007 and re-elected to the same post in May 2020.

Mr Ruehl previously worked at the University of California, Los Angeles, where he was an assistant professor of economics. He also worked for the World Bank Group as chief economist in Washington, chief economist in Moscow, and lead economist and sector leader in Brazil. At British Petroleum, Mr Ruehl held the positions of deputy chief economist, group chief economist and vice president. In 2008, he became Chairman of the British Institute of Energy Economics, London. From July 2014 to May 2019, Mr Ruehl was first global head of research at Abu Dhabi Investment Authority. In November 2019, he became a senior research scholar at the Center on Global Energy Policy at Columbia University's School of International and Public Affairs.

Mr Ruehl holds an MBA from the University of Bremen (Germany).

PIOTR ROMANOWSKI (b. 1969)
Independent Director

Mr Romanowski was elected to the Board of Halyk Bank in May 2020.

From 1998 to 2008, Mr Romanowski worked at the consulting company McKinsey & Company (Poland), including as a manager / senior manager until 2004 and as a partner from 2005 to 2008. From 2008 to 2009, he served as a member of the Management Board at Bank Millennium (Poland), overseeing the corporate banking division. In 2009, Mr Romanowski became the first external investor in Selvita and Ryvu Therapeutics (Poland), where he has served as Chairman of the Supervisory Board since 2011. From 2011 to 2014, Mr Romanowski was a partner and leader in financial services for Central and Eastern Europe / CIS at PwC (Poland). From 2014 to 2018, he served as a member of the Management Board of PwC Central and Eastern Europe / CIS in charge of advisory services; and from 2017 to 2018, he also a leader in the market for clients from CIS countries. Since February 2021, he has served as Chairman of the Board of Directors of Kevin EU, UAB (Lithuania).

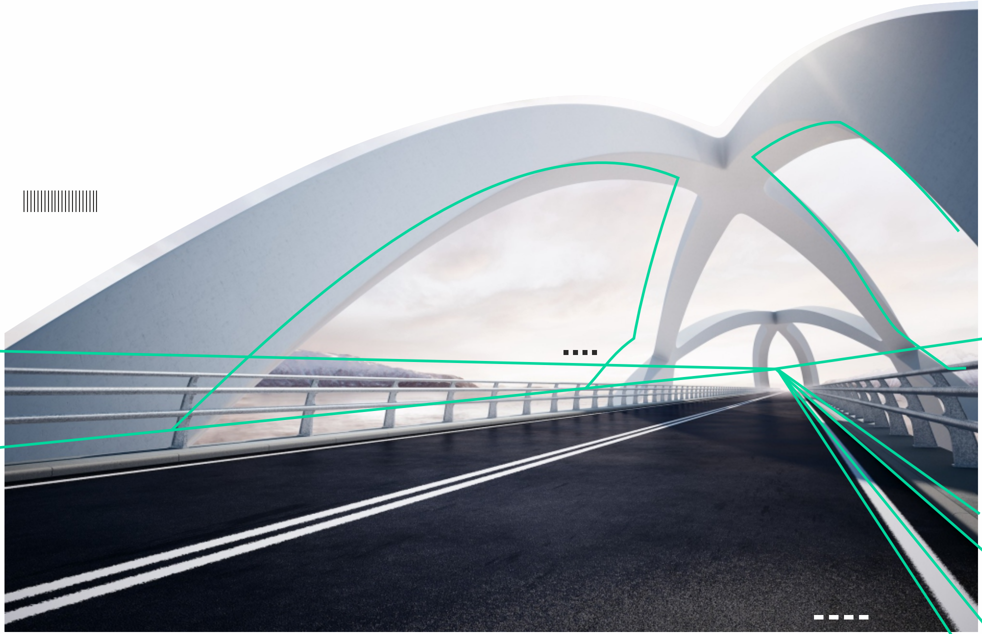
In 2017, Mr Romanowski graduated from the executive education programme in data analytics at Harvard Business School (US). In 2016, he completed the executive education programme at Singularity University (US). In 1995-97, he studied at Cambridge University (UK) and received a PhD in molecular biology from the Wellcome / CRC Institute. In 1987-94, he studied at Gdansk Medical Academy (Poland), where he received a PhD in cancer genetics in 1995.

UMUT SHAYAKHMETOVA (b. 1969)
Member of the Board of Directors,
Chairperson of the Management Board

Ms Shayakhmetova was appointed as Chairperson of the Management Board of Halyk Bank on 22 January 2009. She was elected as a member of the Board of Directors in April 2009 and re-elected to the same post in May 2020.

Over the years, Ms Shayakhmetova served as Chairperson of the Management Board of ABN AMRO Asset Management and deputy Chairperson of the Management Board of ABN AMRO Bank Kazakhstan. She became deputy Chairperson of the Management Board of Halyk Bank in November 2004. From May 2011 to February 2021, she was president of the Gymnastics Federation of Kazakhstan. In June 2015, she was elected Chairperson of the Regional Council of Businesswomen at the Chamber of Entrepreneurs in Almaty. In June 2016, she was appointed as Chairperson of the Financial Sector Committee of the Presidium of the Atameken National Chamber of Entrepreneurs and Chairperson of the Regional Council Eastern Europe, Central Asia, Russia and Caucasus at UnionPay International. Since June 2018, she has been a member of the Board of Directors and representative of Halyk Bank at Altyn Bank.

Ms Shayakhmetova is an economics graduate of the People's Friendship University named after P. Lumumba (Russia) and holds an MBA from Rutgers University (US).



7 MANAGEMENT BOARD

7 MANAGEMENT BOARD

UMUT SHAYAKHMETOVA (b. 1969)
Chairperson of the Management Board

Please refer to the "Board of Directors" section.

MURAT KOSHENOV, CFA, FRM (b. 1973)
Deputy Chairman: Corporate Banking and International Activities

Mr Koshenov has been deputy Chairman of the Management Board of Halyk Bank since September 2014. He has also been Chairman of the Board of Directors of Moskommertsbank since November 2014 and Chairman of the Board of Directors of Tenge Bank since September 2018.

Mr Koshenov has worked in finance and banking since 2000. From 2000 to 2010, he worked first as head of broker-dealer operations at ABN AMRO Asset Management, and then as risk manager, head of the risk management division and deputy Chairman of the Management Board at SB ABN AMRO Bank Kazakhstan (later SB RBS (Kazakhstan)). He joined Halyk Bank in January 2010 as chief risk officer and then served as compliance controller.

Mr Koshenov has a degree in physics from Al-Farabi Kazakh National University and an MBA from the Kazakhstan Institute of Economics, Management and Strategic Research.

ALIYA KARPYKOVA (b. 1970)
Deputy Chairperson, Chief Compliance Controller: Finance and Accounting, Subsidiaries and Compliance

Ms Karpykova has been deputy Chairperson of the Management Board of Halyk Bank since October 2011 and chief compliance controller since May 2021. She has also been a Board member of Halyk Insurance Company (formerly Kazakhinstrakh) since 2016.

Ms Karpykova has worked in the Kazakh banking system since 1992. From 1992 to 1996, she held various positions at the National Bank of Kazakhstan. From 1996 to 1997, Ms Karpykova worked at Barents Group as an adviser on a project on accounting reform in the Kazakh banking system. From 1998 to 2001, she was the director of the financial control and administration department and then a member of the Management Board – chief accountant of Citibank Kazakhstan. From 2001 to 2004, she was managing director and then first deputy Chairperson of the Management Board of Nauryz Bank Kazakhstan. She has worked at Halyk Bank since 2004, including as managing director responsible for risk management, head of risk management and chief financial officer. From 2017 to 2018, she was also a Board member of Kazkommertsbank.

Ms Karpykova has a degree in political economy from Al-Farabi Kazakh National University.

AIVAR BODANOV (b. 1962)
Deputy Chairman:
Security and Problem Loans

Mr Bodanov was re-appointed as deputy Chairman of the Management Board of Halyk Bank in March 2018, after previously serving at Halyk Bank from September 2014 to May 2017 as director of the Security Department and deputy Chairman of the Management Board.

Mr Bodanov started his career in 1984 as a high-voltage overhead specialist for Dzhambul Grid Operating Company. He then worked as a specialist and senior producer at the Grazhdanstroy construction enterprise, as well as a chief engineer at the Kultbytstroy construction enterprise. In 1988-89, he attended the Sverdlovsk Higher Courses of the Ministry of Internal Affairs of the USSR. From 1990 to 2014, Mr Bodanov held numerous posts in the Department of Internal Affairs, the State Investigative Committee and the Tax and Financial Police. These included deputy head of the Agency of Kazakhstan for Combating Economic Crimes and Corruption; head of the Department for Combating Economic Crimes and Corruption in Almaty and West Kazakhstan regions; head of the Department for Investigating Economic and Financial Crimes under the Agency of Kazakhstan for Combating Economic Crimes and Corruption; deputy head of the Financial Police Department in Kyzylorda, South Kazakhstan and Atyrau regions; and others. From May to December 2017, Mr Bodanov served as head of the Internal Investigations Department, head of the Third Service of the General Prosecutor's Office of Kazakhstan. From February to March 2018, he was head of the Department of Internal Security and Prevention of Corruption in the Courts of the Department for the Support of the Courts of the Supreme Court of Kazakhstan.

Mr Bodanov holds the rank of Major General in the Financial Police. He is a graduate of the Dzhambul Irrigation and Construction Institute, where he specialised in hydraulic engineering of river constructions and hydroelectric power plants, and holds a law degree from the Karaganda Higher School under the Ministry of Internal Affairs of Kazakhstan.

ZHUMABEK MAMUTOV (b. 1982)
Deputy Chairman: Retail Banking

Mr Mamutov has been deputy Chairman of the Management Board of Halyk Bank since October 2019.

Mr Mamutov has worked in banking since 2004. From 2004 to 2008, he held the following positions: director of the Zangar branch at SB ABN AMRO Bank Kazakhstan; head of the retail banking division of the retail banking department, and then business development manager at SB ABN AMRO Bank Kazakhstan; and branch affairs specialist of the marketing department of NPF ABN AMRO KaspiyMunayGaz Kazakhstan. From 2008 to 2009, he was head of the regional and sales administration of the HNWI department at Kazinvestbank. Mr Mamutov worked at Kazkommertsbank from January 2010 to February 2014 and again from July 2015 to May 2017 in the following roles: managing director, executive director of the office of the Management Board, executive director of the card business development department, executive director of the banking card department, adviser to the office of the chairman of the Management Board, adviser to the executive directorate of the Chairman of the Management Board, and director of the retail banking department. From February 2014 to July 2015, he was director of the department for planning and monitoring the implementation of retail banking strategies at SB Sberbank. From May 2017 to February 2018, Mr Mamutov was deputy Chairman of the Management Board at Bank Kassa Nova, as well as member of the Management Board and deputy Chairman of the Management Board at Nova Leasing. From February 2018 to October 2019, he held the position of member of the Management Board and deputy Chairman of the Management Board at Forte Bank.

Mr Mamutov has a degree in statistics from Kazakh Economic University named after T. Ryskulov.

YERTAI SALIMOV (b. 1974)
Deputy Chairman: Operations, Chancellery, Resources and Contact Centre

Mr Salimov has been deputy Chairman of the Management Board of Halyk Bank since September 2020 and a member of the Supervisory Board of Halyk Bank Tajikistan since August 2018.

Mr Salimov joined Halyk Bank in August 1995 and has extensive experience of operations at the Bank, having worked as deputy head of the non-trading operations and precious metals desks in the foreign exchange operations department; a leading banker on the precious metals handling and precious metals desks in the international operations department; chief banker on the commodity desk in the trade finance department; chief banker on the commodity desk in the commercial department; senior dealer in the treasury; head of forex, money market operations and head of trading operations in the treasury; deputy director and director in the treasury; head of the chief operations department; chief operating officer; member of the Board and independent director of the Kazakhstan Stock Exchange; and Chairman of the Board of Halyk Finance. Mr Salimov previously served as deputy Chairman of the Management Board of Halyk Bank from February 2015 to October 2019 and as director of the Astana region branch from October 2019 to August 2020.

Mr Salimov has a degree in finance and credit from the Kazakh State Academy of Management.

DAUREN SARTAYEV (b. 1982)
Deputy Chairman:
SME Banking and PR

Mr Sartayev has been deputy Chairman of the Management Board of Halyk Bank since July 2018.

Mr Sartayev began working in the banking industry in 2004 at Kazkommertsbank, where he held the positions of manager, head of SME banking and head of small business banking. From 2010 to 2012, he worked at Temirbank as head of credit risk, branch director and director of problem loans. He was appointed as a member of the Management Board and managing director of Kazkommertsbank in June 2016, where he oversaw corporate lending, SME banking and the branch network. In July 2017, Mr Sartayev became deputy Chairman of the Management Board of Kazkommertsbank. He previously worked at Kcell, where he headed the branch in the city of Shymkent and managed the offices in Almaty and Almaty region. He also worked at the Kazakhstan representative office of the international auditing firm Ernst and Young.

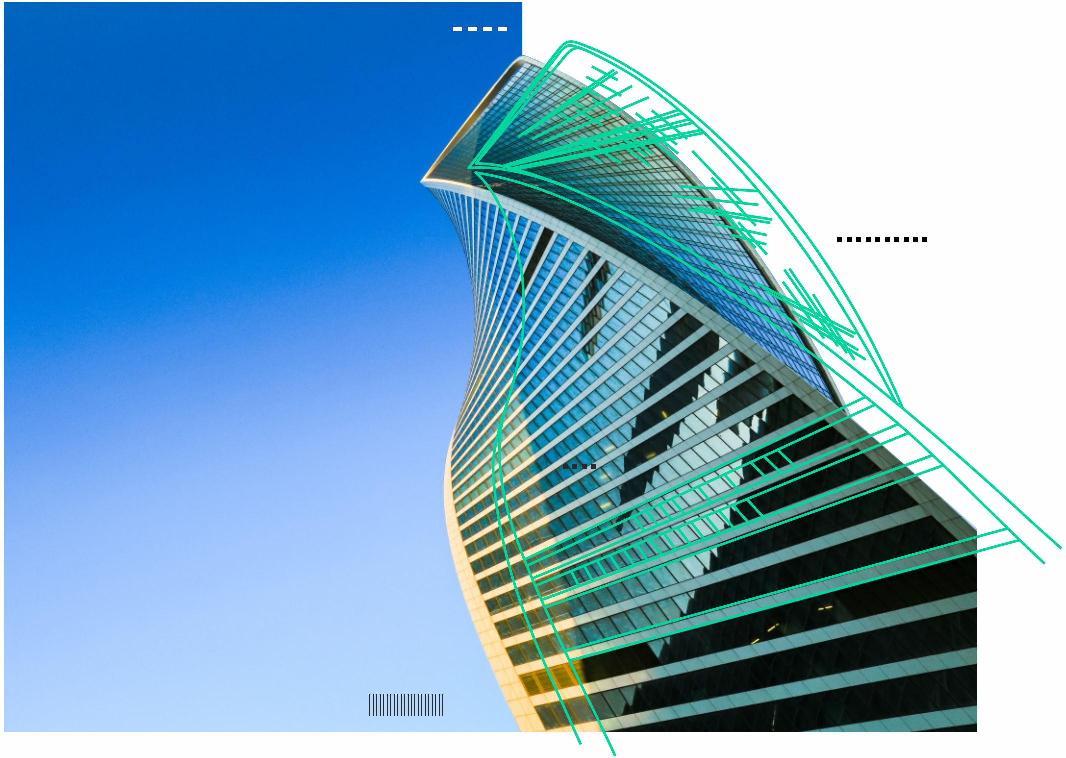
Mr Sartayev has a law degree from Kazakh Humanitarian Law University in Almaty. He also holds an MBA in strategic management and entrepreneurship from Moscow International Higher Business School and an MBA in strategic management from Kazakh Economic University named after T. Ryskulov.

ASKAR SMAGULOV (b. 1975)
Deputy Chairman:
Transactional Banking, Treasury

Mr Smagulov has been deputy Chairman of the Management Board of Halyk Bank since May 2019.

Mr Smagulov started his career at SB ABN AMRO Bank Kazakhstan, where he worked as a treasury dealer, senior dealer, head dealer, head of the trade division of the treasury, head dealer of the department of financial risks and operational business development, and director of the treasury. He then worked at Halyk Bank from February 2005 to May 2018, including as director of the treasury, adviser to the office of the Board of Directors and Management Board (in addition to other duties), member of the Management Board and deputy Chairman of the Management Board. During this tenure at Halyk Bank, Mr Smagulov also held various leadership positions at its subsidiaries, including Chairman of the Board of Directors of Kazteleport from February 2010 to May 2015, Chairman of the Management Board and member of the Board of Directors of Altyn Bank from November 2014 to June 2018 and Chairman of the Board of Directors of Moskommertsbank from July 2017 to June 2019. In April 2019, he returned to Halyk Bank as adviser to the office of the Management Board.

Mr Smagulov has a degree in economics and management from Al-Farabi Kazakh National University and an MBA from University of Rochester (US).



8 KEY EVENTS

JANUARY

- Halyk Bank is named the "Best Corporate and Investment Bank in Kazakhstan – 2020" in Asiamoney magazine's annual Best Bank Awards.
- Halyk Bank becomes an operator for the targeted use of lump-sum pension payments from the Unified Accumulative Pension Fund in order to improve housing conditions.
- Halyk Bank fully repays US$500 million in Eurobonds using its own funds.
- The rating agency AM Best affirms Halyk Insurance Company's financial strength and long-term credit ratings at 'B++', the outlook 'good'.
- Halyk Life launches a contact centre that can be called using the short number 7123 in Kazakhstan.
- Through its VIP centres, Halyk Bank launches sales of the Halyk-Kazyna US dollar-indexed life insurance product, which generated total premiums of KZT14.2 billion in 2021.
- Halyk Bank Kyrgyzstan launches a new service allowing its customers to receive cash transfers from South Korea to their bank cards.
- Halyk Finance launches commercial operations of the Halyk Invest app for Android.

FEBRUARY

- Halyk Bank launches an updated version of the Halyk (Homebank) mobile app that fully retains the key concept of Homebank: Bank at Home.
- Halyk Bank introduces a new type of payment: Kazakhtelecom subscribers (legal entities and individual entrepreneurs) can pay outstanding bills for telecommunication services in the Halyk Onlinebank system, which allows them to make payments for communication services and fiscal data operator cash registers on registered Kazakhtelecom accounts.
- Halyk Bank and the International University of Information Technologies launch training laboratories and programmes for IT specialists as part of the Halyk Academy project.
- The rating agency AM Best affirms Halyk Life's financial strength rating at 'B+' and credit rating at 'bbb-', the outlook 'positive'.
- Halyk Life launches a mobile app for the Android platform.
- Halyk Global Markets signs an agreement with the Unified Accumulative Pension Fund for the trust management of pension assets.
- Halyk Global Markets places KZT9.9 billion in three-year bonds and KZT14.3 billion in five-year bonds for the Kazakhstan Sustainability Fund.

MARCH

- Halyk Bank makes full early repay,ment of its US$750 million bonds.
- Halyk Bank develops and launches an automated short-term deposit service for legal entities.
- Halyk Bank and Kazakhstan's Ministry of Education and Science sign a memorandum of cooperation to expand mutually beneficial cooperation as part of socially significant projects to provide high-tech services, including banking ones, to Kazakh citizens.
- Halyk Insurance Company signs a cooperation agreement and integrates IT systems for online sales of vehicle insurance policies in partnership with Anysoft (www.qasco.kz aggregator website).
- Halyk Bank Kyrgyzstan receives access to the state program "Agricultural Financing 9"
- Tenge Bank increases its charter capital as part of its approved development strategy.
- Halyk Global Markets places KZT15 billion in five-year bonds for Kazakhstan Housing Company.

APRIL

- Fitch raises Halyk Bank's long-term issuer default rating from 'BB+' to 'BBB-', the outlook 'stable'.
- Halyk Bank supports the opening of new training laboratories and programmes for IT specialists at the International University of Information Technologies and Kazakh-British Technical University.
- Halyk Life adds a Telegram chat option to its contact centre to receive messages from customers and launches two chat bots for customers of the Halyk-Kazyna and Pension Annuity programmes.
- Halyk Insurance Company launches a service that simplifies online applications for voluntary comprehensive vehicle insurance (without a vehicle inspection and appraisal) and offers clients a choice of affordable prices.
- Halyk Bank Kyrgyzstan begins offering a concierge service for Visa Platinum premium cardholders.
- Halyk Bank Kyrgyzstan begins cooperating with mobile operator Megacom to include banking payment services in the Megapay app.
- Fitch raises Halyk Finance's long-term rating to 'BBB-'.
- Halyk Global Markets launches the Halyk Global interval mutual investment fund.
- Halyk Global Markets places KZT1.3 billion in 30-year bonds for Kazakhstan Housing Company.

MAY

- Halyk Bank expands the list of payment system partners to enable its POS terminals and ATMs to accept cards from the Russian payment system Mir.
- Halyk Bank's contact centre begins to use voice biometrics technology to verify customers' identity without requesting their personal data.
- Halyk Life distributes KZT265 million in profit from its investment activity in 2020 as insurance dividends among 22,000 accumulative life insurance contracts.

- Tenge Bank launches acquiring services for the Visa international payment system.
- Halyk Finance acts as a joint lead manager and bookrunner for Development Bank of Kazakhstan's placement of medium-term notes denominated in Kazakh tenge and US dollars: KZT100 billion in five-year eurobonds and US$500 million in ten-year eurobonds.

JUNE

- S&P affirms Halyk Bank's credit rating at 'BB/B', the outlook 'stable'.
- Moody's raises Halyk Bank's credit rating from 'Ba1' to 'Baa3', the outlook 'positive'.
- Halyk Bank and Halyk Life are selected as the best financial companies in their respective sectors at the World Economic Magazine Awards 2021: Halyk Bank wins the Most Innovative Digital Initiative Kazakhstan 2021 nomination and Halyk Life is named Best Life Insurance Company Kazakhstan 2021.

JULY

- Halyk Bank allocates more than KZT40 million in sponsorship support for Kazakhstan's Olympic team as their official partner at the Olympic Games in Tokyo, which includes the presentation of a special Visa card with a stylish Olympic design.
- PwC Kazakhstan partners with Halyk Bank and the Kazakhstan Stock Exchange to organise a conference on Green Financial and Debt Capital Markets. It includes a discussion of international approaches to sustainable finance and the development of best practices in Kazakhstan, which will ultimately contribute to solving social and environmental issues facing society, business and the state.
- Halyk Bank launches the Halyk Filling Stations remote payment service in the Homebank app, which enables customers to pay for fuel at full-service filling stations using their mobile phone, without leaving their vehicles.
- Halyk Life launches Life Persona, a life insurance policy that customers can purchase online at the company's website.
- Halyk Insurance Company launches a loyalty programme for online customers and their friends.
- Moody's raises Tenge Bank's credit rating from 'B1' to 'Ba3', the outlook 'stable'.
- Halyk Finance develops and launches the AIX Qazaq Index for the Astana International Exchange (AIX), which tracks changes in the prices of the shares and global depositary receipts of nine companies registered in Kazakhstan, as well as enterprises that partly or wholly generate their operating income in Kazakhstan.
- Halyk Finance acts as a consultant and underwriter for a KZT5 billion bond by Toyota Financial Services Kazakhstan, which is placed with a yield of 11%.

AUGUST

- Halyk Group decides to voluntarily liquidate Halyk Bank Tajikistan to concentrate the Group's resources and focus its efforts on projects that are more efficient, more profitable and have greater growth prospects.
- Moody's raises Halyk Bank's credit rating from 'Baa3' to 'Baa2' and changes the outlook from 'positive' to 'stable'.
- The British Standards Institute (BSI) certifies the compliance of Halyk Life's quality management system with the requirements of the ISO 9001:2015 international standard.
- Halyk Bank Kyrgyzstan launches a joint campaign with Visa to promote Visa Direct transfers.
- Halyk Global Markets places KZT15 billion in two-year government bonds for the Almaty municipal government.

SEPTEMBER

- MSCI ESG Research raises Halyk Bank's ESG rating from 'B' to 'BB' following significant improvements in the ESG disclosures made in Halyk Bank's sustainability reports for 2019 and 2020.
- Umut Shayakhmetova, Chairperson of the Management Board of Halyk Bank, is recognised as the best CEO in the nomination "For Systemic Development" at the Kazakhstan Growth Forum K21.
- S&P raises Halyk Bank's credit rating from 'BB/B' to 'BB+/B', the outlook 'stable'.
- Halyk Bank and Suleyman Demirel University launch training laboratories and programmes for IT specialists as part of the Halyk Academy project.
- The Halyk POS mobile app begins accepting American Express cards for contactless payments, developed specifically for small and micro businesses.
- Kazteleport receives ISO 27001 Lead Auditor international certification.
- Halyk Bank Kyrgyzstan launches the new Visa Tap to Phone system for receiving contactless payments on smartphones.
- Halyk Finance signs a trust management agreement with AIX FM Limited to manage two investment portfolios listed on the AIX with a combined asset value of US$4 million.
- Halyk Finance pays dividends for the Halyk Foreign Currency interval mutual investment fund of US$46.47382 per share.
- Halyk Finance acts as a financial consultant and underwriter for the KZT1 billion, five-year bond placement by the Damu Entrepreneurship Development Fund.
- Halyk Finance acts as an investment manager for two new types of exchange-traded note (ETN) linked to the AIX Qazaq Index (AIXQI):
  - Qazaq Equity Passive ETN, an exchange-traded note with a passive investment approach that invests nearly all its assets in Kazakh stocks proportionate to the AIXQI;
  - Qazaq Equity Active ETN, an actively managed investment instrument designed to outperform the AIXQI by engaging an investment manager that will invest in AIXQI-listed securities and other AIX-listed securities.

OCTOBER

- Implementation of ESG principles into the Bank's strategy
- Halyk Bank implements projects to receive benefits for the birth of a child and

childcare payments online for up to a year; pay state fees for the issuance of a passport and identification card for Kazakh citizens using a QR code through the Homebank mobile app; simplify the process for its customers to change account information for the receipt of pension payments or benefits on a bank card; and reduce the need for unnecessary in-person contact during the pandemic.

- During the Digital Bridge international forum on digitalisation, Umut Shayakhmetova, Chairperson of the Management Board of Halyk Bank, presents to President Kassym-Jomart Kemelevich Tokayev an online banking service that allows people in Kazakhstan to remotely apply for and receive government benefits.
- Halyk Life and Halyk Bank launch online insurance for small business borrowers, which has generated KZT400 million in premiums since.
- Kazteleport launches commercial operations on 15 October 2021 of an infrastructure as a service (IaaS) offering, which pools computer resources (CPU, RAM and storage) at a virtual datacentre to create virtual machines on a kernel-based virtual machine (KVM) platform (a loadable Linux kernel module designed to provide hardware virtualisation on the Linux x86 platform).
- Halyk Global Markets places a KZT10 billion, one-year bond for the Kazakhstan Sustainability Fund and a KZT5 billion bond for Agrarian Credit Corporation.

NOVEMBER

- In accordance with the decision of the Board of Directors of Halyk Bank, Anton Musin joins the Management Board of Halyk Bank and is appointed as its deputy chairman.
- The authoritative international financial magazine Global Finance recognises Halyk Bank as the Best SME Bank in Kazakhstan 2021 at its Best SME Bank Awards ceremony.
- Halyk Bank implements a service to transfer vehicle ownership.
- Halyk Bank integrates blockchain technology into the process of purchasing property, enabling people in Kazakhstan to conduct real estate transactions online.
- Halyk Bank begins providing financing under a KZT7.9 billion green lending agreement with Kaz Green Energy. The company is implementing a project to build a 5 megawatt bioelectric power plant in the village of Kengir, near the city of Zheskazgan in the Karaganda region, that has been independently verified by the Green Finance Centre of the Astana International Financial Centre.
- As part of a social project to develop sustainable tourism in Almaty, Halyk Bank purchases 11 rescue huts, 18 solar panels and an unmanned aerial vehicle. Halyk Bank transfers a total of KZT101.5 million in sponsorship funding for the project.
- Halyk Life launches an online process for concluding non-underwritten contracts for compulsory employee accident insurance.
- Halyk Life introduces personal customer accounts for legal entities that conclude contracts for compulsory employee accident insurance.
- Halyk Bank Kyrgyzstan and Kyrgyzstan's Ministry of Digital Development introduce a Face ID project using biometric data.
- Halyk Bank Kyrgyzstan becomes the first operator for the issuance of electronic cloud digital signatures to access the government services portal.
- Halyk Finance acts as a manager and bookrunner for Samruk-Energo's green bond placement.
- Fitch affirms Halyk Bank Georgia's long-term credit rating at 'BB+', the outlook 'stable'.

DECEMBER

- Halyk Bank and Google Pay launch a cashless payment system.
- Halyk Bank opens a modern new branch building in the Turkestan region.
- Halyk Life is the leader on Kazakhstan's life insurance market in terms of insurance premium and insurance payment volumes, according to data from the National Bank of Kazakhstan's website as of 1 January 2022.
- With support from Halyk Life, the 1C Enterprise: Public Accounting platform begins to automatically generate and send insurance premium payments for a list of payers, and integrates a service for receiving lists and recognising payments.
- Halyk Insurance Company launches an internal telemarketing web portal that centralises all training material.
- Kazteleport completes the construction of a 10-rack data processing centre in Aktau (19-inch server cabinet enclosures designed to hold server and network equipment with a standard 42-unit enclosure height).
- Halyk Bank Kyrgyzstan becomes a pilot bank for the launch of the new FinMarket.kg financial marketplace.
- Halyk Bank Kyrgyzstan and Alfa Oil (the operator of the RedPetroleum filling station chain) sign a memorandum of cooperation covering digital technology, contactless payments and innovative payment services.
- Halyk Bank Kyrgyzstan and the Globus hypermarket chain launch self-service checkouts.
- Tenge Bank begins to offer card processing and issuance using the Mastercard international payment system.
- Moskommertsbank launches a factoring product.
- Halyk Finservice attracts major international customers Glovo, Wolt and Yandex for its acquiring service.
- Halyk Insurance Company signs a cooperation agreement and integrates its IT systems for online vehicle insurance sales with new partners: Senim Group (Senim mobile app aggregator), Mukhtarov (www.saqtanu.kz insurance aggregator site), LITRO and www.auto.kz (the leading Leopart auto parts website).

9
AWARDS

HALYK BANK

VISA

- Leader in Central Asia in the Development and Promotion of VISA QR Technology -2021
- Leading Participant in VISA Tap to Phone Technology in Central Asia – 2021
- Best Acquirer in Central Asia – 2021

GLOBAL FINANCE

- Best SME Bank in Kazakhstan – 2021

KASE

- For Efforts in Transparency
- Best Annual Report for 2020 in the Financial Sector, Winner
- Best Sustainability Report for 2020, Winner

HALYK BANK KYRGYZSTAN

VISA

- First and Only Launch of Tap to Phone Product in Kyrgyzstan

TENGE BANK

Asiamoney

- Best International Bank in Uzbekistan – 2021

HALYK BANK TAJIKISTAN

VISA

- Best Acquirer – 2021

HALYK LIFE

World Economic Magazine

- Best Life Insurance Company in Kazakhstan – 2021

HALYK COLLECTION

National Business Rating

- Winner Among Companies in Almaty and Kazakhstan for "Contribution to the State Budget

HALYK FINSERVICE

Mastercard

- Best Acquirer – 2021

VISA

- Best eCommerce Acquirer – 2021

HALYK FINANCE

Cbonds

- Best Investment Bank in Kazakhstan
- Best Management Company in Kazakhstan
- Best Bond Market Research in Kazakhstan
- Best Primary Placement Deal in Kazakhstan

EMEA Finance

- Best Investment Bank in Kazakhstan – 2020
- Best Broker in Kazakhstan

Global Finance

- Best Investment Bank in Kazakhstan – 2021

KASE

- Best Financial Consultant
- Best Underwriter on the Corporate Bond Market
- Market Maker of the Year on the Equity Market

9 HALYK BANK AWARDS

HALYK BANK

10

MACROECONOMIC AND BANKING REVIEW

10 MACROECONOMIC AND BANKING REVIEW

In 2021, Kazakhstan's economic growth accelerated to 4.0% year-on-year, up from 3.6% in the first nine months of 2021 and 2.4% in the first half of the year. This indicates a return to pre-pandemic growth rates, which averaged 4.2% in 2017-19. The economic uplift was supported by a broader global recovery, which drove greater demand for commodities produced in Kazakhstan. The International Monetary Fund estimates that global GDP expanded by 5.9% year-on-year in 2021, after shrinking by 3.1% in 2020. The subsequent strong energy demand contributed to a 66% year-on-year jump in global oil prices to an average of more than US$70 per barrel in 2021. Such high oil prices have not been seen since late 2014.

The adaptation of the economy to quarantine restrictions, the severity of which has remained roughly unchanged since the fourth quarter of 2020, has positively impacted business activity. The service sector, which was affected most significantly by the restrictions, expanded by 3.9% year-on-year in 2021, consistent with the GDP growth of 4.0%.

Pensioners withdrew nearly KZT2.3 trillion in pension savings in 2021, which helped to drive further growth in economic activity. This was felt not only in residential real estate and healthcare, but also through overlap with other parts of the economy. The overwhelming majority of pension savings withdrawals came in the first half of the year, at KZT1.4 trillion. Withdrawals shrank to KZT281 billion in the third quarter before rebounding to KZT600 billion in the fourth quarter after the announcement of an increase in the withdrawal threshold.

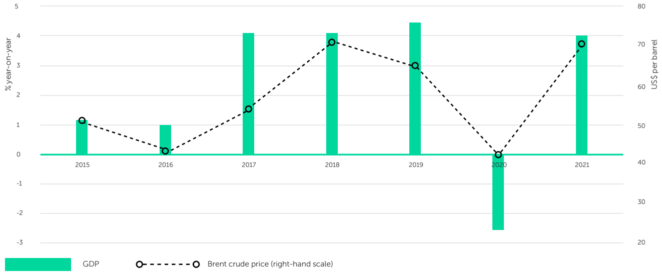
By the end of 2021, the economic recovery spread more broadly across sectors, all of which except agriculture saw positive growth trends. This was influenced by both external and internal factors, including the demand recovery and slower spread of COVID-19 towards the year-end. The domestic growth drivers were supported by government stimulus, which primarily impacted the construction, telecommunication, manufacturing and trade sectors. Improved external demand also boosted activity in the country's extractive industries and wholesale trade sector. Like oil prices, global metals prices also saw significant year-on-year growth. Aluminium prices surged by 45%, compared with a 5% reduction in 2020; zinc prices climbed by 32%, compared with an 11% drop in 2020; and copper prices jumped by 51%, after edging up by just 3% in 2020.

Industrial growth also accelerated, from a decrease of 0.7% year-on-year in 2020 to an increase of 3.8% in 2021. The extractive industry saw growth of 1.7%, while the manufacturing sector rose by 5.5%. Notably, manufacturing growth has remained above 4% during the past five years, including in 2020, when it was 4.1% despite the impact of the pandemic.

The favourable external market environment and increased industrial output drove an expansion of exports from Kazakhstan by 25.8% year-on-year to US$52.7 billion in 2021. Non-commodity exports also saw significant growth of 24.6%.

The recovery in construction began to gradually weaken during the reporting period. While growth exceeded 13% year-on-year in the first quarter of 2021, it slowed considerably to 7.6% by the year-end. The slowdown was influenced by the more moderate rates of investment utilisation for the construction of various types of infrastructure and other facilities. Meanwhile, residential real estate commissioning volumes climbed by 11.4% year-on-year to a new record of 17 million square metres. This is double the amount of housing that was commissioned in 2015.

ECONOMIC GROWTH IN KAZAKHSTAN AND OIL PRICES



Source: Bureau of National Statistics, Bloomberg

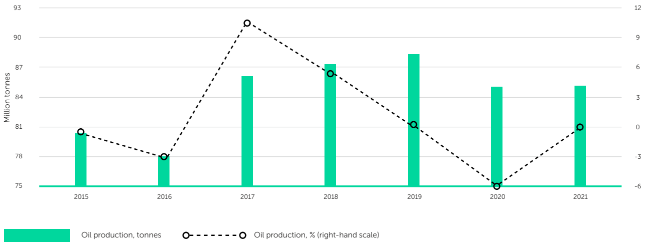
In 2021, production of oil and gas condensate edged up by just 0.03% year-on-year to 85.7 million tonnes, which is in line with the Kazakh Ministry of Energy's forecast oil production level of 86 million tonnes. The lack of material growth in the country's oil output despite the gradual increase of its OPEC quotas was caused by reduced production at Karachaganak and other smaller oil fields. While oil production rose by 3.2% at the Kashagan field and by 0.6% at Tengiz, it dropped by 3.3% at Karachaganak.

These three major oil fields accounted for 54.1 million tonnes, or 63%, of the country's total oil output. Their combined share is gradually increasing as production declines at the more mature fields.

While COVID-19 remained a source of uncertainty, a substantial increase in demand for energy products was compounded by a supply shortage. According to US Department of Energy estimates, as demand outstripped supply, the level of global oil reserves during the reporting period fell by 1.4 million barrels per day. This led to a significant market shortage, which pushed oil prices higher.

Amid greater global energy demand, Kazakhstan's revenues from oil exports in 2021 climbed by US$7.4 billion (31%) year-on-year to US$31.1 billion. This was despite a decrease in the country's export volumes by nearly 7% year-on-year to 65.6 million tonnes.

ECONOMIC GROWTH IN KAZAKHSTAN AND OIL PRICES



Source: Bureau of National Statistics

In 2021, fixed asset investments totalled KZT13.2 trillion, higher than the KZT12.3 trillion in 2020 and KZT12.6 trillion in 2019. Meanwhile, the expansion and further development of the Tengiz field kept the average annual investment growth above 10% in 2017-19.

Despite the significant growth in oil prices, investments in fixed assets in the mining industry fell by 9.1% year-on-year to KZT3.7 trillion in 2021, compared with KZT4.1 trillion in 2020. In 2019, the figure stood at KZT5.6 trillion and accounted for roughly 45% of overall investments, compared with 28% in 2021. Chevron Corporation, which is part of the joint venture developing the Tengiz field, estimates that its investments totalled US$2.6 billion in 2021.

Meanwhile, investments in the manufacturing industry surged by 38.1% year-on-year from KZT1.1 trillion in 2020 to KZT1.6 trillion in 2021. In addition, investments rose by 33.3% in agriculture, 19.1% in construction, 24.7% in trade and 17.9% in real estate. The volume of investments in each of these sectors exceeded the pre-pandemic figures from 2019.

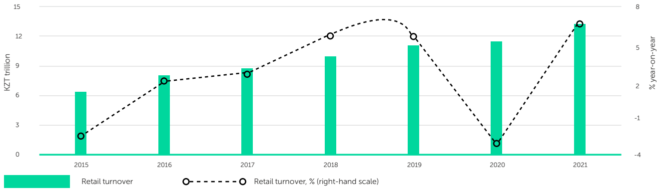
Amid the economic recovery and increased consumer activity, retail trade turnover rose by 6.5% year-on-year in real terms in 2021, compared with a reduction of 3.2% in 2020. In nominal terms, retail turnover increased from KZT11.7 trillion in 2020 to KZT13.4 trillion in 2021 (compared with KZT11.3 trillion in 2019). The primary driver of retail trade growth was greater turnover of non-food products, the sales volumes of which climbed by 9.6% year-on-year, while that of food products edged up by 1.0%. The diverging growth trends of these product groups was a reversal from the pandemic-driven trajectories seen in 2020, when the turnover of non-food products fell by 10.1% year-on-year, while that of food products increased by 7% year-on-year.

After economic activity recovered to pre-pandemic levels, people began to purchase more durable goods, releasing the pent-up demand from their increased savings in 2020. For example, in 2020, retail deposits climbed by KZT1.7 trillion (up 17.7% year-on-year), while retail trade turnover rose by just KZT0.4 trillion (up 3.6%). Meanwhile, in 2021, although deposits surged by KZT2.5 trillion (up 22.9% year-on-year), retail trade turnover grew by KZT1.7 trillion (up 14.2%).

An additional driver of retail deposit growth and consumer activity was the withdrawal of pension savings, which reached KZT2.3 trillion in 2021. Most of these withdrawals were used to purchase real estate, pay off an existing mortgage or make a deposit on a new one. However, access to pension savings temporarily increased disposable incomes and helped to boost consumer activity. The greater demand for housing also stimulated growth in residential construction, which led to higher incomes for people employed in this and related industries.

The economic recovery also was accompanied by an increase in the average nominal wage, which reached KZT248,800 (up 17% year-on-year in nominal and terms 8.3% in real terms). This helped to stimulate the recovery of consumer activity.

RETAIL TURNOVER IN KAZAKHSTAN



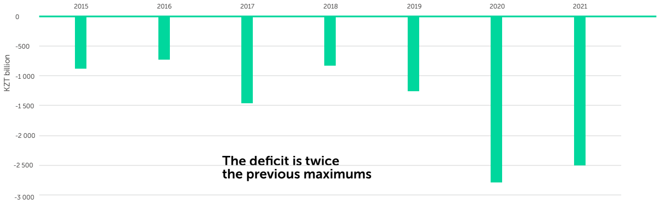
Source: Bureau of National Statistics

In 2021, Kazakhstan's tax revenues climbed by 25.3% year-on-year, or by 16.4% compared with 2019. In absolute terms, they totalled KZT10.7 trillion, compared with KZT8.6 trillion in 2020. This was KZT377.4 billion (103.6%) higher than the amount of tax revenues projected in the state budget for 2021. Overall state budget revenues for 2021 (excluding transfers from the Kazakhstan National Fund) totalled KZT11.3 trillion, up 16.4% year-on-year or 17.1% compared with pre-pandemic 2019.

The Kazakhstan National Fund's transfers to the budget fell by 5.7% year-on-year to KZT4.5 trillion in 2021. This was equal to 28% of total budget revenues, compared with KZT4.8 trillion or 33% of revenues in 2020. However, transfers from the Kazakhstan National Fund were still a greater share of revenues than before the pandemic, in 2018-19, when they accounted for 24%. Overall, the transfers have played a positive role in the stabilisation and subsequent rapid recovery of Kazakhstan's economy.

Amid rising prices and increased export duties on oil, tax revenues from international trade surged by 60% year-on-year to KZT1.5 trillion. This is still KZT80 billion less than in pre-pandemic 2019. The average export duty on crude oil jumped by 69.2% to US$64.2 per tonne in 2021, compared with US$37.9 per tonne in 2020. The state budget for the year was calculated using an oil price of US$60 per barrel and an exchange rate of KZT425/US$1, while the latter ultimately averaged KZT426/US$1 in the reporting period.

STATE BUDGET DEFICIT



Source: Kazakh Ministry of Finance

The increase in budget allocations in 2021 was more moderate in scale than the economic improvement. State budget expenditures totalled KZT18 trillion in 2021, up 7% year-on-year from KZT16.7 trillion in 2020. Social spending remained a priority and rose more visibly. For example, spending on pensions and benefits climbed by 8% year-on-year to KZT4 trillion (22.5% of total expenditures). Budget spending on wages surged by 21% to KZT2.8 trillion (15.6% of total expenditures).

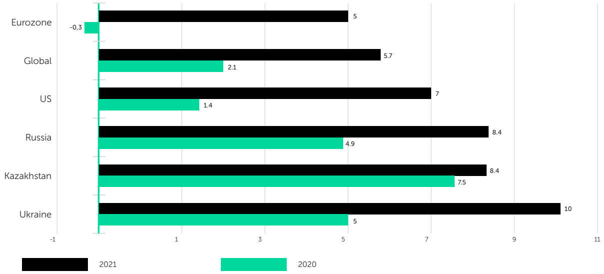
The cost of servicing public debt jumped by 34% year-on-year to more than KZT1 trillion. After borrowing volumes increased in 2020-21, the share of public debt servicing in total budget expenditures rose from 4.6% in 2020 to 5.7% in 2021.

The improvement in budget funding helped to reduce the state budget deficit. At the end of 2021, the state budget deficit was KZT2.5 trillion, nearly 11% lower than the initial projection of KZT2.8 trillion. This was equal to 3.1% of GDP in 2021, compared with 4% in 2020. The key factor that helped to provide stability for public funding was the transfer from the Kazakhstan National Fund, which accounted for 28% of state budget revenues. The amount of public debt rose to KZT22 trillion in 2021, twice the level of 2016. In relative terms, public debt decreased to 27% of GDP after peaking at 29% in 2020.

Consumer inflation reached 8.4% year-on-year at the end of 2021, the highest level since 2017. Inflation picked up in 2019 after slowing to 5.3% in 2018. External and internal factors contributed to the acceleration of price growth. Among them were an increase of 66% year-on-year in oil prices to an average of US$70.4 per barrel for the year and a rise in global food prices of 28.1% year-on-year (according to the Food Price Index of the UN Food and Agriculture Organization) to a 10-year high.

The global nature of inflationary processes can be seen clearly in the inflation trends around the world. Bloomberg estimates that global inflation nearly tripled from 2.1% in 2020 to 5.7% in 2021. In Russia, inflation reached 8.4%, up from 4.9% in 2020 and the highest level since 2016. Meanwhile, inflation in the US jumped from 1.4% to 7% and the deflation seen in the Eurozone in 2020 swung to inflation of 5% in 2021. This external inflation resulted in higher prices on the domestic market in Kazakhstan through greater consumer goods imports and higher prices on commodity exchanges.

INFLATION BY COUNTRY



Source: Bureau of National Statistics, Bloomberg

Additional pressure on consumer prices came from the continued weakness of the national currency. The average annual exchange rate of the tenge depreciated by 3.2% against the US dollar in 2021 and 7.9% in 2020. The economic stimulus and rapid recovery contributed to growth of nominal wages by 17% year-on-year in 2021. A total of KZT2.1 trillion in pension withdrawals went to the residential real estate market in 2021 (roughly 2.5% of GDP). This caused real estate prices to climb by 22% and the cost of rent (a component of paid services) to rise by 17.6%, which ultimately influenced the overall inflation rate. The acceleration of inflation was not only driven by aggregate supply amid increased production costs, but also by aggregate consumer demand and investment, which received a strong monetary influx amid household income growth and the introduction of a portion of pension savings into consumer circulation.

In early January 2022, mass protests in Kazakhstan escalated into riots. On 5 January, Kazakhstan declared a state of emergency that lasted until 19 January. During the protests, internet access was restricted throughout Kazakhstan, the work of banks was suspended, trading was halted on the stock market and commodity exchanges, and air traffic was suspended, which prevented companies from operating efficiently.

By 15 January, the situation in Kazakhstan had been stabilised and the authorities had regained control. The government has worked to stabilise the political and socio-economic situation in the country.

In February 2022, the tenge depreciated significantly against major foreign currencies because of the external geopolitical situation. To reduce the negative impact of external factors on Kazakhstan's economy, the National Bank of Kazakhstan raised its base rate from 10.25% to 13.5% and set a corridor of +/- 1.0 percentage point. It also intervened on the foreign exchange market to support the tenge.

The Group management is monitoring the economic developments and taking the measures that it deems necessary to maintain the sustainability and development of the business in the near future.

NATIONAL BANK OF KAZAKHSTAN MONETARY POLICY

Kazakhstan's macroeconomic trends were characterised by the acceleration of inflationary processes, not only on the supply side amid the global and domestic economic recovery, but also on the demand side as business activity, consumer lending and budgetary stimulus all expanded. These trends were reflected in the acceleration of consumer inflation to 8.4% year-on-year and the surge in industrial producer price growth to 46.1% year-on-year. Alongside rising inflation, there was also an increase in inflationary expectations among the population. The inflation expectations of people in Kazakhstan jumped to 10.8% in November before subsiding to 10.3% in December, when the actual level of inflation was 8.4%. The high rates of actual and expected inflation led the National Bank of Kazakhstan to progressively tighten monetary conditions, raising its base rate by a total of 75 basis points to 9.75% in 2021.

The Tenge OverNight Index Average (TONIA), which measures the rate of automatic repo transactions, was 10.56% at the end of 2021 (8.98% at the end of 2020), while the average rate in the fourth quarter of 2021 was 9.61% (8.8% in the third quarter of 2021). The volume of automatic repo transactions increased by 3.4 times year-on-year to KZT39.1 trillion in the fourth quarter of 2021, while the average value of daily transactions for the period was KZT620.7 billion (KZT433 billion in the third quarter of 2021). The maximum volume of daily automatic repo transactions was KZT1,357 billion in late December 2021 (KZT643.5 billion in late August 2021).

During the reporting period, the national currency weakened by 2.6% to KZT431.7/US$1 amid rising oil prices.

KAZAKH BANKING SECTOR

Despite the moderate growth trends in the first half of the year, lending surged by 26.5% year-on-year to KZT18,489 billion in 2021 (up 5.5% in 2020). Second-tier banks focused primarily on consumer lending, and their consumer loan portfolios expanded by 40.0% year-on-year to KZT6.1 trillion in 2021 (up 4.3% in 2020). Meanwhile, construction and purchasing of residential real estate, including through the use of pension withdrawals, led to a similar trend in the mortgage portfolio, which increased by 40.3% year-on-year to KZT3.5 trillion (up 32.3% in 2020). The share of consumer lending in the loan portfolio reached 33.2% at the end of 2021 (up 30% at the end of 2020), while the share of mortgage loans was 18.9% (up 17% at the end of 2020).

The volume of deposits rose by 22.7% year-on-year to KZT27 trillion in 20201 (up 16.1% in 2020). This growth was primarily driven by tenge-denominated retail deposits, which climbed by 30.9% year-on-year to KZT8,708 billion (up 23.6% in 2020). Meanwhile, foreign-currency retail deposits increased by 7.2% in dollar terms to US$10,556 million. Corporate deposits rose by 18.5% to KZT12.6 trillion in 2021. Tenge-denominated corporate deposits grew by 19.8% to KZT8,629 billion (up 32.5% in 2020), while foreign-currency corporate deposits climbed by 24.0% in dollar terms to US$12,063 million. The share of retail and corporate deposits was 51.64% and 48.36%, respectively.

In 2021, the gross volume of liquidity that the National Bank of Kazakhstan withdrew decreased by 30.0% year-on-year to KZT3.4 trillion, or 16.8% of the banking system's loan portfolio and 11.3% of the total money supply in the economy. There was a significant reduction in the volume of liquidity sterilised at the year-end (November: down 24.6% month-on-month, or KZT1.3 trillion; December: down 13.1% month-on-month, or KZT0.5 trillion). The issuance of short-term National Bank of Kazakhstan notes fell by 28.2% year-on-year, or 15.0% month-on-month to KZT2.1 trillion in December 2021, which had a significant impact on the volume of liquidity sterilised.

In 2021, the net profit of the banking sector surged by 77.6% year-on-year to KZT1,289.3 billion. Net interest income climbed by 23.6% year-on-year to KZT1,542 billion, while net fee and commission income rose by 27.6% year-on-year to KZT596.7 billion. Given the limited transformation of household and business savings into credit to the economy in 2021, the deposit-to-loan ratio reached 128.78%, while the share of interest income from loans to clients fell from 73.7% in 2020 to 70.8% in 2021.

11 FINANCIAL REVIEW

11 FINANCIAL REVIEW

Net profit attributable to common shareholders amounted to KZT462.4 billion in 2021, up 31.1% compared with KZT352.7 billion in 2020, as a result of the overall business growth across all segments.

Interest income totalled KZT879.9 billion in 2021, 20.0% higher than KZT733.2 billion in 2020, mainly due to greater average balances of loans to customers. The **interest expense** stood at KZT366.8 billion, up 9.9% from KZT333.7 billion in 2020. This stemmed mainly from an increase in the average balance and share of tenge deposits in amounts due to customers, which was partly offset by a lower interest expense on debt securities following the redemption of the Bank's high-yielding Eurobonds. The **net interest margin** equalled 5.2% for 2021 and 5.0% for the fourth quarter, compared with a respective 4.7% and 4.4%. The main driver was an improvement in the structure of placements of interest-bearing liabilities into interest-earning assets, as well as savings on coupon payments following the early redemption of the Bank's high-yielding Eurobonds.

The **cost of risk on loans to customers** decreased to 0.2% in 2021, from 0.4% in 2020 due to repayments of large ticket problem and previously impaired corporate loans.

A certain reclassification has been made to the consolidated statements of profit or loss for 2020 and 2019 to align with the presentation of the results for 2021, as the management believes that loyalty programs should be netted with fee and commission income in accordance with the requirements of IFRS 15 on revenue accounting. The reclassification relates to the loyalty programunder which the Group accrues bonuses to customers on card transactions. Based on IFRS15, this should be recognised as a "decrease in revenue": that is, in this case, a decrease in fee and commission income. As such, starting from the YE 2021, loyalty programbonuses payable to customers are included in fee and commission income. All of the previous periods have been reclassified accordingly.

In 2021, fee and commission income increased by 11.5% compared with 2020 as a result of growing volumes of transactional banking, mainly in plastic card operations and bank transferssettlements, which was partially offset by greater loyalty programbonuses.

The **fee and commission expense** rose by 13.6% year-on-year. This was mainly due to greater payment card expenses amid growing volumes of transactional banking and non-cash transactions, which was partially offset by lower deposit insurance fees payable to the Kazakhstan Deposit Insurance Fund, as rates for the Bank declined given higher capital adequacy ratios.

Other non-interest income[1] amounted to KZT78.4 billion in 2021, down 12.5% from KZT89.5 billion in 2020. In the first quarter of the reporting period, the Bank fully prepaid its outstanding Eurobond issue, which resulted in accelerated amortisation of discount of KZT5 billion being recognised in the interest expense. In addition, the Bank recognised KZT14 billion of amortisation expenses in the third quarter of 2021. Moreover, due to the nature of the transaction, the management believes that the accelerated amortisation of discount on the Bank's Eurobonds relates to non-interest expenses, as it provides more valuable information to readers of the financial statements and creates a more consistent basis for comparing the Bank's performance between financial periods. As such, in the third quarter of 2021, the Bank recognised an additional KZT14 billion of amortisation expenses in non-interest expenses, and reclassified KZT5 billion of amortisation expenses previously recognised in the interest expense as non-interest expenses. In total, this translates into KZT19 billion of amortisation expenses being recognised as non-interest expenses in 2021.

Net insurance income[2] significantly increased year-on-year in 2021, as the volume of unsecured lending program with a borrower's life insurance bundle grew.

Operating expenses (including losses from impairment of non-financial assets) rose by 20.9% year-on-year in 2021, mainly due to the indexation of salaries and other employee benefits starting from 1 March, as well as greater advertisement expenses. Starting from the YE 2021, loyalty programbonuses payable to customers are excluded from operating expenses. All of the previous periods have been reclassified accordingly.

The **cost-to-income** ratio equalled 24.6% in 2021, compared with 25.8% in 2020, as operating income increased in the reporting period.

As at the year-end, **total assets** were up 16.4% year-on-year. This was due to greater amounts due to customers and credit institutions, which was partially offset by a

[1] Other non-interest income consists of net gain on foreign-exchange operations, net gain/(loss) from financial assets and liabilities at fair value through profit or loss, net realised gain from financial assets at fair value through other comprehensive income, share in profit of associates, income from non-banking activities and other income/(expenses)

[2] Insurance underwriting income (gross insurance premiums written, net change in unearned insurance premiums and ceded reinsurance share) less insurance claims incurred, net of reinsurance (insurance payments, insurance reserves expenses and commissions to agents)

decrease in debt securities issued.

Compared with the end of 2020, **loans to customers** were up 29.6% on a gross and 32.1% on a net basis. The increase in the gross loan portfolio was attributable to a rise of 21.9% in corporate, 31.1% in SME and 44.2% in retail loans.

As at the year-end, the **Stage 3 ratio**[3] stood at 8.6%, down from 9.8% at the end of the third quarter, mainly due to repayments of large ticket problem and previously impaired corporate loans.

Compared with the end of 2020, **deposits of legal entities** and **individuals** were up 8.0% and 19.4%, respectively, amid an inflow of client funds. As at the year-end, the share of tenge deposits in total corporate deposits was 52.9%, compared with 55.2% at the end of the third quarter, while the share in total retail deposits was 50.6%, compared with a respective 50.0%.

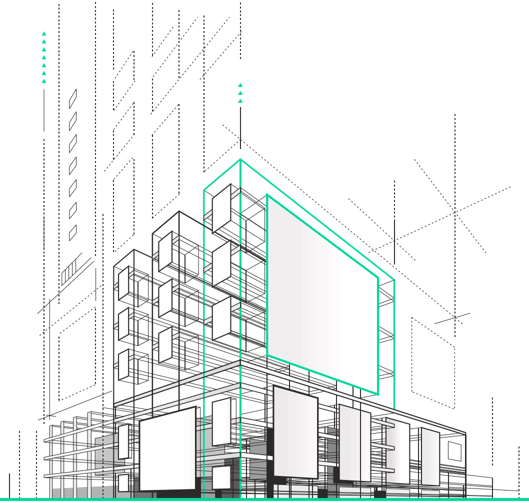
As at 31 December 2021, **amounts due to credit institutions** were up 3.6 times year-on-year, mainly due to an increase in loans and deposits from Kazakh banks (including loans under REPO agreements). As at 31 December 2021, 95.3% of the Bank's obligations to financial institutions were represented by loans and deposits from Kazakh banks (including loans under REPO agreements), as well as loans from the DAMU development fund and Development Bank of Kazakhstan drawn in 2014-21 as part of government programs supporting certain sectors of the economy.

As at the year-end, **debt securities issued** were down 35.8% year-on-year, following the redemption of the Bank's high-yielding Eurobonds.

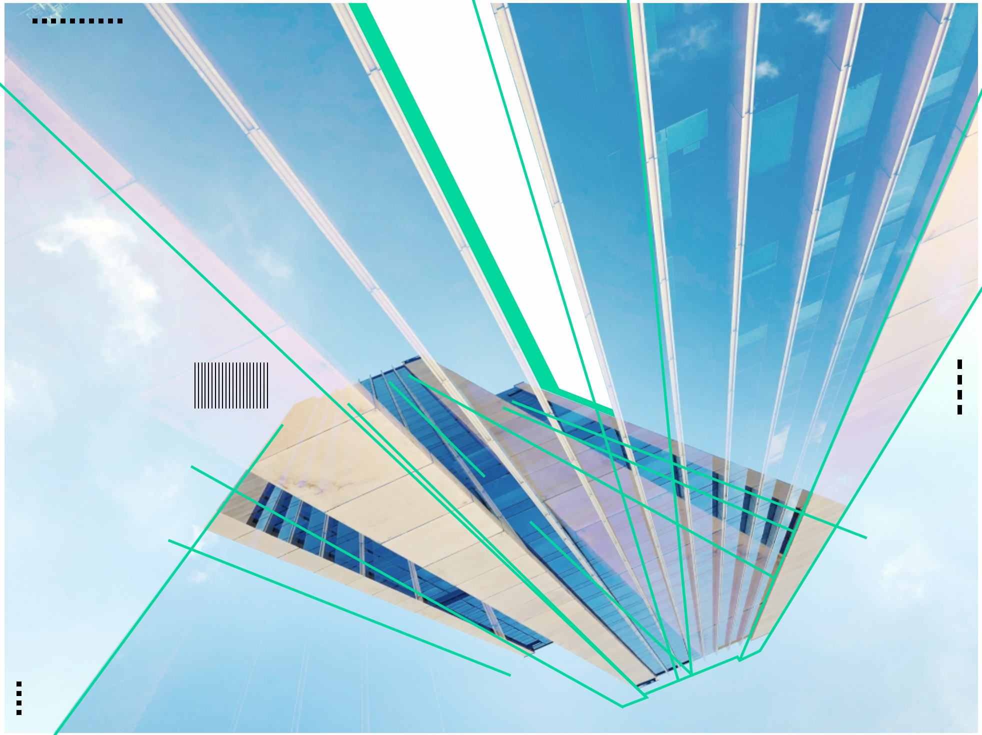
Compared with the end of 2020, total equity was up 5.4% year-on-year, as a result of higher net profit in 2021, which was partially offset by the repurchase of 7.2% of the Bank's outstanding common shares (including GDRs) for KZT154 billion in December 2021. The rationale of the repurchase was to optimise the Group's capital structure.

As a result, by the year-end, the bank's capital adequacy ratios had decreased and were as follows*.

	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 21	31 Dec 20
Capital adequacy ratios, unconsolidated					
Halyk Bank					
k1-1	19.6%	20.6%	20.2%	24.0%	23.7%
k1-2	19.6%	20.6%	20.2%	24.0%	23.7%
k2	20.4%	21.8%	21.5%	25.3%	25.1%
Capital adequacy ratios, consolidated					
CET 1	19.3%	21.5%	21.1%	24.6%	24.4%
Tier 1 capital	19.3%	21.5%	21.1%	24.6%	24.4%
Total capital	19.9%	22.5%	22.1%	25.8%	25.5%



[3] Including POCI (Purchased or originated credit-impaired assets)
* The minimum regulatory capital adequacy requirements are 9.5% for k1, 10.5% for k1-2 and 12% for k2, including a conservation buffer of 3% and systemic buffer of 1% for each.



12

BUSINESS REVIEW

12 BUSINESS REVIEW

Halyk Bank's core business focuses on retail, corporate and SME banking. Through subsidiaries, the Bank also provides insurance, cash collection, asset management, brokerage, telecommunication and leasing services.

RETAIL BANKING

In 2021, the retail banking team continued to work on creating a new stage in the development of Halyk Group so that the Bank's services could not only meet customers' financial needs, but also complement and improve their daily lives.

The Bank has determined the main areas for development based on the rapid pace of digitalisation, changes in consumer behaviour and preferences, and the growing needs of its customers. The priorities are high quality of service and reliability. It is important to offer every customer convenience, speed, simplicity and security.

To improve convenience, the Bank has integrated its processes and continued to develop its technological platforms, both to meet business needs and to comply with international quality standards. This helps to ensure the security of customer information and funds.

RETAIL DEPOSITS

In 2021, the Bank retained its leading position in this segment, with a market share of 32.1% and a deposit portfolio of KZT4.3 trillion.

The Bank has made it easier and more convenient for customers to open deposits without leaving home and manage their deposits from their smartphone. During the reporting period, the share of digital deposits nearly doubled. Today, every third deposit is opened online.

In addition to standard deposit products, the Bank cross-sells investment solutions from the product lines of its subsidiaries to customers. To comprehensively meet the financial and personal needs of customers in the premium segment, the Bank offers them products from its subsidiaries, such as the Halyk-Kazyna life insurance programme and the "Halyk Valyutnyi" mutual investment fund.

RETAIL LENDING

As of 1 January 2022, Halyk Bank's retail loan portfolio amounted to KZT1,807 billion, with a market share of 18%.

During the year, the Bank's retail lending business expanded rapidly. The loan portfolio surged by 42% year-on-year and loan sales jumped by 89%. This confirms that customers continue to appreciate the Bank's high quality, trust it, and find the terms of its loan product line acceptable.

The Bank's customers can receive loans online, purchase goods from partners using instalments or consumer loans, both offline and online, and refinance loans from other second-tier banks in minutes. Digital loans in the Halyk Homebank app are highly popular. For example, in the fourth quarter of 2021, two out of three loans were issued online. Since the beginning of 2020, the share of digital loans has risen from 12% to 82% by the count of all loans. In 2021, 59% of loan portfolio growth came from online lending.

In October 2021, the Halyk Homebank platform launched the Mass Instalment Plan product. It allows retail customers to apply for an instalment plan or credit from retail partners across a variety of categories, including household appliances, jewellery, household goods, clothing and more.

To apply for an instalment plan, customers just need to choose the goods they want from the retail partner and apply online for the amount they need through the Halyk Homebank app. The Bank issues lending decisions in just a few minutes. As of 1 January 2022, more than 3,000 retail partners had joined the instalment programme.

PAYMENT CARDS

As of 1 January 2022, the Bank had issued 5.8 million active payment cards. It remains a leader in this segment, with a share of 20%.

One advantage offered by Halyk Homebank that is popular among customers is its digital product line. The Bank's customers can open digital card accounts online. The free delivery service for payment cards is gaining popularity and customers enjoy using it. In 2021, around 60,000 payment cards were delivered to customers.

The channels used to issue debit cards have been expanded to make it more convenient for customers to receive them. Opening card accounts at the Bank's branches takes just five minutes and the cards are issued using a mobile embosser. In December 2021, 90% of cards were issued instantly.

For the convenience of customers, the Bank has also installed self-embossers, which can both issue and re-issue payment cards. The Bank has installed a total of 120 self-embossers throughout its branch network and will continue to add more in 2022.

PAYROLL PROJECTS

Payroll projects are one of the Bank's main strategic services. Overall, the Bank has around 33,200 payroll projects. Some 2.5 million customers receive salaries through its cards.

In 2021, the Bank fully digitalised its payroll project products. Now, a company's accountants only need to obtain the transit account information from the Bank's website (https://halykbank.kz/business/card/karta-dlya-sotrudnikov) to transfer salaries to employees using a Halyk Bank card, without paying a commission or signing a contract.

SOCIAL PAYMENTS

As one of the leading financial institutions for pension payments in Kazakhstan since 1996, Halyk Bank serves around 2.5 million pensioners and recipients of benefits.

REMOTE SERVICES FOR INDIVIDUALS

In 2021, the Bank made significant improvements to its remote service offerings. It enhanced everyday services, digitalised traditional banking products and added them to the mobile app. It also created lifestyle services that are available through Halyk Homebank. Today, more than 4.2 million customers are active monthly users of Halyk Bank's online services. The number of active users of the mobile app increased by more than 3.5 times since the beginning of 2020. More than 100 million people visit the Halyk Homebank website each month.

Today, Halyk Homebank offers more than 6,700 types of payments and various convenient domestic and international transfer services. Retail and corporate customers can make transfers using a telephone number, bank card or account details. Understanding customer preferences, the Bank has also launched the ability to make payments using various contactless services in Kazakhstan and around the world, including QR codes, GPay, Samsung Pay, Apple Pay and Google Pay. In the fourth quarter of 2021, the volume of payments and transfers exceeded KZT1.4 trillion, more than four times the amount from the first quarter of 2020.

Halyk Bank has also added the following services to its apps:

- Customers can purchase auto insurance, property insurance and other interesting and useful insurance products online.
- The Halyk Club loyalty programme is an exclusive club for all the Bank's cardholders that features 17,000 partners. In 2021, customers received more than 17 billion total bonus points from the Bank and merchants. They spent more than 14 billion of these bonus points through the Halyk terminal network and Halyk Homebank app. In August 2021, the Halyk Club section of the Halyk Homebank app was updated with a new customer-focused interface and the following additional functions:
  - Subscribe to promos from individual branches and receive push notifications when new promos are launched
  - Locate partners by category, shopping centre or on the map
  - Filter and search for partners
  - Highlight promos and priority partners on the homepage and save favourite promos
  - Quickly access bonus point transfers and payments for services using bonus points, and view more informative and understandable bonus statements
- For the convenience of customers, various information services were created, including Halyk Info, Maps and a Chat Bot, which help customers every day.
- Another important area is GovTech. Today, the Bank's customers can apply for benefits and immediately open a special card account, register as an individual entrepreneur, transfer vehicle ownership, open a pension fund account and receive payments. They can also check the results of COVID-19 tests; customers have already used this service more than 15 million times.
- The Halyk Travel service for tourists is also gaining in popularity. The service allows customers to purchase tickets, make hotel reservations or book comprehensive travel packages. All purchases can be made using instalments or credit. Partners also offer increased bonus points.

An important area of growth is the Marketplace. The Bank has launched an online platform and digitalised the customer path for purchasing goods at physical points of sale. Now, customers can make purchases using instalments or credit from partners, both offline and online. In the fourth quarter of 2021, the volume of purchases on the Marketplace exceeded KZT70 billion.

The Bank is also performing well in e-commerce through Halyk Market online platform. The volume of purchases since launch has increased by more than 40 times and exceeded 17.3 billion in the fourth quarter of 2021. The most popular categories among customers are electronics, accessories and jewellery.

PROBLEM LOANS

The Bank has developed an internal policy – the Rules on the main methods and approaches to working with problem loans at Halyk Bank – to regulate the measures that it takes to recover problem debts under retail, corporate and SME lending programmes.

These rules serve as the foundation for the Bank's policy for working with its problem portfolio. The details of financial, economic and legal processes, as well as other activities, are reflected in the relevant internal documents of the Bank, which have been approved by the Management Board. The Rules on the main methods and approaches to working with problem loans at Halyk Bank and the Bank's other internal documents form part of its Credit Policy. They have been developed in accordance with Kazakh legislation, as well as the Bank's Development Strategy and Credit Policy.

As Kazakh legislation changes, employees of the services that work with problem loans are tested periodically on their knowledge of Kazakh legislation.

INVOLVEMENT IN STATE MORTGAGE REFINANCING PROGRAMME

The Bank continues to implement the Programme for refinancing mortgage housing loans and mortgage loans, which was approved by Resolution of the National Bank of Kazakhstan dated 24 April 2015 No. 69. The programme was adopted as part of the action plan to implement the President's instructions and is aimed at creating optimal conditions to service mortgage housing loans and mortgage loans.

In 2020 and 2021, as part of the expansion of the Programme for refinancing mortgage housing loans and mortgage loans and the approval of Section 2-1, the Bank worked to provide socially vulnerable mortgage borrowers with additional assistance by writing off or reducing their debt and setting preferential repayment schedules, as well as returning ownership of the main residences accepted as collateral by the Bank.

Under Section 2-1 of the Programme for refinancing mortgage housing loans and mortgage loans, a total of KZT11,766 million in debt was written off for 1,118 socially vulnerable borrowers.

SME BANKING[1]

As of 1 January 2022, the Bank had around 201,700 active SME clients, including more than 21,100 borrowers to which it had provided over 43,700 loans.

Halyk Bank has been and remains one of Kazakhstan's leading financial institutions in terms of working with SMEs, particularly lending to them.

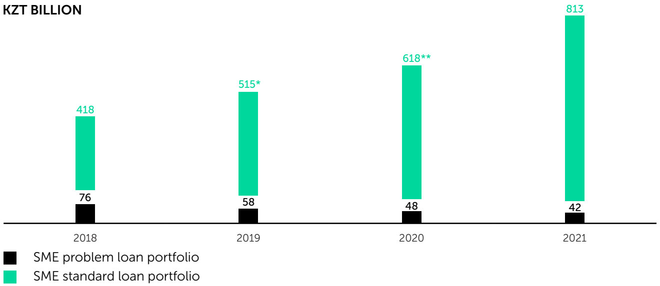
In 2021, the Bank continued to develop digital lending services for individual entrepreneurs. These services enable customers to make loan applications and receive the funds in their current accounts without submitting paper documents at a branch. A lending product was developed and launched that allows customers to receive online loans for investment purposes for up to 60 months. Another loan product was developed and launched for holders of the Bank's POS terminals. The Bank also added the ability to submit loan applications through the Halyk Onlinebank mobile app.

During the year, around 17,500 digital loans were provided. Through the launch of digital lending, the total number of small business customers taking loans surged by 134.5% year-on-year in 2021 and the digital loan portfolio expanded by KZT51 billion.

In March 2021, the Bank fully automated digital lending in support of micro and small businesses as part of the Damu Entrepreneurship Development Fund's "Business Roadmap – 2025" programme. Such support involves subsidising part of the interest rate on a loan, reducing it to 6% per annum for the borrower, and providing a guarantee from the Damu Fund as collateral that covers 85% of the principal. Based on the results for 2021, the Bank is a leader in this area, having financed 38.8% of the borrowers funded by second-tier banks.

These innovations caused the SME loan portfolio to increase significantly. By the end of 2021, it stood at KZT855 billion, which includes KZT813 billion in the standard loan portfolio (excluding problem loans). The growth rates for the portfolio are presented below:

KZT BILLION



* The size of the standard portfolio excludes KZT3.08 billion in projects transferred for servicing in the first half of 2019 to the Corporate Client Department.

** The size of the standard portfolio excludes KZT17.4 billion in projects transferred for servicing in the second half of 2020 and the first half of 2021 to corporate banking, as well as from small business banking to medium-sized business banking and from medium-sized business banking to small business banking.

In 2021, the following trends were seen in SME lending:

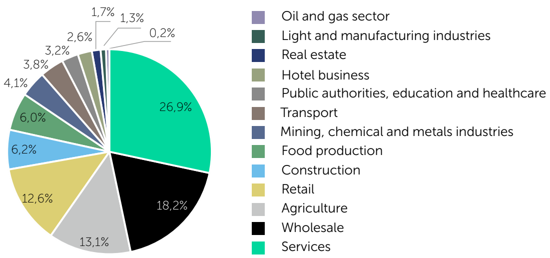
- The volume of the Bank's lending to the SME segment is steadily increasing. In 2021, total loans issued to SME clients increased by 42% year-on-year, from KZT762 billion to KZT1,081 billion (the data on loans issued excludes loans provided to refinance existing

[1] Unless otherwise stated, data is given for the Bank on an unconsolidated basis only.

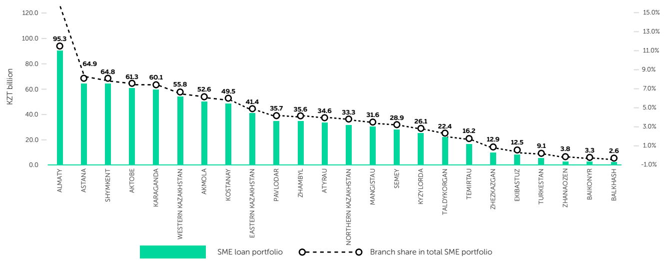
ones for their inclusion in state entrepreneurship support programmes).

- The Bank is working to improve the quality of its SME loan portfolio. This has led to a reduction in the SME problem loan portfolio (by 11%) and an increase in the SME standard (non-problem) loan portfolio (by 32%) compared with early 2021.

As of 1 January 2022, the leading industries in the SME portfolio were services (26.9%), wholesale (18.2%), agriculture (13.1%), retail (12.6%), construction (6.2%) and other industries.



As for regions, the leading ones in the SME portfolio were the Almaty (11.2%), Astana (7.6%), Shymkent (7.6%), Aktobe (7.2%) and Karaganda (7.0%) regions.



In 2021, the standard loan portfolio for medium-sized businesses rose by 25.3%, from KZT474.8 billion to KZT594.9 billion. The number of borrowers increased by 9.3%. The share of problem loans in the overall loan portfolio for medium-sized businesses decreased by 20%. Total loans issued to medium-sized businesses surged by 34%, from KZT660.2 billion to KZT883.4 billion.

For small businesses, the standard loan portfolio jumped by 52.2%, from KZT143.0 billion to KZT217.6 billion. The number of borrowers grew by 134.5%. The share of problem loans in the overall portfolio declined by 42%. Total loans issued to small businesses soared by 95%, from KZT101.3 billion to KZT197.3 billion.

SUPPORT DURING LOCKDOWN AND INVOLVEMENT IN STATE PROGRAMMES

Throughout 2021, the Bank remained actively involved in state programmes to support businesses.

Under the Programme of concessional lending for SMEs, the Bank allocated a total of KZT229.3 billion in 2021, the final year of the programme. Overall, the Bank has provided KZT277.5 billion to support 428 projects under the programme.

In 2021, the Bank was the leader in providing support under the "Business Roadmap – 2025" programme, both to micro and small businesses, and to entrepreneurs in the most affected sectors of the economy. According to the Damu Fund, during the year, 5,324 projects received a total of KZT23.6 billion in subsidies and guarantees under the programme to support micro and small businesses. In addition, interest rates were reduced for around 6,000 projects of entrepreneurs in the most affected sectors of the economy, equalling another KZT221.47 billion of support.

Each year, the Bank participates in the Agrarian Credit Corporation's Ken Dala state programme, which supports the agricultural sector during the planting and harvesting seasons. In 2021, the Bank provided KZT31.8 billion in financing for 116 projects under this programme.

Throughout 2021, the Bank continued to play an active role in state programmes together with the Damu Fund to support business in Kazakhstan. Specifically, the Bank provides funding under the Regional SME Financing Programme; the Enbek State Programme for the Development of Productive Employment and Mass Entrepreneurship for 2017-21; the Programme for the Support of SMEs in the Manufacturing Sector; the Nurly Zher State Programme for Housing Construction; the "Business Road Map – 2025" State Programme for the Support and Development of Business; and the "Economy of Simple Things" Programme. In most of these, the Bank is a leader in terms of funds allocated as well as the number and volume of subsidy and guarantee agreements.

CORPORATE BANKING

Corporate banking remains a key focus of Halyk Bank's business. For the third year in a row, Asiamoney recognised Halyk Bank as the "Best Corporate and Investment Bank of Kazakhstan", underscoring its steady leadership in the large corporate client segment.

The easing of pandemic lockdowns in 2021 contributed to the recovery of corporate customers' business activity and drove interest in the Bank's lending products. During the year, the Bank expanded its loan portfolio and strengthened its positions on the corporate banking market, which highlighted the stability of its business model. In 2021, the total number of corporate clients climbed from 1,700 to 2,000. This was both through the attraction of new clients and because of the re-segmentation of the corporate and SME banking businesses, as the size of some SME customers' businesses crossed the threshold between the two segments. The Bank's market share in corporate lending increased from 42.2% to 45.3%.

Through its relatively conservative approach to risk assessment, the Bank also retains one of the most stable portfolios on the market. In 2021, the corporate portfolio increased by 20% year-on-year or by KZT572 billion. The Bank enjoys significant advantages, including the highest limit on a group of borrowers, as well as strong liquidity in tenge and foreign currencies, which contribute to growth in project financing. The Bank continues to engage in productive cooperation with major corporate customers and is working to expand its client base in Kazakhstan and the countries where the Group has a presence.

The Bank supports exports and seeks to generate synergies with its subsidiaries by promoting Kazakh companies in neighbouring markets. In 2021, the Bank provided KZT48 billion in financing for joint projects in Uzbekistan. The Bank works with major companies in Uzbekistan, some of which are considering expanding the scope of their trade and business by entering the Kazakh market. In turn, this also helps the Bank's Kazakh customers to expand their own business to neighbouring markets. Mutual trade between Kazakhstan and Uzbekistan is complementary. The Bank sees its role as facilitating cross-border business, a strategy centred around Tenge Bank.

The corporate business is also involved in ESG initiatives. In November 2021, the Bank became the first second-tier bank in Kazakhstan to sign a green lending agreement that underwent an independent external evaluation. In addition, funding for social infrastructure projects continued, including in the areas of education, renewable energy and so on.

The Bank offers quality customer service, as well as a wide range of products, services and tools to meet customer needs. Despite the steady growth in the number of corporate customers served, the average number of products that each customer uses remains high at 4.2 and is even higher for corporate borrowers at 5.6.

The Bank also continues to expand its cooperation with most major companies in Kazakhstan. Corporate customers include quasi-government companies, market-leading private businesses, major companies with foreign shareholders, and the most promising SMEs in various sectors of Kazakhstan's economy. The Bank's team strives to enhance its services and processes for active corporate clients, which number more than 2,000, by developing new products and improving banking service quality.

The main products provided to corporate customers include lending, trade finance and documentary operations, corporate cash settlement services, payroll projects and merchant acquiring services. The Bank also offers the full suite of Halyk Group services, including all types of insurance, brokerage, cash collection and other services.

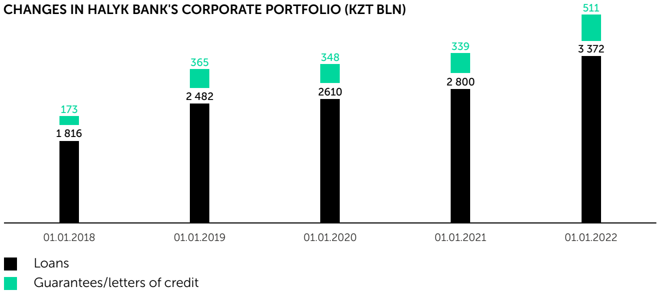
As corporate customers embed innovative solutions into their business processes, it increases their need for high-quality, rapid banking services. The Bank is working hard to develop digital technologies that can meet these needs. This makes it possible to improve existing services and develop new solutions for customers that suit their individual needs, organisational structure and business. For example, the Bank has introduced an online loan issuance process that allows the agreement to be signed electronically using a digital signature and does not require paper documents to be signed. This has been well received by corporate customers, who arranged more than 90% of loans online in 2021.

Corporate lending, which accounts for the majority of the Bank's loan portfolio, continues to occupy a leading position in the business. The Bank offers customers various types of corporate lending products, including secured and unsecured loans, overdrafts, and loans to finance investments and operations, among other things. Target corporate clients include major companies that are leaders in their industries.

Halyk Bank remains actively involved in a state programme to support large enterprises, which is being implemented through the Development Bank of Kazakhstan. Overall, the Bank has allocated KZT30.9 billion for this programme. In 2021, using resources provided by the National Fund, it financed major manufacturers in the pharmaceutical, chemical, textile and food industries, as well as producers of oil and gas equipment, construction materials, lubricants and cardboard.

For the corporate banking business, 2021 was a successful year. The Bank implemented several major projects to finance such sectors of the economy as chemicals, energy, automotive, food production and oil, among others. The Bank's strong liquidity and capital reserves, as well as its ability to offer customers a wide range of services through an extensive regional network, contributed to an increase in market share in the corporate sector.

CHANGES IN HALYK BANK'S CORPORATE PORTFOLIO (KZT BLN)



In 2022, the Bank plans to continue its policy of developing relationships with existing clients while further expanding the customer base, as well as increasing their use of Halyk Group products and services, offering a range of financial solutions and actively using the capabilities of Halyk Group. The Bank will focus primarily on expanding the loan portfolio and transaction income. As of 01.01.2022, projected growth of the loan portfolio is 13% and that of non-interest income is 10%.

Loan portfolio growth drivers:

- Increases in customers' capital investments
- Infrastructure projects
- ESG investments
- Digital lending
- Financing projects jointly with subsidiary banks

Non-interest income growth drivers:

- Synergy among the Bank's corporate customers
- Improving daily banking services

SUBSIDIARIES

ASSETS OF SUBSIDIARIES AS OF 31 DECEMBER 2021

Name	Assets, KZT billion	Market share by assets, %
Halyk Bank Georgia	141.2	1.46
Halyk Finance*	58.8	16.1
Halyk Global Markets*	28.0	7.7
Halyk Insurance Company**	142.0	13.5
Moskommertsbank	122.0	0.018
Halyk Life***	234.6	30
Halyk Bank Kyrgyzstan	83.3	4.6
Halyk Leasing	12.6	n/a
Halyk Bank Tajikistan	14.4	2.2
Halyk Collection	5.1	n/a
Kazteleport	7.06	n/a
Halyk Finservice	2.25	n/a
Halyk Project	36.9	n/a
KUSA Halyk	67.1	n/a
Halyk Aktiv	51.3	n/a
Halyk Aktiv 1	25.6	n/a
Tenge Bank	135.8	0.75

* Market share by assets is based on organisations that manage investment portfolios.
** Market share by assets is based on general insurance companies.
*** Market share by assets is based on life insurance companies.

ASSETS AND EQUITY OF SUBSIDIARIES

Name	Assets, KZT billion			31 December 2019		
	2021	2020	Change, %	2021		Change, %
Halyk Bank Georgia	141.2	86.1	63.9%	19.9	16.2	22.8%
Halyk Finance	58.8	45.2	30.2%	27.1	25.6	5.7%
Halyk Global Markets	28.0	20.9	33.8%	20.9	19.0	9.8%
Halyk Insurance Company	142.0	115.4	23.0%	66.3	60.0	23.0%
Moskommertsbank	122.0	125.1	-2.4%	21.4	19.9	7.5%
Halyk Life	234.6	197.3	18.9%	42.0	38.8	8.3%
Halyk Bank Kyrgyzstan	83.3	71.5	16.5%	14.3	12.9	8.3%
Halyk Leasing	12.6	8.9	40.2%	7.2	6.9	3.9%
Halyk Bank Tajikistan	14.4	27.2	-47.5%	3.9	4.3	-9.3%
Halyk Collection	5.1	5.1	0%	3.6	4.2	-14.3%
Kazteleport	7.06	6.3	12.06%	5.1	5.1	0.0%
Halyk Finservice	2.25	0.79	184.81%	1.55	0.68	127.94%
Halyk Project	36.9	54.9	-32.79%	10.3	13.0	-20.77%
KUSA Halyk	67.1	72.4	-7.32%	19.8	18.3	8.20%
Halyk Aktiv	51.3	57.7	-11.09%	23.6	25.8	-8.53%
Halyk Aktiv 1	25.6	24.1	6.22%	13.4	9.7	38.14%
Tenge Bank	135.8	64.6	110.22%	49.3	14.2	254.68%

DIVIDENDS PAID BY THE BANK'S SUBSIDIARIES IN 2021

Name	Amount, KZT million
Halyk Collection	1,980.7
Halyk Insurance Company	4,207.9
Halyk Life	6,348.5
Halyk Finance	3,338.4
Halyk Global Markets	1,127.0
Kazteleport	870.0
Halyk Bank Tajikistan	150.1
TOTAL	**18,022.6**

BANKING

SUBSIDIARY BANKS

Halyk Group provides banking services in Russia, Kyrgyzstan, Georgia, Tajikistan and Uzbekistan through its subsidiaries in those countries.

Halyk Bank Georgia

Halyk Bank Georgia is a commercial bank incorporated in Georgia that focuses on corporate, SME and retail banking. As of 31 December 2021, it had total assets of GEL1,003 million (KZT141,160 million), a gross loan portfolio of GEL746.6 million (KZT105,071 million) and total equity of GEL141.2 million (KZT19,870 million). In 2021, it generated net income of GEL15,409 million (KZT2,056 million).

Halyk Bank Kyrgyzstan

Halyk Bank Kyrgyzstan is a commercial bank incorporated in Kyrgyzstan that offers universal banking services. As of 31 December 2021, it had total assets of SOM16,363 million (KZT83,286 million), which was 16.5% or SOM2,318 million (KZT11,800 million) higher than a year earlier. Its gross loan portfolio was SOM11,507 million (KZT58,568 million), up 23% year-on-year. Its total equity was SOM2,804 million (KZT14,274 million), an increase of SOM215 million. In 2021, it reported net income of SOM215 million (KZT1,080 million).

Halyk Bank Kyrgyzstan now has four branches in Bishkek and six in major regional centres.

Moskommertsbank

Moskommertsbank is a universal bank registered in 2001 that offers a wide range of banking products and services for corporate and retail customers, as well as financial institutions. It focuses on SME lending, corporate banking, bank guarantees, acquiring in retail service outlets and retail banking.

As of 31 December 2021, based on audited financial statements, it had assets of RUB21,192 million (KZT122,065 million), a gross loan portfolio of RUB15,824 million (KZT91,144 million) and total equity of RUB3,707 million (KZT21,351 million). In 2021, it reported net income of RUB131 million (KZT760 million).

Halyk Bank Tajikistan

Halyk Bank Tajikistan is a universal bank in Tajikistan. As of 31 December 2021, it had assets of TJS376.8 million (KZT14,400 million), total equity of TJS104.5 million (KZT3,994.6 million) and a gross loan portfolio of TJS9.6 million (KZT366 million). In 2021, it reported a net loss of TJS6.6 million (KZT250 million). Halyk Bank Tajikistan has a significant presence in the local market in terms of cashless payments using plastic cards.

Tenge Bank

Tenge Bank is a universal bank in Uzbekistan. As of 31 December 2021, it had assets of UZS3,403 billion (KZT135,778 million), total equity of UZS1,236 billion (KZT49,335 million) and a gross loan portfolio of UZS1,738.2 billion (KZT69,353 million). In 2021, it generated net income of UZS82.9 billion (KZT3,333 million). Tenge Bank began its operations in July 2019.

In July 2021, Moody's changed Tenge Bank's rating to 'B3', the outlook 'stable'. As part of the approved development strategy, the subsidiary's charter capital was increased in March 2021.

In 2021, Tenge Bank was among the top three auto lenders on Uzbekistan's primary market. It also launched its own processing service, issued its first card from the Mastercard international payment service and completed the first phase of automating its business processes. In addition, its retail portfolio expanded five-fold and its corporate customer base tripled. As part of the ongoing expansion of the service network, it opened 13 new sales channels and two universal cash settlement units.

INSURANCE

Halyk Insurance Company

Halyk Insurance Company is a general insurance company that provides a comprehensive range of insurance services to all types of legal entities and individuals in numerous sectors.

As of 31 December 2021, Halyk Insurance Company is one of the largest general insurance companies in Kazakhstan, ranking second in the country in terms of assets and fourth in terms of total equity.

At the year-end, its assets totalled KZT142.0 billion, giving a market share of 13.5%. Its net income for the year was KZT10.4 billion and net premiums amounted to KZT103.2 billion, or 23.7% of the overall insurance market (unaudited market data without contracts of termination).

In January 2022, after the reporting period, A.M. BEST confirmed Halyk Insurance Company's financial reliability and business reputation rating at 'B++' (Good).

In 2021, online sales of compulsory civil liability insurance policies for vehicle owners through the 797.polisonline.kz landing page and Homebank totalled KZT2.1 billion.

In 2021, Halyk Insurance Company expanded its cooperation with several partners through the integration of IT systems for online auto insurance sales.

Halyk Life

Halyk Life is a life insurance company that offers various types of personal insurance products, including annuity, accident and medical insurance. It also has a wide range of life insurance products, including unique offerings with their own specialised after-sales customer service teams and specialised IT programmes.

In 2021, Halyk Life was the leader among life insurance companies in terms of insurance premium volumes, which amounted to KZT124.8 billion, bringing its market share to 32.9%. In October 2021, Halyk Life became the first company in the history of Kazakhstan's life insurance market to exceed an insurance premium volume of KZT100 billion. Its total assets and equity were KZT234.6 billion and KZT42.0 billion, respectively, or 30.1% of the overall assets and 29.5% of the overall equity in Kazakhstan's life insurance market (second and first place, respectively). In 2021, the company reported net income of KZT8.8 billion.

In February 2021, A.M. BEST confirmed Halyk Life's financial stability rating at 'B+' and issuer credit rating at 'bbb-', the highest ratings among life insurance companies in Kazakhstan. The outlook remained 'positive'.

In January 2021, Halyk Life launched sales through its VIP centres under the Halyk-Kazyna programme (US-dollar indexed life insurance), which generated premiums of KZT14.2 billion during the reporting period. It also launched Life-Persona, a life insurance programme that customers can purchase online at the Halyk Life website. In October 2021, Halyk Life and Halyk Bank launched online insurance for small business borrowers, which generated premiums of KZT400 million through the year-end since the launch of the programme. In November 2021, Halyk Life launched an online process for concluding non-underwritten contracts for compulsory employee accident insurance.

During the year, Halyk Life launched commercial operation of its mobile app for the Android platform. It also introduced personal customer accounts for legal entities that conclude contracts for compulsory employee accident insurance. In addition, Halyk Life added a Telegram chat option to its contact centre to receive messages from customers. It also launched two chat bots for customers of the Halyk-Kazyna and Pension Annuity programmes, which received 132 requests for consultation.

Halyk Life also integrated a service to check the life status of annuity and insurance holders through the State Credit Bureau.

During the reporting period, Halyk Life worked to improve the financial literacy of the population through joint publications with several life insurance companies. They covered such topics as pension annuities, endowment life insurance and general insurance services. As part of this collaboration, the company's employees appeared in live social media streams and two live broadcasts on Fingramota, a financial literacy platform. In addition, a webinar was held for journalists from Kazakh-language media outlets.

INVESTMENT BANKING

Halyk Finance

Halyk Finance is one of Kazakhstan's leading investment houses. It provides a full range of brokerage, asset management, investment research, consulting and underwriting services.

As of 31 December 2021, Halyk Finance had total assets of KZT58.8 billion and total equity of KZT27.1 billion. In 2021, it generated net income of KZT4.78 billion.

At the year-end, Halyk Finance's gross proprietary investment portfolio was KZT56.2 billion. The total portfolio of securities for brokerage services customers had a market value of KZT242.5 billion. Assets under management amounted to KZT362.7 billion.

In 2021, the company was once again recognised as the "Best Investment Bank in Kazakhstan" by prominent information agencies and authoritative publications, including Global Finance, Cbonds and EMEA Finance.

Halyk Global Markets

Halyk Global Markets is a leading investment bank in Kazakhstan. It offers a wide range of capital markets services, including brokerage, investment portfolio management, financial consulting on the issuance and placement of securities, investment research, and management of pension assets.

As of 31 December 2021, Halyk Global Markets had total assets of KZT28.0 billion and total equity of KZT20.9 billion. In 2021, it reported net income of KZT2.98 billion.

As of the year-end, its gross proprietary investment portfolio stood at KZT27.5 billion. Its total portfolio of securities for brokerage services customers had a market value of KZT69.9 billion.

As of 31 December 2021, assets under management amounted to KZT2.4 billion.

INFOCOMMUNICATION BUSINESS

Kazteleport

Kazteleport is a major infocommunication and cloud services provider in Kazakhstan. It positions itself as a provider of quality infocommunication services with a high level of security. It offers comprehensive IT infrastructure solutions to medium-sized and large organisations, from renting server racks and computing resources to protection from cyber-attacks.

In 2021, Kazteleport launched new cloud services, an additional cyber-threat monitoring system and new cyber-threat protection services. In addition, it received Kazakhstan's ST RK ISO/IEC 27001-2015 certification for its information security management system. To improve service quality, it introduced an umbrella monitoring system. In Almaty, it started construction of a 120-rack data processing centre that is designed to meet the Tier III Certification of Constructed Facility reliability standard. In Nur-Sultan, it also upgraded internet nodes. To develop its product portfolio, Kazteleport introduced new product management approaches and created a project office.

As of 31 December 2021, Kazteleport had total assets of KZT7,062.09 million and total equity of KZT5,071.2 million. In 2021, it generated net income of KZT861.2 million.

Halyk Finservice

Halyk Finservice provides technical processing support services for processing and storing data, namely collection, processing and storage of cardholder transactional data for the Bank and other banks that act as card transaction agents.

As of 31 December 2021, Halyk Finservice had total assets of KZT2,249.7 million and total equity of KZT1,555.7 million. In 2021, it reported net income of KZT874.65 million.

On 25 March 2021, the National Bank of Kazakhstan registered Halyk Finservice as a payment organisation.

MARKETPLACE

The Marketplace is a strategic product in Halyk Group's ecosystem where customers can purchase goods from partners using Halyk Bank's convenient financial products. Considering the rapid pace of digitalisation, changes in consumer behaviour and preferences, and the growing needs of its customers, the Bank has integrated its processes to offer every customer convenience, speed, simplicity and security. Each solution integrates big data analysis and aims to develop technological platforms.

The Marketplace has become popular among the bank's customers, who can make purchases using instalments or credit, both offline and online. In 2021, more than KZT130 billion in purchases were made on the Marketplace. One important Marketplace platform is Halyk Market, through which the Bank has digitalised the customer path for purchasing goods at physical points of sale. Now, customers can make purchases using instalments or credit at retail partners online using the Halyk Homebank app.

Halyk Group intends to continue to develop the Halyk Market platform and create even more opportunities for customers and the Bank's sales partners.

CASH COLLECTION

Halyk Collection

Halyk Collection is the leader in the market of collection services for banknotes, coins and valuables. The largest collection company in the country, it is positioned in Halyk Group as a subsidiary that offers services independently while also providing cash to the Bank's sales channels.

As of 31 December 2021, Halyk Collection had total assets of KZT5,068.6 million, total equity of KZT3,644 million and charter capital of KZT406.5 million. Its net income for 2021 was KZT1,481.5 million.

Halyk Collection's branch network includes 19 branches and 36 outlets that offer collection services in regions, cities, towns and smaller settlements throughout Kazakhstan. The company uses equipment that complies with modern requirements. All of its vehicles are fully armoured and their movement is tracked via a GPS monitoring system. Halyk Collection's operations are covered by risk reinsurance on the Lloyd's insurance market with best-in-class insurance organisations that have financial stability ratings of at least 'AA-'.

During the pandemic lockdowns, which shut down air and rail transport nationwide, Halyk Collection recognised the great social importance of providing the Bank's sales channels and ATMs with cash. For this reason, it delivered the Bank's valuables to all regional centres in the country by road, covering routes totalling 8,000 kilometres. Halyk Collection ensured business continuity and full order execution for the Bank and its customers.

DISTRESSED ASSET MANAGEMENT ORGANISATIONS AND OTHER COMPANIES

The main purpose of these companies is to improve the Bank's loan portfolio by acquiring doubtful and bad assets using borrowed funds, applying quality asset management principles to rehabilitate them with minimal credit losses for Halyk Group, and then selling the assets to fully repay the companies' obligations to the Bank.

As of 31 December 2021, the total assets of Halyk Group's distressed asset management organisations amounted to KZT180.9 billion.

Halyk Project

In 2012, Halyk Bank established Halyk Project to manage distressed assets as part of the Concept on Improving the Quality of Second-Tier Bank Assets, approved by a resolution of Kazakhstan's Council for Financial Stability and Development of the Financial Market. Halyk Bank was the first second-tier bank in Kazakhstan to receive regulatory permission to establish a subsidiary to manage doubtful and bad assets.

As of the year-end, its asset portfolio totalled KZT36.9 billion. Income received from the sale of assets and provision of services in 2021 was KZT21.2 billion. Operating income from primary activities was KZT1.3 billion.

KUSA Halyk

KUSA Halyk was created in 2013 as part of the Concept on Improving the Quality of Second-Tier Bank Assets, approved by a resolution of Kazakhstan's Council for Financial Stability and Development of the Financial Market.

In 2021, the Bank transferred 34 assets valued at KZT9.8 billion. At the year-end, the portfolio of current assets stood at KZT67.1 billion.

In the reporting period, income from the sale of assets and provision of services was KZT31.2 billion. Operating income from the core business totalled KZT7.96 billion.

Halyk Aktiv, Halyk Aktiv 1

Halyk Aktiv and Halyk Aktiv 1 were created in 2013-14 as part of the Concept on Improving the Quality of Second-Tier Bank Assets, approved by a resolution of Kazakhstan's Council for Financial Stability and Development of the Financial Market.

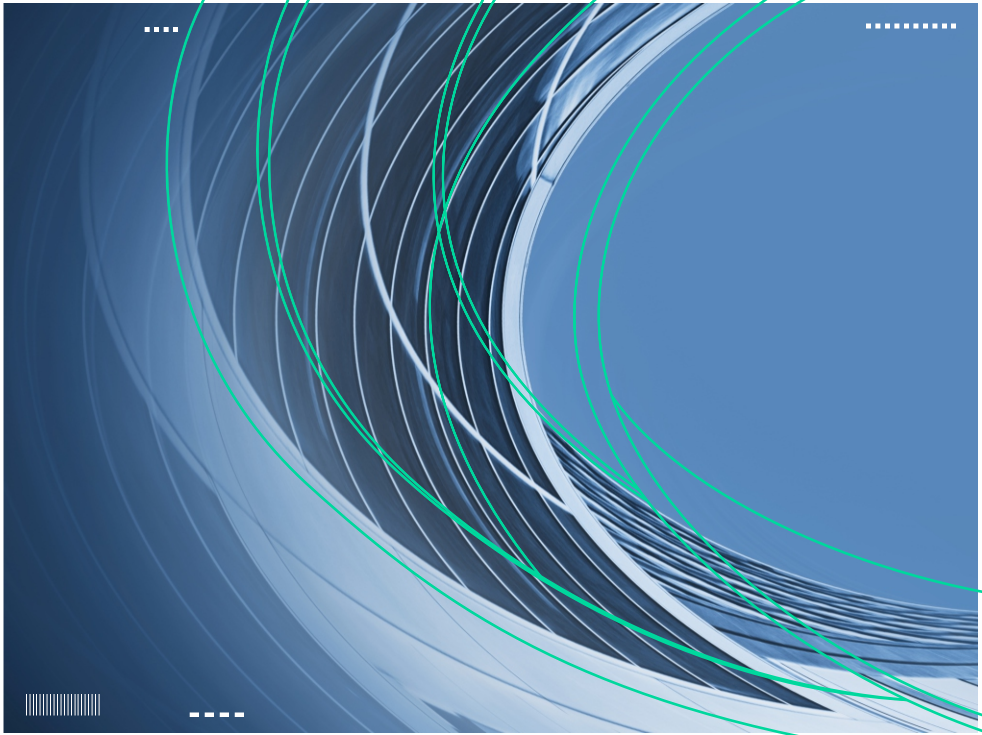
In 2021, the Bank transferred 21 assets valued at KZT19.2 billion. At the year-end, the portfolio of current assets stood at KZT76.9 billion.

In the reporting period, income from the sale of assets and provision of services was KZT29.9 billion. Operating income from the core business of Halyk Aktiv and Halyk Aktiv 1 totalled KZT9.1 billion.

Halyk Leasing

Halyk Leasing was one of the first leasing companies in Kazakhstan. Its primary focus is acquiring and transferring special equipment under financial lease, including heavy, construction, roadmaking, industrial, oilfield, mining, extracting and agricultural equipment, as well as commercial vehicles for cargo and passenger transport and so on. Halyk Leasing introduced a moratorium on signing new leasing agreements in 2014 and resumed its leasing operations in 2020. As of 31 December 2021, it had total assets of KZT12,567 million and total equity of KZT7,209.8 million. In 2021, it reported net income of KZT397.6 million.

In 2021, the actual volume of leasing agreements issued totalled KZT4,551 million. As of the year-end, the gross loan portfolio totalled KZT5,987.7 million (the net loan portfolio was KZT5,930.8 million), while interest income amounted to KZT654.8 million. Halyk Leasing is funded by Halyk Bank, the Damu Entrepreneurship Development Fund and the Agrarian Credit Corporation.



13 RISK MANAGEMENT

13 RISK MANAGEMENT

Halyk Group's risk management policy focuses on creating an integrated risk management system in line with the scope and scale of the Group's activity and accepted risk profile, as well as supporting its business development requirements. The Group seeks to continuously develop its risk management system and improve the way in which it identifies, manages, assesses and controls risks.

RISK APPETITE MANAGEMENT

Halyk Bank has developed and approved a risk appetite strategy that defines clear boundaries for the acceptable volume of significant risks associated with the activities that the Bank undertakes while implementing Halyk Group's Development Strategy. It also defines the risk profile of the Bank's operations to prevent risks or minimise their negative impact on the Bank's financial position. The approaches to risk appetite management are regulated by the risk appetite strategy, which has been approved by the Board of Directors.

Risk appetite covers the aggregate level and types of risks that the Bank is willing to accept to achieve its strategic objectives and business plan. The risk appetite strategy comprises general approaches to risk appetite management. This includes the policies, processes, controls and systems through which risk appetite is defined, monitored and distributed at all levels of the Bank's organisational structure.

As part of the risk appetite strategy, the Board of Directors has approved a set of quantitative risk appetite metrics for each significant risk level. These take into account the Bank's established business model, as well as the scale, types and complexity of its operations. Compliance with the risk appetite levels is monitored periodically as part of management reporting on risks.

CREDIT RISK MANAGEMENT

To ensure effective credit risk management, the Bank has implemented a risk management system and business processes to segregate the sales and risk management functions. It has also created an organisational structure that facilitates credit risk management, including collegiate bodies and subdivisions that take part in the credit risk assessment and management process.

The Bank manages credit risk by:

- Adhering to the 'three lines of defence' principle: namely, initial analysis of credit risk by the initiating subdivision, analysis by the risk management function, and control by the internal audit function
- Setting counterparty limits depending on the type of (credit) transactions or products
- Diversifying the loan portfolio to mitigate a concentration of risk related to any one borrower, sector or geographical region
- Monitoring the loan portfolio to identify any deterioration in quality at an early stage
- Maintaining adequate provisioning to cover potential losses

The Bank's system of making lending decisions is based on the delegation of certain powers by the Board of Directors to appropriate collegiate bodies and the establishment of credit limits for each body. For corporate borrowers, loan applications are reviewed by the Commercial Directorate. Loan applications that exceed the limits set for the Commercial Directorate, as well as transactions with related parties, require further approval by the Board of Directors. For SME borrowers, lending powers are delegated to the SME Centre for Decision-Making and Credit Committee of the branch network. Retail banking decisions are delegated to the Centre for Decision-Making and the Retail Credit Committee (RCC) of the Head Office.

In addition to the Centre for Decision-Making and the RCC of the Head Office, an automated lending decision approach is in place for retail borrowers. The automated decisions follow a risk-based approach that includes risk-based pricing and the use of additional parameters when assessing the solvency of customers. Following the application review, loan offers are formed according to the requested terms, as well as by offering alternative solutions for all retail segments (including customers who do and do not participate in salary projects, pensioners, etc). This approach takes into account the borrower's risk profile and helps to minimise risks when taking decisions.

In 2021, the Bank introduced the possibility to apply an automated approach to taking decisions on retail mortgage lending programmes. In addition, risk scoring and anti-fraud models have been introduced and improved.

Standard unsecured and secured loan applications of individual entrepreneurs and small businesses for working capital replenishment and investments are also processed using an automated decision-making approach that applies risk models to evaluate the applicant's creditworthiness and solvency, as well as to set the interest rate and lending limit based on internal and external data.

In the third quarter of 2021, the bank launched an initiative to digitalise lending to legal entities in the medium and corporate business segment. The project is being implemented jointly with the international consulting company Oliver Wyman. Its primary goal is to enable online lending decisions without the need to visit a bank branch. The digital platform includes loan products for Kazakh companies to replenish working capital and make investments. The first phase of the project was launched in March 2022, after the reporting period.

Credit committees of subsidiary banks are also authorised to make lending decisions within specific limits. The Bank regularly monitors and, if necessary or if covenant thresholds are exceeded, revises independent decision-making limits and the authority matrices of the credit committees in subsidiary banks.

New SME business loan self-financing limits have been established for the SME Centre for Decision-Making, Credit Committee of the branch network, as well as retail limits for the DMC, RCC of the Head Office. In addition, the SME and retail lending processes have been optimised.

To assess the Bank's exposure to the risk of negative macroeconomic changes on foreign and domestic markets, as well as to determine the impact of the materialisation of stress scenarios (provision levels, credit rating migration and the share of non-performing loans), the Bank periodically conducts stress-testing of the loan portfolio. In 2021, the Bank conducted regular stress-testing using relatively conservative forecasts amid threats of a decline in global economies, rising inflation, lower oil prices and GDP levels, as well as geopolitical risks. The tests confirmed the resilience of the Bank's capital to a decrease in asset quality.

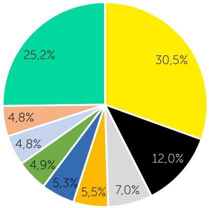
The existing Risk Analyst rating model that the Bank uses to assess the likelihood of a default and the associated rating on corporate and SME clients is widely used to determine loan collateral criteria, as well as to conduct stress-testing on significant individual loans, and to optimise analysis and decision-making for the Bank's highly creditworthy clients. To keep the rating model up to date, as well as to improve the performance of the Bank's model, it is regularly validated. After validating the model with the assistance of Moody's international rating agency, it was introduced in the Bank's lending process in late 2020 using the Risk Rate platform, which is based on proprietary platforms.

Throughout 2021, work with problem loans continued, securing repayment through the sale of collateral, claims and lawsuits, transferring assets to doubtful asset management organisations and writing off bad debt. These measures have helped to reduce the share of overdue debt.

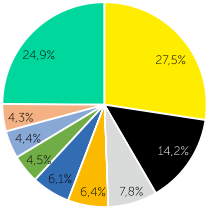
As of 31 December 2021, retail loans represented a significant share of Halyk Group's loan portfolio (30.5%); consumer and mortgage loans accounted for 26.0% and 4.5%, respectively. Broken down by industry, the largest segments were services (12.0%), wholesale trade (7.0%), retail trade (5.5%), oil and gas (5.3%) and real estate (4.9%).

BREAKDOWN OF HALYK GROUP'S LOAN PORTFOLIO BY SECTOR, %

31 DECEMBER 2021



31 DECEMBER 2020



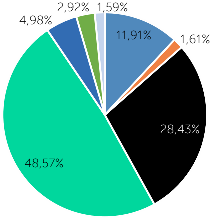
ASSET/LIABILITY MANAGEMENT

To create an optimal structure of assets that ensures a balanced approach to managing the risk-return ratio, the Group invests in a spread of domestic and overseas assets, diversified in terms of banking products, industry, currency and maturity.

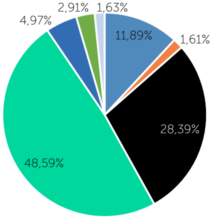
The breakdown of the Group's assets in 2020 and 2021 was as follows.

BREAKDOWN OF HALYK GROUP'S ASSETS, %[1]

31 DECEMBER 2021



31 DECEMBER 2020



[1] Cash and cash equivalents include precious metals and other items. The securities portfolio includes financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and debt securities at amortised cost, net of allowance for expected credit losses, less derivative financial instruments. Property, plant and equipment and intangible assets include, but are not limited to, goodwill, commercial and investment properties.

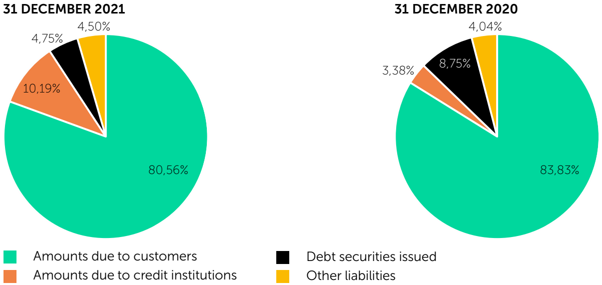
In 2021, Halyk Group's assets increased by 16.4% year-on-year. This was driven mainly by an expansion of the loan portfolio on a net basis by KZT1,426.0 billion (up 32.1% year-on-year) and the securities portfolio by KZT713.2 billion (up 26.2% year-on-year). The loan portfolio remains the largest item among Halyk Group's assets: as of 31 December 2021, it accounted for 48.6% of the total. Other key assets included investments in securities (trading and investment portfolio; share of 28.4%), as well as cash and cash equivalents (share of 11.9%).

The Group regularly checks the current positions of its existing limits for counterparty banks. Whenever it identifies any negative factors affecting their operations and/or their countries of operation, it makes immediate relevant adjustments to reduce the amount and term of such limits.

For liquidity management purposes, the Bank maintains a stable and diversified structure of liabilities, which consists of borrowings and deposits with fixed maturities and liabilities payable on demand.

The breakdown of the Group's liabilities in 2020 and 2021 was as follows.

BREAKDOWN OF THE GROUP'S LIABILITIES, %

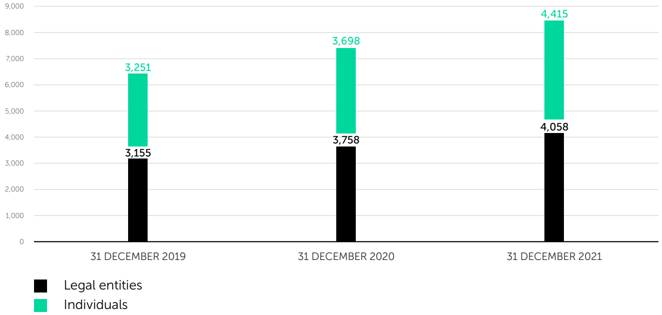


The primary change in the liability structure in 2021 was in amounts due to customers. As of the year-end, amounts due to customers rose by KZT1,017.4 billion (up 13.6%) in absolute terms. They continued to account for the largest proportion of liabilities, at 80.6% in 2021, compared with 83.8% in 2020.

The proportions of term deposits and current accounts in amounts due to customers did not change materially, at 67.5% and 32.5%, respectively, compared with 65.7% and 34.3% in 2020.

In 2021, the amount of funds attracted from individuals increased by 19.4% and that from legal entities by 8.0%

AMOUNTS DUE TO THE GROUP'S CUSTOMERS, KZT BILLION



The Bank's focus on raising funds in the domestic market helped it to maintain leading positions in the customer account market. As of 1 January 2022, Halyk Bank was the market leader, with a share of retail deposits of 32.2% (compared with 33.0% at the end of 2020) and a share of corporate deposits of 32.4% (compared with 35.1% at the end of 2020).

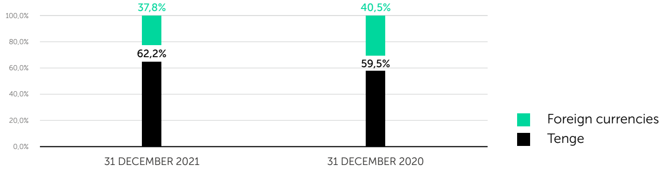
MARKET RISK MANAGEMENT

In 2021, the Bank adhered to its conservative policy on currency position management, maintaining neutral positions in all currencies.

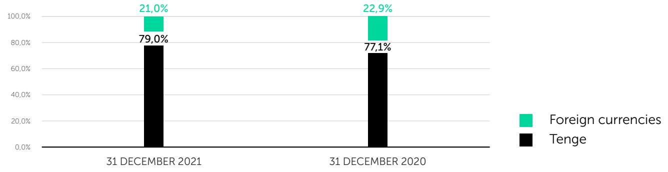
The share of the Group's assets in tenge increased from 59.5% in 2020 to 62.2% in 2021, while the share of the loan portfolio in tenge rose from 77.1% to 79.0%.

The share of deposits in tenge decreased to 51.7%, compared with 52.9% in 2020.

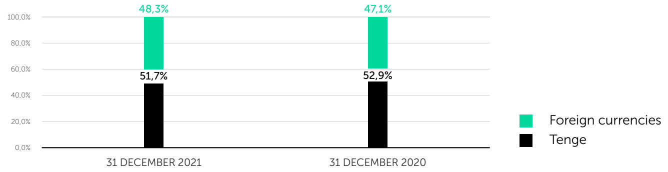
BREAKDOWN OF THE GROUP'S FINANCIAL ASSETS BY CURRENCY, %



BREAKDOWN OF THE GROUP'S NET LOANS BY CURRENCY, %



BREAKDOWN OF AMOUNTS DUE TO THE GROUP'S CUSTOMERS BY CURRENCY, %



The Group has identified the following sources of interest rate risk: on securities portfolios and resulting from the mismatch of maturities (interest rate repricing) of assets and liabilities sensitive to interest rate changes (risk of interest rate changes). The Group manages the risks of changes in interest rates and market risk by adjusting its interest rate position and maintaining a positive interest margin.

Internal limits that restrict the level of market risk (currency, interest rate and price risks) are established by the authorised bodies within the risk appetite and are monitored daily. The limits are regularly reviewed for relevance and correlation with market conditions and the Group's risk appetite.

OPERATIONAL RISK MANAGEMENT

In the normal course of its business, the Bank is exposed to operational risk. This is defined as the risk of losses resulting from inadequate and insufficient internal processes or systems, human factors or the influence of external events, excluding strategic and reputational risk.

The operational risk management unit within the risk management function of the Bank has developed and uses various operational risk management tools, such as:

- The Bank performs operational risk assessments when launching new products/services, systems and business processes, or implementing major changes thereto. The Organisation and Reinforcement of Preventive Action (ORAP) system is a fully functional and widely used tool. It has covered the most significant areas of the Bank's operations since 2010.
- The Bank regularly collects and analyses information about operational risk events, which are registered and classified as appropriate in a special database. The information collected is used to generate regulatory and management reports on operational risks to support decisions about corrective actions to minimise overall operating losses.
- The Bank continues to develop an operational risk management tool, Key Risk Indicators (KRI). The Bank currently uses the KRI system in various business lines, which helps to identify the most significant risks to the Bank's IT systems and critical business processes.
- The Bank also continues to develop other operational risk management tools, such as scenario analysis and risk self-assessments.

BUSINESS CONTINUITY MANAGEMENT

To ensure that it can respond to emergency situations rapidly and effectively, the Bank maintains systems and resources to manage and support business continuity. These include legal documents, infrastructure, competent employees and other items.

As part of the restrictions imposed because of COVID-19, the Bank continues to have some employees work remotely. As lockdown measures are introduced or relaxed, the Bank continuously monitors all requirements of authorised state agencies to ensure the compliance of its business units.

In 2021, to increase the awareness of the business units involved in the business continuity process, employees on the recovery teams of the Bank's Head Office and regional branches underwent business continuity training and testing. The test results were reviewed by a collegiate body.

IT AND INFORMATION SECURITY RISK MANAGEMENT

In 2021, the Bank continued its efforts to manage information technology (IT) and information security (IS) risks and further developed its IT and IS risk management system. During the year, the Bank conducted a cycle of IT and IS risk management activities. This included setting up a working group to determine critical information assets; assessing, processing and monitoring risks; and reviewing the existing IT and IS risk management systems of the Bank's subsidiaries. It then developed action plans to minimise the IT and IS risks identified. In addition, together with the departments involved, work is ongoing to analyse and minimise the risks associated with social engineering fraud.

In 2021, to increase awareness of the Bank's business units involved in the IT and IS risk management process, distance learning courses and testing on the IT and IS risk management systems were arranged.

CAPITAL MANAGEMENT

In 2021, the Bank continued to manage its capital to ensure the business continuity of all Group companies and optimise its debt-to-equity ratio. In the reporting period, the Bank ensured compliance with the capital requirements set by regulatory standards and the Basel Accords.

Since 1 January 2016, the Group has calculated its capital adequacy ratios in accordance with the prudential standards prescribed for banks by Kazakhstan's regulatory authorities, in consideration of the Basel Committee's recommendations. In general, the National Bank of Kazakhstan's methodology for calculating regulatory capital levels and its components comply with the Basel III standards. At the same time, the methodology applies separate regulatory adjustments that are not provided for by the Basel III standards but are allowed under the Basel III recommendations concerning the application of additional methodological amendments by local regulatory bodies.

As part of its capital adequacy risk management efforts, the Bank also has an internal process in place for assessing capital adequacy. This approach to managing significant risks takes into account the volume of assets, the nature and complexity of operations, and the organisational structure, strategic plans, risk profile, regulatory and legal framework. Such risks are assessed and aggregated to determine a target capital adequacy level for the Bank to maintain a stable financial position and remain solvent.

COMPLIANCE RISK MANAGEMENT

The Bank has established an effective compliance risk management system, which ensures the following:

- The ability of the Bank to function effectively and in a manner consistent with its strategy, risk profile and risk appetite.
- The establishment of a compliance risk management system that corresponds to the current market situation, as well as the Bank's strategy, size and the complexity of its operations.
- The compliance of the activities of the Bank and each of its employees with Kazakh legislation, including regulatory legal acts of the authorized body, internal documents regulating services provided by the Bank, applicable legislation of other countries, as well as international compliance standards, including the documents of the Basel Committee on Banking Supervision, Financial Action Task Force (FATF) and the Wolfsberg AML/CFT principles.
- The minimisation of risks of negative consequences associated with losses arising from non-compliance by it and its employees with Kazakh legislation and internal documents regulating services provided by the Bank and its operations on financial markets, and legislation of other countries governing the Bank's activities.
- The minimisation of risks of negative consequences associated with the application of sanctions against the Bank in the form of the suspension or revocation of its license to conduct all or certain banking operations, as well as sanctions in the form of the imposition and collection of a fine or the application of limited enforcement measures by an authorized body.
- The establishment of a unified compliance risk management system at the Bank.
- The conduct of business in compliance with the norms of business ethics requirements and the standards of Halyk Group.

Compliance risk management is an integral part of the Bank's corporate culture and is based on the principles of decency, honesty and openness.

Through an integrated approach to compliance risk management, the Bank has established a cross-functional system based on the 'three lines of defence' principle. Roles and responsibilities in this system are delineated among the Bank's structural units responsible for risk mitigation.

The first line of defence comprises the Bank's employees; the second is the Compliance Service; and the third entails the independent evaluation by the internal audit function of the quality and effectiveness of compliance risk management.

- The first line of defence is the controls developed to ensure correct day-to-day operations by various structural units of the Bank. The controls are developed by the structural units and are an integral part of business and other processes. Clearly delineated controls help to ensure sufficient risk mitigation and compliance with internal regulations, as well as compliance with external regulatory requirements. The divisions themselves manage and monitor the controls, enabling them to independently detect risks, weaknesses of business processes and possible unforeseen events, and to take corrective action.
- The second line of defence comprises the compliance control efforts of the Compliance Service. The compliance control department develops procedures to comply with the requirements of Kazakh civil, tax and banking legislation; Kazakh legislation on the state's regulation, control and supervision of the financial market

and financial organisations; Kazakh legislation on currency regulation and currency control, on payments and payment systems, on pension provision, on the securities market, on accounting and financial reporting, on credit bureaus and the formation of credit histories, on collection activities, on mandatory deposit guarantees, on anti-money laundering and combating the financing of terrorism, and on joint-stock companies; the legislation of other countries governing the Bank's activities; as well as internal documents regulating services provided by the Bank and its financial market operations. The department also provides complete and reliable information to the Board of Directors about material compliance risks. In accordance with the Bank's internal documents, separate compliance risk management functions are delegated as necessary to other structural units of the Bank, provided there is no conflict of interest.

- The third line of defence comprises the internal audit function independently assessing the quality and effectiveness of compliance risk management (see the "Internal Audit" section).

While acknowledging that it is impossible to exclude risks inherent to banking operations completely, the Bank is confident that its risk management system enables them to be minimised significantly.

14 CORPORATE GOVERNANCE

14 CORPORATE GOVERNANCE

High standards of corporate governance are vital for the success of Halyk Bank and its subsidiaries on a free and competitive market. Halyk Bank and Halyk Group need an effective corporate governance system that outlines the relationships linking the Board of Directors, Management Board and shareholders.

The Bank's corporate governance structure is based on respecting the rights and interests of all stakeholders. This contributes to the Bank's success by increasing its value, supporting its financial stability and profitability, and reassuring investors and shareholders that their money is being used efficiently.

COMPLIANCE WITH THE BANK'S CODE OF CORPORATE GOVERNANCE

The Bank's current Code of Corporate Governance, which was approved by the General Shareholder Meeting in December 2006, defines the main standards and principles applied in managing the Bank, including relations between the Board of Directors and Management Board, and between shareholders and employees, as well as functioning mechanisms and decision-making procedures of the Bank's internal bodies.

The Bank's Code of Corporate Governance has been developed in accordance with existing Kazakh legislation, as well as local and international best practice in corporate governance.

The Bank's Code of Corporate Governance enshrines the following principles:

- Provide Shareholders with a real opportunity to exercise their rights to take part in managing the Bank
- Provide Shareholders with a real opportunity to take part in the distribution of the Bank's net profit (receive dividends)
- Provide shareholders with accurate, timely and complete information regarding the Bank's financial position, economic indicators, results and management structures to ensure substantiated and informed decisions by shareholders and investors
- The Board of Directors is to conduct the strategic management of the Bank and effectively oversee the executive body's activities, and Directors are to be accountable to shareholders of the Bank
- The Management Board is to be given the opportunity to manage the Bank effectively and in good faith and to be accountable to the Board of Directors and shareholders
- Define ethical standards for shareholders and the Bank's officials, ensuring maximum operational transparency
- Maintain an effective system of internal control that is evaluated objectively

The Board of Directors and Management Board confirm that the Bank conducts its activities in accordance with the principles, provisions and procedures set by the Code of Corporate Governance.

By accepting, streamlining and adhering strictly to the Code of Corporate Governance, the Charter and other internal regulations, the Bank confirms its intention to encourage the development and improvement of corporate governance best practice.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

This section has been prepared in accordance with section DTR 7.2. of the UK Financial Conduct Authority's Disclosure and Transparency Rules (corporate governance statements).

As a foreign company with global depository receipts admitted to the Official List of the London Stock Exchange, the Bank is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council, the independent regulator of the United Kingdom. However, in accordance with DTR 7.2, the Bank is obliged to disclose information about its compliance with both the Kazakh Code of Corporate Governance and the existing corporate governance principles to which it adheres above those stipulated in Kazakh legislation.

The Bank considers the UK Corporate Governance Code a guideline for further development of corporate governance.

THE BANK'S CODE OF CORPORATE GOVERNANCE AND THE UK CORPORATE GOVERNANCE CODE

The Bank's Code of Corporate Governance contains several differences from the UK Corporate Governance Code. Below are the main ones:

UK CORPORATE GOVERNANCE CODE	THE BANK'S CODE OF CORPORATE GOVERNANCE
The UK Corporate Governance Code stipulates a maximum three-year term for the re-election of directors.	The Bank's Code of Corporate Governance does not require a regular re-election of the Board. Instead, the scope of the General Shareholder Meeting includes determining the Board's term of authority. The General Shareholder Meeting of 22 May 2020 set a three-year term for the current Board.
The UK Corporate Governance Code provides for meetings of non-executive directors at least annually, particularly to appraise the chairman's performance.	In 2020, non-executive directors held informal meetings, also attended by the corporate secretary, to discuss strategic issues, ways to improve corporate governance processes and the Board's activities, and to improve the work of the corporate secretary.
The UK Corporate Governance Code stipulates that at least half of the Board, excluding the chairman, consists of independent non-executive directors.	The Bank's Code of Corporate Governance does not directly require this due to Kazakh legal requirements, which state that at least one third of the Board's members must be independent directors. However, the composition of the Board, as appointed by the General Shareholder Meeting on 22 May 2020, includes five independent non-executive directors out of seven.
The UK Corporate Governance Code stipulates that non-executive directors should carefully analyse to what extent the Management Board's work fulfils the aims and objectives set, monitor its activities, and ensure that financial information provided is complete and that financial controls and the risk management system are effective and reliable.	Under the Bank's Code of Corporate Governance, all members of the Board of Directors are responsible for this.
The UK Corporate Governance Code stipulates that the Board of Directors should ensure that an appropriate succession plan is in place when appointing members of the Board of Directors and the senior management, in order to create an appropriate balance of skills and experience in the company and the Board of Directors, and to continuously refresh the talent pool.	The Bank's Code of Corporate Governance defines a procedure for creating the Board of Directors and requirements for candidates to it, the aim being to ensure an optimal balance of experience and knowledge needed for the Board of Directors to function effectively.

Halyk Bank's Code of Corporate Governance can be found on the corporate website: https://halykbank.kz/en/about-bank/korporativnoe-upravlenie.

CORPORATE GOVERNANCE EVENTS IN 2021

- The Bank worked to organise and hold a General Shareholder Meeting via absentee voting on 23 April 2021, at which 7 decisions were taken regarding matters under consideration.
- At the General Shareholder Meeting, the decision was taken to pay dividends for 2020 of KZT18.00 per common share, or 60% of the total consolidated net income for the period. The Bank made the payment of dividends on its common shares to the current bank accounts of the Bank's shareholders on record with the Bank or listed in the system of the securities holder registrar. The total disbursed was KZT211,573 million, including the transfer of unclaimed dividends totalling KZT538 million to the account of JSC Central Securities Depositary to account for unclaimed funds.
- In 2021, the members of the Bank's Board of Directors conducted an assessment (self-assessment) of their activities, consistent with best international practices. The results of the assessment (self-assessment) were submitted for consideration to the Bank's shareholders at the General Shareholder Meeting.
- In 2021, at the General Shareholder Meeting, changes were approved to the methodology used for determining the value of shares when Halyk Bank buys them back on the over-the-counter market. A new version was approved to optimise the structure and bring it in line with the requirements of current Kazakh legislation and best practice.
- In 2021, 16 official appeals by the Bank's shareholders were considered regarding dividend payments on the Bank's shares, shareholders' personal data, share ownership rights, requests for information about income tax withholding, and other matters concerning the Bank's activities and Kazakh securities market legislation.
- In December 2021, the Board of Directors decided to conduct a buyback of the Bank's securities, including common shares and global depository receipts (GDRs) backed by the Bank's common shares. In accordance with the terms, conditions and deadlines established by the above decision of the Bank's Board of Directors, 845,775,545 common shares were purchased at a price of KZT182.10 per share, including 147,006,040 shares in the form of 3,675,151 GDRs at a price of US$16.78 per GDR, for a total amount of KZT153,973 million. The purpose of the buyback was to optimise the capital structure of the Group. The volume of the buyback amounted to 7.2% of the Bank's outstanding shares as of the transaction date, as a

result of which 2,539,270,930 the Bank's shares or 18.9% of the total number of outstanding shares were held in treasury as of the reporting date.

- In 2021, the Bank prepared and published its Sustainability Report for 2020 as part of its systematic approach to sustainable development.
- In 2021, there were changes in the composition of the Management Board.
- A training course on corporate governance issues was developed and seminars were held with Halyk Group's corporate secretaries.
- In 2021, the corporate governance practices at the Bank's Kazakh and foreign subsidiaries were reviewed and a report was prepared with recommendations for improvement.
- The results were reviewed of Bank stress-testing that was conducted based on a general economic scenario for 2022 (using scenario analysis).

CORPORATE GOVERNANCE STRUCTURE

The Board of Directors has the following consultancy and advisory bodies: Strategic Planning Committee, Audit Committee, Nomination and Remuneration Committee, Social Responsibilities Committee and Risk Committee. For more details of their work, please see the respective subsection below.

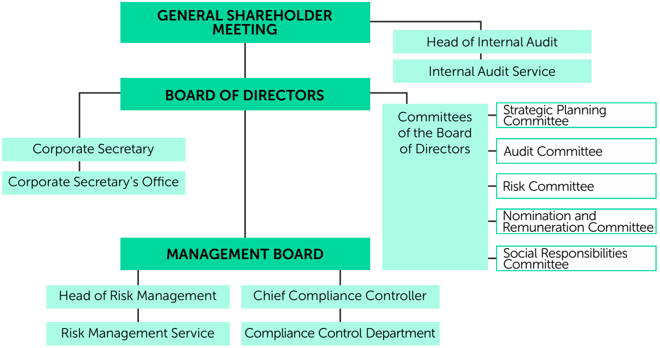
The Management Board has created numerous working bodies, including directorates, committees and working groups. This allows it to consider major issues concerning each separate segment in detail. Where necessary and if required by law, decisions made by such working bodies are brought to the Management Board or Board of Directors for approval.

To ensure best practice in corporate governance, the Board of Directors is assisted by internal and external auditors, as well as a chief compliance controller, head of internal audit, chief risk officer, chief legal adviser, corporate secretary, and others.

The Bank has risk management and compliance control services, an internal audit department, and a corporate secretary responsible for corporate governance issues.

The Bank engages 'Big Four' professional services firms to audit the financial statements of Halyk Group. In 2021, this was carried out by Deloitte LLP.

Functions are allocated between the Board of Directors and the Management Board in accordance with Kazakh law.



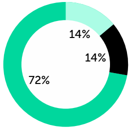
BOARD OF DIRECTORS STRUCTURE

As at 1 January 2022, the composition of the Board of Directors was as follows:

BOARD OF DIRECTORS	
ALEXANDER PAVLOV	Chairman of the Board of Directors, Risk Committee Chairman, independent non-executive director
ARMAN DUNAEV	Strategic Planning Committee Chairman, Social Responsibilities Committee Chairman, independent non-executive director
FRANK KUIJLAARS	Nomination and Remuneration Committee Chairman, independent non-executive director
MAZHIT YESSENBAYEV	Member of the Board of Directors, representative of Holding Group ALMEX
CHRISTOF RUEHL	Audit Committee Chairman, independent non-executive director
PIOTR ROMANOWSKI	Independent non-executive director
UMUT SHAYAKHMETOVA	Member of the Board of Directors, Chairperson of the Management Board
TOTAL	7 DIRECTORS

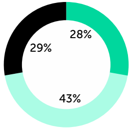
When determining the independence of the directors, the Board of Directors uses the criteria stipulated by Kazakh law.

BOARD INDEPENDENCE*



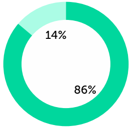
- Independent directors
- Representative of Holding Group ALMEX
- Executive director (Chairperson of the Management Board)

BOARD AGE DIVERSITY*



- under 53 years
- 54-64 years
- 65-73 years

BOARD GENDER DIVERSITY*



- male
- female

DIRECTORS' SKILLS AND EXPERIENCE

The Bank seeks the best balance of experience, skills and vision in its directors. Having various views when discussing issues allows the Board of Directors to exercise its duties and represent the interests of shareholders most effectively.

Independent directors contribute international experience, strategic vision, insight into the largest industries where the Bank operates, corporate governance and risk management.

At the same time, all directors have knowledge of banking activities, finance in general and human resources management, including remuneration issues.

The skills and experience of the Board of Directors are summarised below:

DIRECTORS' SKILLS AND EXPERIENCE	
Banking	7 directors
Oil and gas and mining	4 directors
Other industries in the real economy	5 directors
Finance	7 directors
Leadership	7 directors
Risk management	4 directors
Medicine and biotechnology	1 director
International experience	5 directors
Strategic vision	7 directors
Corporate governance	7 directors
Human resource management	7 directors
TOTAL	**7 DIRECTORS**

MANAGEMENT BOARD STRUCTURE

In 2021, there were several changes in the composition of the Management Board. On 28 October 2021, Anton Musin was appointed as deputy chairman of the Management Board (he was previously first deputy chairman of the Management Board). On 2 October 2021, Mikhail Kablashev stepped down as a member of the Management Board.

As of 1 January 2022, the composition of the Management Board was as follows:

MANAGEMENT BOARD	
UMUT SHAYAKHMETOVA	Chairperson of the Management Board HR, Strategic Office, Legal and Risk Management
AIVAR BODANOV	Deputy Chairman Security and Problem Loans
ALIYA KARPYKOVA	Deputy Chairperson, Chief Compliance Controller Financial Block, Finance and Accounting, Subsidiaries and Compliance
MURAT KOSHENOV	Deputy Chairman Corporate Banking and International Activities
ZHUMABEK MAMUTOV	Deputy Chairman Retail Banking
ANTON MUSIN	Deputy Chairman IT
YERTAI SALIMOV	Deputy Chairman Operations, Resources, Chancellery and Contact Centre
DAUREN SARTAYEV	Deputy Chairman SME Banking and PR
ASKAR SMAGULOV	Deputy Chairman Transactional Banking and Treasury
TOTAL	**9 MEMBERS**

* The Board of Directors has a total of 7 members

ACTIVITIES OF THE BOARD OF DIRECTORS

In general, the Board of Directors and its committees work in accordance with the plans for respective periods.

In 2021, Halyk Bank's Board of Directors held five meetings in person, at which 46 matters were considered, as well as 64 in absentia, at which 613 matters were considered.

Attendance statistics for the meetings of the Board of Directors were as follows:

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
ALEXANDER PAVLOV	5/46	60 / 560
ARMAN DUNAEV	5/46	64 / 612*
MAZHIT YESSENBAYEV	5/46	55 / 527
FRANK KUIJLAARS	5/46	48 / 492
CHRISTOF RUEHL	5/46	45 / 458
PIOTR ROMANOWSKI	5/46	64 / 610**
UMUT SHAYAKHMETOVA	5/46	60 / 576***
TOTAL	**5/46**	**64 / 613**

* In accordance with Kazakh legal restrictions, Arman Dunaev did not participate in the discussion and voting on certain matters.
** In accordance with Kazakh legal restrictions, Piotr Romanowski did not participate in the discussion and voting on certain matters.
*** In accordance with Kazakh legal restrictions, Umut Shayakhmetova did not participate in the discussion and voting on certain matters.

THE MOST IMPORTANT MATTERS THAT THE BOARD OF DIRECTORS CONSIDERED IN 2021 INCLUDED:

- In 2021, Halyk Group's Development Strategy for 2022-24 was prepared and approved. It determined the priorities and objectives for the development of the Bank and its subsidiaries for the next strategic period.
-) The Bank prepared and published its Sustainability Report for 2020. This document detailed the main aspects of the Bank's environmental, social and governance (ESG) activities. The Bank made a voluntary commitment to provide transparent disclosure of key information about its sustainability performance by publishing this report.
- In accordance with the requirements of the Bank's Code of Corporate Governance, the members of the Bank's Board of Directors conducted an assessment (self-assessment) of their activities in 2020. The results were submitted for consideration to the Bank's shareholders at the General Shareholder Meeting that was held on 23 April 2021.
- In 2021, a new edition of the rules governing the preparation of documents related to convening and holding meetings of the Bank's Board of Directors was drafted and approved. It aims to improve the quality and reduce the volume of materials prepared for members of the Board of Directors (it decreased the volume of printed materials by at least 30%). Minimising resource consumption is consistent with the Bank's ESG agenda.
- To embed ESG principles in the Bank's activities and processes, the following new internal regulations were drafted and approved: Sustainable Development Policy; Environmental Policy; and Freedom of Association, Collective Bargaining, and Diversity and Inclusion Policy.
- In 2021, members of the Nomination and Remuneration Committee and Social Responsibilities Committee were rotated. Currently, all members of the Nomination and Remuneration Committee are independent non-executive directors of the Bank.

Overall, the goals that the Board of Directors has set for Halyk Group were achieved, including maintaining Halyk Bank's position as the leading bank in Kazakhstan, improving customer service and developing banking products.

At the meetings in person, the Board of Directors discussed key strategic issues, such as:

- Reports from the Management Board of Halyk Bank and its subsidiaries about the implementation of Halyk Group's strategy for 2019-21 and Halyk Bank's action plan to implement strategic initiatives in 2021 (including the Bank's technological transformation, as well as the development of digital products and services)
- The results of the operations and budget execution of the Bank and Halyk Group for 2020 and H1 2021
- The approval of the consolidated budget of Halyk Group (IFRS) and Halyk Bank for 2022
- Proposals to further develop the business models of Halyk Group subsidiary banks and their positioning in their countries of presence
- The internal audit department's working plan for 2022 and long-term working plan for 2023-25
- The election and resignation of several members of the Management Board and changes to the composition of several committees of the Board of Directors
- Approval of the Bank's major projects
- Preliminary approval of the Bank's 2020 financial statements and quarterly

performance reports of the Management Board

- The reports of the chief compliance controller regarding the management and control of compliance risks, as well as matters related to internal control at Halyk Bank
- Analysis of the Bank's loan portfolio quality
- Analysis of the Bank's related-party and other transactions

The Board of Directors also considered the results of stress-testing on Halyk Bank's loan portfolio based on global economic development scenarios to determine the impact on the loan portfolio and capitalisation of Halyk Bank.

Given the imposition of a state of emergency in Kazakhstan due to the ongoing pandemic, as well as the slump in oil prices, the Bank's risk management service conducted unplanned stress-testing under the general economic scenario in late 2021. The purpose of this was to analyse and assess the impact of COVID-19 on the Bank's key financial indicators, as well as to ensure the Bank's stability amid such restrictions and the deteriorating national macroeconomic environment.

The Board of Directors is confident that even under the worst-case scenario, the Bank's positions will remain sufficiently strong.

The Board also heard reports from the head of risk management and chief compliance controller about the risk management and compliance processes in place at Halyk Bank and individual subsidiaries, as well as about AML/CFT efforts.

Absentee voting was conducted for routine issues that are included in the Board of Directors' duties by law or by the Bank's internal documents, as well as urgent issues that could not wait until the next ordinary meeting in person.

DETAILED COMMITTEE REPORTS

GENERAL PROVISIONS

The Board committees are consulting and advisory bodies to the Board of Directors. All their suggestions are recommendations for consideration by the Board of Directors.

Under Kazakh law, committee members are Board of Directors' members and experts. More detailed information on the composition of the committees is provided below in the subsections on the activities of the respective committees.

AUDIT COMMITTEE

The Audit Committee was established in July 2005.

The committee consists of three members of the Board of Directors who are elected by a majority of Board members. The committee is chaired by an independent non-executive director.

Its members are:

Christof Ruehl – Chairman, independent non-executive director

Alexander Pavlov – member, independent non-executive director

Arman Dunaev – member, independent non-executive director

All committee members are independent non-executive directors who are knowledgeable and experienced in accounting and tax accounting, financial statements, internal and external auditing, and risk management.

COMMITTEE FUNCTIONS

The committee assists the Board of Directors in matters concerning the completeness and authenticity of financial and other reports, compliance of the Bank and its subsidiaries with legal requirements and internal documents (compliance control), selection and independence of the external auditor, adequacy and efficiency of internal control and risk management systems, and coordination of external and internal audit activities.

COMMITTEE ACTIVITY

In 2021, the committee held three meetings in person and 41 in absentia.

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
CHRISTOF RUEHL	3 / 7	41 / 41
ALEXANDER PAVLOV	3 / 7	39 / 39*
ARMAN DUNAEV	3 / 7	41 / 41
TOTAL	**3 / 7**	**41 / 41**

* Alexander Pavlov was unable to participate in the discussion and voting on certain matters while he was on annual leave.

To ensure the completeness and reliability of the financial statements, the committee reviewed the external auditor's interim (quarterly) financial reports, as well as letters to the management of the Bank and subsidiaries. It also approved and submitted for consideration by the Board of Directors the annual financial statements for 2020. As part of this work, the committee discussed the principles of the most important accounting judgments, policies and procedures, among other matters, with the external auditor and the Bank's finance department.

During the reporting period, the committee worked closely with the internal audit department and considered the following matters: the internal audit budget and working plan; results of audits; management reports on internal audit issues; internal audit department personnel matters; and draft internal regulatory documents governing the internal audit department's work.

In 2021, the committee also reviewed the quarterly analytical reports on the Bank's portfolio quality prepared by the risk management service.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee was established in September 2007.

The committee consists of three members of the Board of Directors who are elected by a majority of Board members. At least two of the committee's members must be independent non-executive directors.

Its members are:

Frank Kuijlaars – Chairman, independent non-executive director

Alexander Pavlov – member, independent non-executive director

Arman Dunaev – member, independent non-executive director

All members of the committee are independent non-executive directors and have extensive experience in human resources management, including remuneration issues.

COMMITTEE FUNCTIONS

The committee makes recommendations to the Board of Directors regarding candidates for the Board of Directors, Management Board and boards of directors of the Bank's subsidiaries; the remuneration system for members of the Board of Directors and Management Board; and the salaries of the boards of directors and executive bodies of subsidiaries.

COMMITTEE ACTIVITY

In 2021, the committee held two meetings in person and 11 in absentia, at which it considered a total of 20 matters.

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
FRANK KUIJLAARS	2 / 2	11 / 18
ALEXANDER PAVLOV	2 / 2	11 / 18
UMUT SHAYAKHMETOVA*	1 / 1	7 / 12
ARMAN DUNAEV**	1 / 1	4 / 6
TOTAL	**2 / 2**	**11 / 18**

* Umut Shayakhmetova was a member of the Nomination and Remuneration Committee from 1 January 2021 to 14 September 2021.
** Arman Dunaev has been a member of the Nomination and Remuneration Committee since 14 September 2021.

The committee submitted for the Board of Directors' review a report about the assessment (self-assessment) of the activities of the Board of Directors' members; recommendations concerning candidates for positions on the Bank's Management Board and the boards of directors of the Bank's subsidiaries; recommendations concerning amendments and updates to the Bank's organisational structure; and matters related to improving the Bank's corporate governance system.

Remuneration to the members of the Board of Directors and Management Board of Halyk Bank for 2021 totalled (KZT):

MEMBERS OF THE BANK'S BOARD OF DIRECTORS AND MANAGEMENT BOARD	TOTAL INCOME
	3,543,751,185.63

In 2021, the following mandatory deductions were made from the above income of members of the Board of Directors and Management Board of Halyk Bank (KZT):

MEMBERS OF THE BANK'S BOARD OF DIRECTORS AND MANAGEMENT BOARD	INDIVIDUAL INCOME TAX	MANDATORY PENSION CONTRIBUTIONS	TOTAL MANDATORY DEDUCTIONS
	351,886,675.37	24,725,762.44	1,003,152

Remuneration to members of the Management Board is based on the following three factors:

- An assessment of the position that determines its significance (value) for the organisation, as well as the degree of influence of the manager's work on the Bank's final results
- Remuneration for comparable positions in the regional labour market
- An assessment of the activities of the Bank's managers, which is used to determine the annual bonus

The fundamental principles of the remuneration system for members of the Board of Directors are the relationship between Board members' compensation and:

- Their personal qualifications and contribution to the Bank's performance
- The execution of their duties and achievement of goals in the interests of the Bank and its shareholders

STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee was established in April 2012.

The committee consists of five members of the Board of Directors who are elected by a majority of Board members, as well as four experts who are members of the Management Board overseeing the Bank's key strategic priorities.

Its members are:

Arman Dunaev – Chairman, independent non-executive director

Alexander Pavlov – member, independent non-executive director

Piotr Romanowski – member, independent non-executive director

Mazhit Yessenbayev – member, director

Umut Shayakhmetova – member, Chairperson of the Management Board

Murat Koshenov – expert (non-voting member)

Askar Smagulov – expert (non-voting member)

The Strategic Planning Committee is chaired by an independent non-executive director. Its members and experts have experience in the following areas: IT development; developing and providing banking services; risk management and budget planning.

COMMITTEE FUNCTIONS

The committee assists the Board of Directors in matters regarding Halyk Group's strategy, analyses reports on strategy implementation, and monitors the external environment and its impact on the Group's strategic plans.

COMMITTEE ACTIVITY

In 2021, the committee held three meetings in person and one in absentia, at which it considered a total of eight matters.

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
ARMAN DUNAEV	3 / 7	1 / 1
ALEXANDER PAVLOV	3 / 7	1 / 1
MAZHIT YESSENBAYEV	3 / 7	1 / 1
PIOTR ROMANOWSKI	3 / 7	1 / 1
UMUT SHAYAKHMETOVA	3 / 7	1 / 1
MURAT KOSHENOV*	3 / 7	1 / 1
MIKHAIL KABLASHEV**	3 / 7	1 / 1
ASKAR SMAGULOV*	3 / 7	1 / 1
TOTAL	**3 / 7**	**1 / 1**

* expert (non-voting member)

** Mikhail Kablashev stepped down as a member of the committee on 11 October 2021.

The committee reviewed the results for 2020 and H1 2021 of the implementation of Halyk Group's Development Strategy for 2019-21. The analysis showed satisfactory progress.

The committee also reviewed Halyk Group's draft Development Strategy for 2022-24.

In addition, the committee reviewed the Bank's draft budget for 2022 and the execution of the Bank's budget for H1 2021.

The committee also analysed changes in the external environment (regulatory, economic, financial, etc) and assessed the impact of such changes on Halyk Group's Development Strategy for 2019-21.

SOCIAL RESPONSIBILITY COMMITTEE

The Social Responsibility Committee was established in April 2012.

Its members are:

Arman Dunaev – Chairman, independent non-executive director

Frank Kuijlaars – member, independent non-executive director

Christof Ruehl – member, independent non-executive director

Umut Shayakhmetova – member, Chairperson of the Management Board

Dauren Sartayev – expert (non-voting member)

COMMITTEE FUNCTIONS

The committee assists the Board of Directors in matters regarding the Bank's policy on corporate social responsibility and sustainability; the Bank's compliance with legislative requirements regarding corporate social responsibility; and preliminary consideration of expenses budgeted for charity and the implementation of social projects for the respective period.

COMMITTEE ACTIVITY

In 2021, the committee held one meeting in person at which it considered two matters.

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
ARMAN DUNAEV	1 / 2	–
FRANK KUIJLAARS	1 / 2	–
CHRISTOF RUEHL	1 / 2	–
UMUT SHAYAKHMETOVA*	1 / 2	–
DAUREN SARTAYEV**	1 / 2	–
TOTAL	**1 / 2**	**–**

* Umut Shayakhmetova has been a member of the Social Responsibility Committee since 14 September 2021.

** expert (non-voting member)

The committee reviewed the following matters:

- A report on the sponsorship and charity activity of Halyk Bank and the Halyk Fund for 2021
- A plan for the main sponsorship and charity events of Halyk Bank and the Halyk Fund for 2022

RISK COMMITTEE

The Risk Committee was established in May 2020. Its members are:

Alexander Pavlov – Chairman, independent non-executive director
Arman Dunaev – member, independent non-executive director
Piotr Romanowski – member, independent non-executive director
Umut Shayakhmetova – member, Chairperson of the Management Board
Almas Makhanov – expert (non-voting member)

COMMITTEE FUNCTIONS

The committee assists the Board of Directors in matters regarding establishing an effective risk management and internal control system at the Bank, ensuring that it functions properly, and informing the Board of the Bank's acceptable risk levels. It is primarily tasked with:

- Regularly assessing the risks inherent in the Bank's activities, including when reviewing management risk reports, as well as keeping the Bank's risk profile up to date
- Preparing recommendations for the Board of Directors as necessary on the following matters:
  - Managing the primary types of risks inherent in the Bank's activities (regarding credit, liquidity, market, capital management, operational, business continuity management, information technology and information security) to develop individual strategic decisions regarding the Bank's risk appetite strategy and risk profile
  - Managing the Bank's compliance risks
  - Ensuring the adequacy and effectiveness of the Bank's internal control system
  - Addressing other matters that are under its remit based on applicable legislation and the Bank's internal regulations
- Performing oversight of the Bank's internal control system

COMMITTEE ACTIVITY

In 2021, the committee held four meetings in person and 17 in absentia, at which it considered a total of 31 matters.

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
ALEXANDER PAVLOV	4 / 9	17 / 22
ARMAN DUNAEV	4 / 9	17 / 22
PIOTR ROMANOWSKI	4 / 9	17 / 22
UMUT SHAYAKHMETOVA	4 / 9	16 / 21
ALMAS MAKHANOV*	4 / 9	17 / 22
TOTAL	**4 / 9**	**17 / 22**

* expert (non-voting member)

During the meetings held in person, the Risk Committee considered the following matters:

- Presentations on the Bank's portfolio quality for the reporting period
- A report about the Bank's 20 largest borrowers for the reporting period
- Approval of the Risk Appetite Strategy and risk appetite levels (for credit risk, market risk, liquidity risk, operational risk, strategic risk and reputational risk)

Absentee voting was conducted for routine issues included in the committee's duties by law or by the Bank's internal documents, including:

- Management reporting about the Bank's risks
- Consideration and approval of the stress-testing results
- Introduction of amendments and additions to the Bank's internal regulations

BOARD ASSESSMENT RESULTS FOR 2021

1. Board work style and culture

- The Board follows a classic management model in its activities due to the need to comply with applicable laws, risks and shareholder interests. The Board's psychological atmosphere and work style promote constructiveness and efficiency. During the assessment, the majority of Board members expressed the opinion that it is necessary to resume in-person meetings among members of the Board of Directors, the Management Board and other key employees of the Bank to exchange information and develop new ideas for the Bank's sustainable development, where possible.
- The Board supports initiatives to develop in the areas of ESG and the ecosystem, and to introduce new tools that can improve its performance. During 2021, the Board

adopted several policies aimed at embedding ESG principles into the corporate governance system. It also considered proposals from one of the Bank's independent directors regarding the development of its corporate governance system.

- The Board possesses the necessary expertise in finance, financial reporting, internal control, banking, risk management and corporate governance. The most critical areas of the Board's expertise are:
  - digital transformation
  - innovation
  - risk management
  - finance, internal control and audit
  - human resources and talent development
  - strategic management
- There are no obvious or latent conflicts among the Board members that affect its efficiency, and all Board members focus on working together efficiently as a collegial management body.
- The relationship between the Board of Directors and Management Board contributes to the Bank's ability to operate in the interests of shareholders.

2. Board composition and structure

- The Board's composition is optimal and balanced (in terms of members' knowledge and experience) to perform the functions assigned to it, including to oversee the implementation of the Bank's Development Strategy. The Board of Directors intends to enhance its expertise in information technology, cybersecurity, artificial intelligence, ESG, big data and innovation in the banking business. To ensure the efficient implementation of Halyk Group's Development Strategy for 2022-24, the assessment recommended searching for one or more additional Board members who are experts in information technology, digital products, cybersecurity and ESG. To conduct the Board candidate search efficiently, the assessment also recommended using both internal resources (including the HR department and network of executives) and external ones, by engaging professional HR agencies.
- The Bank has an optimal system in place to improve Board members' expertise and qualifications. The Bank monitors technological advances and new approaches in banking, in both Kazakhstan and other countries where it operates. Where necessary, additional training will be provided for Board members. In 2021, seminars and training sessions were held for the Board of Directors and the Management Board in banking, finance, macroeconomics and strategic management.
- The Bank has an effective system for selecting Board members that helps it to attract true professionals. It has formed a roster of candidates who have the right to apply to be independent directors of the Bank and its subsidiaries. The assessment recommended that the Bank consider transforming the candidate selection system for the Board of Directors, the Management Board and other key employees, make appropriate amendments to the Personnel Policy, and develop a new motivation system aligned with the long-term objectives set in Halyk Group's Development Strategy for 2022-24. To embed ESG principles into the Bank's activities, the assessment also recommended considering opportunities to improve Board gender diversity at the Bank and its subsidiaries.

3. Board planning and operating procedures

- All newly elected Board members receive a Board Book containing the information needed to quickly familiarise themselves with the work of the Bank and Board of Directors. This includes key milestones in the Bank's history, Halyk Group's development strategy, the Bank's organisational structure, the procedures of the Board of Directors and Management Board, and the duties of Board members. All newly elected and current Board members also have access to training materials on ESG topics.
- The mandate of the Board of Directors is established in the Bank's charter, corresponds to its current strategic objectives and requires minor adjustments to enable Board members to participate in the development and discussion of new areas in the Bank's development, the introduction of digital services and products, the advancement of the ESG agenda, the development of the ecosystem and retail business, and the development of measures aimed at improving customer service quality.
- The quantity, frequency and duration of Board meetings, including the ratio of in-person and absentee meetings, meets the Bank's needs. Board members intend to continue working in a hybrid format (two to three in-person meetings and two to three absentee meetings held by videoconference), provided there are no external obstacles and restrictions related to the COVID-19 pandemic and the deteriorating global military and political environment.
- The assessment recommended that the Board of Directors and the Management Board increase the number of working meetings (for example, at Board of Directors committee meetings) to hold in-depth sessions on the implementation of the Bank's business objectives and strategy.

4. Effectiveness of corporate procedures and workflow

- The existing corporate procedures allow the Board of Directors to respond to external and internal threats promptly (pandemic, terrorist attacks, military conflicts, sanctions, and so on) and, if necessary, take measures to ensure the continuity of the Bank's operations.

- The process of preparing for and holding Board meetings is detailed in the Bank's internal regulations, which describe the operating procedures and logistics under normal conditions (without restrictions).
- To incorporate the experience gained from working during the pandemic, corporate procedures have been adapted to the conditions in which the Bank operates (remote work, use of software for video meetings and workshops, restrictions on movement within cities and countries, lack of opportunities to print and physically sign documents, and so on).
- The Bank has started to improve its electronic workflow system and automate the work of its collegial bodies to reduce paperwork and improve corporate procedures related to preparing for and holding Board meetings. It also plans to implement functionality to allow documents to be signed using electronic digital signatures (EDS).
- The Bank follows best practices and takes into account the specifics of its operations to determine which internal documents and policies must be developed and/or approved by the Board of Directors. The Board regularly analyses the Bank's internal regulations that fall within its remit and considers proposals of the Management Board to bring them into compliance with current Kazakh law, reduce bureaucracy and simplify corporate governance processes.

5. Functional areas of the Board's work

- In 2021, the Board of Directors approved Halyk Group's new Development Strategy for 2022-24, an integral part of which concerns active development in ESG-related areas. In this regard, the scope of the Board's functional duties was expanded to include: determining approaches to integrate sustainability principles into the Bank's strategy; embedding relevant ESG procedures and practices into the Board's work; determining the responsibilities of Board committees for matters related to sustainable development; approving top-level internal documents of the Bank (policies) regulating ESG issues; and monitoring the implementation of the ESG agenda.
- The materials submitted for Board meetings are complete, of high quality and contain the necessary and sufficient information on the agenda items for a member of the Board of Directors to make an informed decision. The Bank's procedures for preparing materials for Board meetings are standardised and enshrined in the relevant internal regulations, which are regularly reviewed and adapted to changes in the processes related to preparing for and holding Board meetings.
- To strengthen control over the implementation of the Bank's Development Strategy, plans and programmes, the Board uses the platform of its Strategic Planning Committee, as well as informal meetings of members of the Board of Directors and the Management Board, to discuss business, the Bank's Strategy, short- and long-term market trends, and competitor analysis in Kazakhstan and the countries where Halyk Group operates.
- The Board sets and approves KPIs for the Bank's executives, and regularly reviews the Management Board's performance regarding budget indicators and strategic objectives for the reporting period at least once every six months.

RELATIONS WITH MINORITY SHAREHOLDERS

The Bank strives to continuously improve its system for working with minority shareholders, which allows them to ask questions and receive the necessary information conveniently (in writing, by email and/or by telephone).

Communications from minority shareholders and their wishes are analysed regularly. The Bank informs shareholders of all substantial news, corporate events, changes to its activities that relate to holders of its shares and bonds, and planned events via its website, the websites of stock exchanges and financial reporting depositary websites.

Where necessary, employees of the Head Office provide consultations to branch employees regarding shareholder relations, accrued dividends, changes in shareholders' banking details, the transfer of inheritance rights and other matters.

DIVIDEND POLICY

Shareholders' rights to dividends and the procedure for the payment thereof are stipulated by the Bank's Charter and Code of Corporate Governance approved by General Shareholder Meetings.

In September 2012, the Board of Directors approved the Bank's Dividend Policy. Its main purpose is to establish a clear and transparent decision-making mechanism regarding dividend payments, including their size and the procedure and timelines thereof, given the following limitations:

- Ensuring that the Bank has an adequate distribution of net profit
- Ensuring that there are no restrictions on dividend payments in Kazakh legislation or contracts that the Bank has with third parties, particularly with foreign financial organisations (covenants)
- Maintaining (retaining) the Bank's international credit ratings
- Conducting an audit of the Bank's financial statements for the reporting period
- Complying with decisions of the General Shareholder Meeting
- Paying dividends no more than once per calendar year
- Avoiding a default or situation when paying dividends could lead to a default on the

Bank's obligations

- Complying with the projected CET 1 capital adequacy ratio on a consolidated basis, taking into account planned dividend payments of no less than 17%

Existing limitations on payments of dividends on common shares (covenants) are as follows:

- When determining the dividend amount (per common share) to recommend to the General Shareholder Meeting, the Board of Directors considers the Bank's total equity and assumes that the overall dividends on common shares will be 50-100% of net profit for the reporting period as determined by the Bank's audited consolidated financial statements. To ensure that the dividend payment is made, the Bank will use, among other resources, cash received as dividend payments from subsidiaries.
- In accordance with the Bank's strategic goals, the Board of Directors retains the right to suggest to the General Shareholder Meeting not to allocate part of net profit for the reporting period as determined by the Bank's audited consolidated financial statements or to reduce the total for dividend payments on common shares, or to reduce the total for dividend payments on common shares to less than 50% of total net profit for the reporting period as determined by the Bank's audited consolidated financial statements.

Payment of dividends on common shares is subject to the Bank or the registry system having the correct shareholder information no later than 90 calendar days from the day after which the General Shareholder Meeting takes a decision regarding payment of a dividend on the Bank's common shares.

If the Bank or the registry system do not have the shareholder's current information, dividends on the Bank's common shares are paid to an account for unclaimed money opened in the Central Securities Depository accounting system within five business days after the expiration of 90 calendar days from the day after which the General Shareholder Meeting takes a decision regarding payment of a dividend on the Bank's common shares.

Total dividend payments for previous financial years are as follows*:

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Preferred shares	None trading					0.338	2.61	1.8	2.24	5.24
Common shares	211.57	200.76	126.71	69.38	-	-	34.26	18.55	12.22	-
Total	**211.57**	**200.76**	**126.71**	**69.38**	**-**	**0.338**	**36.87**	**20.35**	**14.46**	**5.24**

* The information is presented on an unconsolidated basis.

AWARENESS AND TRAINING OF MEMBERS OF THE BOARD OF DIRECTORS

New members of the Board of Directors are provided with a Board Book containing basic information about the history and current positions of the Bank and Halyk Group, an organisational chart of the Bank, a director's responsibilities, and the main reports from the consolidated financial statements as of the most recent reporting date.

Members of the Board of Directors are also given information about the main changes in banking law.

In 2021, seminars and training sessions were held for members of the Bank's Board of Directors and Management Board covering strategic development, change management and IT.

The Bank intends to further develop and improve the knowledge and qualifications of members of the Board of Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

ROLES AND RESPONSIBILITIES

Risk management and internal control functions are distributed within the Bank as follows:

- The Board of Directors carries out strategic governance on internal control and risk management, and approves and periodically revises policies. The working body of the Board of Directors for risk management and internal control is the Audit Committee.
- The Board of Directors also considers large transactions of the Bank, transactions where the Bank has an interest, and related-party transactions, including where there is an absence of preferential conditions.
- The Management Board is responsible for the implementation of risk management policies. The Bank has the following key committees that carry out various risk management and control functions: credit committees (Commercial Directorate (Credit Committee of the Head Office)), Credit Committee of the Branch Network, Retail Credit Committee, Bad Loans Committee, Committee for Managing Assets and Liabilities (ALCO), and Risk Committee.
- Structural divisions of the Bank are directly responsible for identifying and assessing inherent risks, the adequacy of controls and business continuity.
- Independent risk management and compliance services are responsible for organising the risk management system, which ensures identification, assessment, control and monitoring of credit, operational, market, compliance and liquidity

risks. The risk management function is headed by the chief risk officer and the compliance function is headed by the chief compliance controller.

- The internal audit service performs independent and objective evaluations of the risk management, internal control and corporate governance systems.

'THREE LINES OF DEFENCE' RISK MANAGEMENT SYSTEM

Risk management in the Bank is based on the 'three lines of defence' system. This integrated approach to risk management and internal control delineates roles and authority among structural units to take measures aimed at minimising the risks taken by the Bank. The first line of defence comprises the Bank's structural units; the second encompasses independent risk management units, compliance control, the legal department, human resources, the financial control department, and other structural units that exercise control functions; and the third is the internal audit function.

- The first line of defence is the controls developed to ensure correct day-to-day operations by various structural units of the Bank. The controls are developed by the structural units and are an integral part of business and other processes. Clearly delineated controls help to ensure sufficient risk mitigation and compliance with internal regulations, as well as compliance with external regulatory requirements. The divisions themselves manage and monitor the controls, enabling them to independently detect risks, weaknesses of business processes and possible unforeseen events, and to take corrective action.
- The second line of defence comprises the risk management committees, as well as the risk management and compliance functions. Together, they are responsible for managing risks within the set appetite. The main chain loop of the second line of defence is the risk management function. To ensure an adequate level of control, it determines procedures for assessing risks (credit, financial and operational) and monitoring risks. The risk management team carries out regular independent risk monitoring, develops control methods for efficient risk management on the first line of defence and, together with the compliance function, assists business divisions in complying with regulatory requirements in their respective areas.
- The third line of defence is the internal audit function (see below).

While acknowledging that it is impossible to exclude risks inherent to banking operations completely, the Bank is confident that its risk management system enables them to be minimised significantly.

INTERNAL AUDIT

The Bank's internal audit department acts as the third line of defence.

To ensure that the internal audit is independent and objective, the internal audit department is functionally subordinate and accountable to the Bank's Board of Directors. Working interaction with members of the Board of Directors is carried out via the Audit Committee and directly. The head of internal audit oversees the day-to-day operations of the internal audit department.

In accordance with the International Standards for the Professional Practice of Internal Auditing (the Standards), the internal audit function's mission is to maintain and increase the value of Halyk Group through independent audits and consultations using a risk-based approach and providing recommendations to improve the Group's operations.

The internal audit function is guided in its work by legislative norms, regulatory requirements, the Standards and the Bank's internal regulatory documents.

The Board of Directors approves the annual work plan and budget of the internal audit department. The internal audit department's reports are provided to the boards of branches, the Management Board, the Audit Committee and the Bank's Board of Directors. Current issues related to the activities of the internal audit department are promptly discussed with the Chairperson of the Management Board and the Chairman of the Board of Directors.

In 2021, work continued to maintain full compliance with the Standards, as confirmed by independent external consultant PricewaterhouseCoopers LLP in 2017, as well as to introduce best international practice.

The internal audit department provides ongoing methodological assistance to bring the internal audit services of the Bank's subsidiaries into compliance with the Standards. As part of this work, in 2021, the activities of the internal audit functions of two subsidiaries were assessed for compliance with the Standards and the Code of Ethics and recommendations for improvement were provided: Halyk Global Markets and Halyk Bank Kyrgyzstan.

CODE OF CONDUCT

The Bank builds relations with employees and clients according to the principles of law, mutual respect and trust.

In 2015, the Bank approved the Rules of Corporate Ethics, which aim to:

- Secure the mission, values, principles and standards of business ethics and behaviour
- Develop a uniform corporate culture based on high ethical standards, and support an atmosphere of trust, mutual respect and decency
- Increase and maintain trust in the Bank from shareholders, clients, business

partners, public authorities, the public and other interested parties, and strengthen its reputation as an open and honest player on the financial market

- Assist in interacting effectively with stakeholders
- Prevent violations of the current laws of Kazakhstan by the Bank's employees

These rules cover the professional behaviour of officials and employees of the Bank in discharging their duties, and in relationships with each other and shareholders, clients, business partners, public authorities, the public and other interested parties entering into relations with the Bank.

Bank executives seek to set a personal example of commitment to the Bank. They allocate time to create a talent pool for the Bank, consult and coach, and bring employees together in a team united by a common mission, values and principles.

Every employee is obliged to keep the Bank's image and business reputation at a high level.

NOMINATION AND CONTRACTING OF DIRECTORS (GENERAL INFORMATION ON PROCEDURES)

When nominated, directors are subject to approval by the Kazakh regulator in accordance with its rules governing the issuance of consent to the appointment (election) of executives of financial organisations, branches of non-resident banks in Kazakhstan, branches of non-resident insurance (reinsurance) organisations in Kazakhstan, branches of non-resident insurance brokers in Kazakhstan, banking and insurance holdings, and the Insurance Payment Guarantee Fund. These include requirements for executives of branches of non-resident banks in Kazakhstan, branches of non-resident insurance (reinsurance) organisations in Kazakhstan and branches of non-resident insurance brokers in Kazakhstan, criteria concerning the lack of an impeccable business reputation, and the list of documents required to receive approval.

Contracts are concluded with directors in accordance with the Bank's Policy on Management Personnel Remunerations and Reimbursements and Creating an Annual Performance Results Bonus Awards Reserve.

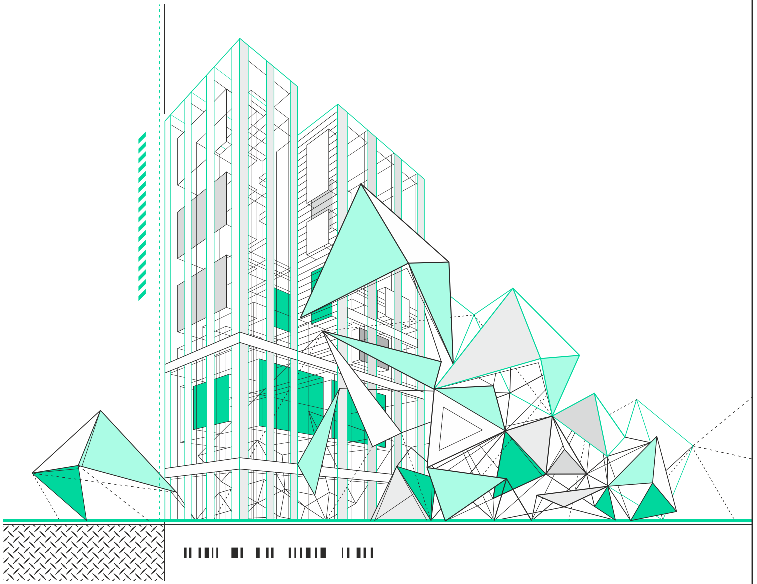
The Chairman of the Board of Directors takes decisions on payments and individual amounts of directors' remunerations (apart from the Chairman of the Board of Directors and Chairperson of the Management Board) based on recommendations of the Nomination and Remuneration Committee.

On behalf of the Bank, the Chairperson of the Management Board concludes contracts with directors and sets the individual amounts, frequency and conditions for paying remuneration and withholding respective taxes in accordance with Kazakh law (apart from that of the Chairperson of the Management Board).

INSURANCE OF FIDUCIARY LIABILITY

The Board of Directors and Management Board understand the risks arising from incorrect or mistaken management decisions or actions.

To safeguard shareholders from potential damage from such events, the Bank insures the liability of its directors and officers.



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SOCIAL REPORT




Consistent with the principles of corporate social responsibility, Halyk Bank continues to provide systematic support for projects of national social significance and seeks solutions for critical social problems. As a direct result of these efforts, the Bank has become widely known in Kazakhstan for its charitable activity and sponsorships.

Each year, Halyk Bank implements numerous projects in support of culture, education, sport and social protection, both directly and through the Halyk Charity Fund. It also regularly sends aid to charitable foundations that help children with serious illnesses. This is just a part of the Bank's ongoing efforts and a priority of its sponsorship and charity policy.

In 2021, the Bank provided KZT2.5 billion in assistance was provided. A total of KZT2 billion was allocated through the Halyk Charity Fund, of which 85% was for social projects, 9% for sport, 4% for education and 2.4% for culture. From its own funds, Halyk Bank allocated KZT285 million for sport in Kazakhstan, KZT158 million for culture and KZT251.5 million for social projects.

SUPPORTING SPORT IN KAZAKHSTAN

Halyk Arena

Halyk Bank and Halyk Arena continue to cooperate under a five-year naming rights sponsorship contract. The annual tranche remained at KZT185 million. Due to the continued spread of COVID-19, a provisional medical centre was set up in the facility until November 2021. At the end of the year, removal of the medical equipment began. The arena is once again being used for its intended purpose as a sport facility.

Kazakhstan Gymnastics Federation

In 2021, the Bank allocated KZT100 million to support the Kazakhstan Gymnastics Federation. At the national championships, Kazakh athletes won one gold, 10 silver and six bronze medals. Two athletes from the Kazakhstan Gymnastics Federation competed at the Tokyo Olympics 2021.

SUPPORTING CULTURE AND THE ARTS

Astana Opera

Since 2013, Halyk Bank has been a general partner of Astana Opera. In 2021, as part of the eighth and ninth seasons, five opera and ballet premieres were performed and an event was held in honour of the 95th anniversary of People's Artist of the USSR Yermek Serkebayev. In 2021, the Bank's sponsorship amounted to KZT100 million.

Abay State Academic Opera and Ballet Theatre

Halyk Bank continues to sponsor Kazakhstan's Abay State Academic Opera and Ballet Theatre. In 2021, through the Bank's support, a scanner was purchased to digitise the theatre's museum pieces for the preservation of its cultural heritage. The Bank's sponsorship amounted to KZT50 million.

XVII International Eurasian Media Forum

In 2021, Halyk Bank sponsored the XVII International Eurasian Media Forum. The forum included discussions and master classes covering topics of concern to the global community. Matters related to strengthening the role of technology in human life were also discussed. The Bank's sponsorship totalled KZT8 million.

SOCIAL PROJECTS

Victory Marathon

Each year, the Bank supports World War II veterans. In 2021, on Victory Day, the Bank provided financial assistance to 153 WWII veterans totalling KZT11.5 million.


EDUCATION

Yerkin Soz Kazakh media competition

In 2021, Halyk Bank continued to support the Yerkin Soz Kazakh media competition, which aims to improve the professional skills of financial journalists. The budget for 2021 amounted to KZT5 million. A total of 285 people participated in the competition. The awards ceremony was held in the Kazakhstan hotel. Overall, 11 journalists received awards in the competition: the top three prizes were KZT500,000 each and the eight other finalists received KZT50,000 each.

International Information Technology University's IT Fest 2021

In 2021, the Bank continued to support the International Information Technology University, Kazakhstan's leading technical university. Its students received the opportunity to transform their ideas into start-ups. Overall, more than 1,000 people from 450 teams participated. A total of 200 projects made it to the finals, of which three winners were chosen in each of five categories.

OTHER PROJECTS

Ayala Charity Fund

Halyk Bank has been supporting the Ayala Charity Fund since 2009. The fund works to save the lives of children born with various health issues. In 2021, the Bank provided support totalling KZT22.2 million to purchase medical equipment for perinatal centres. This included the Blanketrol III (made in the US) hyper-hypothermia system, which is designed to care for babies born prematurely and the Life Scope (made in Japan) bedside monitor.

Providing natural gas connections for the homes of low-income and large families in Almaty

In 2021, Halyk Bank participated in a project to provide natural gas connections for the homes of low-income and large families in Almaty. A total of KZT100 million was allocated for this charity project. Overall, 92 homes were connected to natural gas. The project received significant public attention.

Mountain safety

In 2021, the Bank supported sustainable tourism through the purchase and donation of 11 mountain huts, 18 solar panels and one unmanned aerial vehicle to the city of Almaty's rescue service. The Bank transferred a total of KZT101.5 million for the project. To date, the rescue huts have been installed and are fully outfitted with all necessary equipment and food supplies.

Natalya Sats Theatre for Children and Youth

In 2021, the Bank acted as the presenting partner for the Natalya Sats Theatre for Children and Youth's production of a play based on US writer Ken Kesey's cult classic One Flew Over the Cuckoo's Nest. This was the first time the play has been staged in Kazakhstan. The total sponsorship amount was KZT3 million.

Biz Zhasaimyz television project

In 2021, the Bank sponsored the Atameken Business Channel's Biz Zhasaimyz television project. The project consisted of 15 short films dedicated to women entrepreneurs who are clients of the Bank. Each of the women featured told about their businesses, the challenges they have faced and how they have overcome them. Other topics covered included the changing nature of work amid theCOVID-19, pandemic lifehacks, and the role that the Bank played in helping them to maintain and support their business. The project premiered in September 2021. The total sponsorship amount was KZT48 million.

National Olympic Committee

At the Tokyo Olympic Games in 2021, a total of 339 sets of medals were awarded in 33 sports. Halyk Bank supported the 95 athletes on Kazakhstan's Olympic team. The total sponsorship amount was KZT30 million.

Football Club Kairat

In 2021, the Bank continued to support Football Club (FC) Kairat. During the season, the Kazakhstan Premiere League hosted 26 matches and FC Kairat took third place in the championship. This was the first time that FC Kairat advanced to the group stage of the UEFA Europa Conference League. The total sponsorship amount was KZT25 million.

Planting trees

Each year, the Bank supports National Forest Planting Day, an annual environmental campaign in Kazakhstan. In 2021, the Bank sponsored the planting of 30 sea buckthorn saplings. The total sponsorship amount was KZT350,000.

Halyk Bank's HR system

The Bank's human resources (HR) system is governed by the Kazakh Labour Code, Tax Code, Law on Banks and Banking Activities and other regulatory acts.

The main objectives of the Bank's HR policy are to:

- Observe the principles of legality, justice and equal opportunities in the Bank's activities
- Improve the organisational structure and HR planning
- Adapt new employees and engage existing personnel
- Train and develop employees and create a talent pool
- Oversee productivity, employee incentivisation and salaries
- Provide social support for employees
- Foster a positive corporate culture

Consistent with the principles of legality, fairness and equal opportunity, as well as the Bank's ESG agenda, in 2021, Halyk Bank approved the Freedom of Association, Collective Bargaining, Diversity and Inclusion Policy. This high-level document is aligned with international principles of sustainable development and serves as open recognition by the Bank of the rights and freedoms of its staff. The new policy can be found on the Bank's corporate website: https://halykbank.com/esg.

Halyk Bank's Freedom of Association, Collective Bargaining, Diversity and Inclusion Policy enshrines the following principles related to supporting freedom of association, collective bargaining, diversity and inclusion in the Bank's internal regulations:

- The principle of compliance with the norms of Kazakh legislation and the Bank's internal regulatory documents
- The principle of legality of authority of the parties' representatives
- The principle of equality of the parties
- The principle of respect and consideration for the interests of the parties
- The principle of interest of parties in participation in contractual relations
- The principle of voluntary assumption of obligations by the parties
- The principle of the inadmissibility of restricting human and civil rights in the sphere of labour
- The principle of prohibition of discrimination in the sphere of labour, forced labour and the worst forms of child labour
- The principle of equal rights and opportunities for employees
- The principle of ensuring the right of employees and employers to unite to protect their rights and interests
- The principle of transparency
- The principle of ethical behaviour

The Bank continues to work systematically to optimise and automate its business processes, which helps to improve labour productivity.

The Bank's HR policy, based on Halyk Group's corporate strategy, complies with the strategy, organisational structure and risk profile of the Bank, as well as the results achieved and Kazakh legislation.

To successfully implement the Bank's stated goals, the Bank's structure and headcount are regularly reviewed. In 2021, certain divisions were also optimised and new ones were created.

The Bank continues to expand the range of self-service processes available to staff in terms of employment-related activities, as well as to increase the scope of management reporting regarding personnel.

Candidate selection

Candidates are selected in accordance with the approved Rules for Candidate Search and Selection at Halyk Bank. To close vacancies more quickly, service-level agreements have been regarding the time allotted to staff open positions at various levels.

In 2021, the Bank updated the conditions for participating in the HalykStart internship programme, which seeks to attract promising and engaged students for paid internships, as well as possible further employment upon graduation. To attract young professionals, the Bank liaises actively with top universities, recruits students in their final years of study for on-the-job training and internships, and participates in job fairs and guest lecture3s. The HalykStart project is being introduced to IT units, and the best-performing students have already accepted permanent positions at the Bank. To search for promising young specialists, the Bank works with leading universities in Kazakhstan to arrange internships.

THE BANK'S HEADCOUNT TRENDS, 2011-21

Business area	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Difference 2021/2011	
												2021	2011
Branches	7,470	7,394	7,395	7,308	7,367	7,074	7,254	10,187	10,303	10,168	9,738	30%	2,268
Head office	1,491	1,496	1,534	1,638	1,744	1,761	1,835	2894	3,0721	3,285	3,315	122%	1,824
Total	**8,962**	**8,890**	**8,928**	**8,946**	**9,112**	**8,835**	**9,089**	**13,081**	**3,375**	**13,452**	**13,052**	**46%**	**4,090**
Difference%	-226	-72	38	18	166	-276	254	3,992	294	77	400		
Branches%	-3.30%	-1.00%	0.00%	-1.20%	0.80%	-4.00%	2.50%	40.40%	1.14%	-1.31%	-4.2%		
Head office	-2.20%	0.30%	2.60%	6.70%	6.50%	1.00%	4.20%	57.70%	6.15%	6.92%	0.9%		
Total	**-2%**	**-1%**	**0.40%**	**0.20%**	**1.90%**	**-3.00%**	**2.90%**	**43.90%**	**2.25%**	**0.58%**	**-2.9%**		

To promote the programme and reduce search time, the Bank's corporate website has been updated to add a new section that explains how to receive paid internships and what they entail. Candidates can now apply online for the HalykStart project.

To enhance the Bank's brand appeal as an employer among job seekers, the following activities were conducted:

- Candidates' responses were regularly monitored and feedback was provided, which helped to increase the Bank's courtesy index on hh.kz, one of the largest online recruitment resources. Compared with January 2021, when the courtesy index was 56%, it was already up to 91% at the end of December 2021.
- In an effort to attract candidates' attention to and interest them in the Bank's vacancies, as well as to create adequate expectations about their future work, templates were drawn up to describe vacancies, which provide candidates with all the information they need and are sufficient for them to make a preliminary decision, as well as prepare them for interviews. On the whole, this has helped to establish an individual approach to each candidate.

By integrating its external website with the SAP internal accounting system, the Bank developed and initiated a process for hiring candidates, which speeds up the acceptance and approval of external candidates, from completing a questionnaire to final approval within the Bank.

Since September 2021, a referral programme has been in place to attract IT specialists. As part of it, the Bank's employees can help to attract potential candidates and receive incentives for recruiting professionals to the team.

To improve the quality of staff hired in the regions, HR management employees at the Bank's branch network underwent training with new tools that help to assess candidates from the time they arrive and recruit personnel based on the Bank's values.

Staff development

Priority focus areas for the internal corporate training of front office employees in 2021 were to enhance the level of customer focus and service, as well as to develop sales skills. The easing of quarantine measures in 2021 helped to successfully combine the online learning that became part of our reality in 2020 with offline learning.

Retail business consultants underwent comprehensive training on standards and service, including through remote courses and webinars. Training was conducted throughout the year for around 500 consultants. To support the changes in the model that managers use to provide service to legal entities, internal business coaches conducted webinars and in-person off-site training for 350 service and sales managers, taking into account specific aspects of the segment. More than 500 contact centre employees were trained in successful negotiation skills and offline sales. Around 300 employees from the SME unit were provided with in-person training that aims to retain existing and attract new customers. More than 2,000 cashiers underwent extensive online training on customer service standards in their positions.

To train outside front office employees, branch network coaches developed two programmes that combine theoretical online learning with on-the-job training in a sales channel under the guidance of an experienced mentor:

- Training programme for retail business consultants
- Online Cashier School training programme for cashiers

Teachers from the branch network, along with business coaches, trained 5,346 of the Bank's branch employees on five different programmes.

To provide regular systematic training for staff, specialised training trajectories for different businesses were developed and are updated with new courses, including distance-learning courses and webinar meetings:

- For employees of the SME unit
- For employees of the retail business unit
- For employees of the transactions department

In 2021, the Bank devoted extensive attention to developing specialists with digital skills. In addition to external training aimed at developing their hard skills, a series of corporate training sessions was held for them to further improve their soft skills and project management skills.

Halyk bolstered its adaptation programme for new staff members, with a mentor from among a unit's experienced employees being assigned to each new employee at the headquarters and branches, who oversees them during the probationary period. During the first week on the job, each new employee undergoes a remote course called Welcome. The course teaches them more about the Bank and provides answers to the most common questions, such as how the Bank works, what is its place in the market and what are the standards for work, rules and specific aspects of the corporate culture. During their first two months on the job, in-person Welcome Training sessions are held for new Head Office employees and a Welcome webinar is conducted for new branch workers and Head Office employees who are relocated to the regions.

In 2021, the Human Resources Department, together with the retail business unit, implemented the innovative Academy of Leaders project, a new management potential development programme that is designed specifically for effective workers in the retail business unit. The project aims to create a talent pool from among the Academy's most productive and successful graduates with subsequent appointments as heads of sales channels. The programme included four online modules that help the programme participants to improve their skills and gain practical knowledge in the following areas:

- Performance management through reporting
- Team development
- Development of relationships with clients
- Effective/cross-functional interaction within the Bank

Two groups of 100 people each have completed the Academy of Leaders project. They were trained on the job in small groups during the evenings. The 173 best employees of the retail business unit graduated from the Academy of Leaders and created a talent pool to become heads of sales channels. All graduates of the Academy of Leaders also attended additional courses with prominent business coach Igor Mann on the following topic: "Client Driven: How to Evaluate, Create and Develop Customer Focus".

The Bank has been working systematically for several years to increase the number of training events that are developed and conducted by in-house business coaches for members of the talent pool. In 2021, in an effort to develop managerial skills and expertise among employees in the talent pool, the Bank approved an internal training plan, which included distance-learning courses, webinars and in-person training. Overall, 588 employees from the Head Office and regional branches who are members of the talent pool took part in various training programmes.

Employees of subsidiaries also underwent corporate training. The Bank's business coaches conducted training for employees and managers of Halyk Life, Halyk Project, Halyk Aktiv, Tenge Bank and Halyk Bank Kyrgyzstan on sales and the basics of financial analysis (165 subsidiary employees were trained).

In 2021, external service providers were brought in to hold 24 training events in a corporate format (in-person/webinar), which were attended by 994 employees from the Head Office and branches.

Individual training was provided for 174 employees of the Bank, including 74 employees (mainly from the IT department) who preferred online access to educational portals such as Coursera, Datanomix.pro, Skillbox, Educative and SkillFactory with the opportunity to take multiple courses at once within a few months. A total of 35 managers and employees also took part in professional conferences and forums, including in CIS countries.

Mandatory training (health and safety, industrial and electrical safety as well as industrial and technical measures) was completed by 175 of the Bank's employees.

Two seminar meetings were held for directors of regional branches. These events included training on 'Change Management' and 'Systems Thinking'.

The following training was provided with co-financing from the Bank:

- MBA – two Bank managers
- Professional certification – 12 employees of the internal audit department

Interbank internships were provided for 16 bank employees.

A reference visit was organised for three department directors from the Head Office to Russia's Tochka to exchange experience.

The distance learning system was upgraded, and an additional licence was purchased to introduce the mobile version of the Learning Management System (LMS). The Bank also purchased a new, more modern Ispring educational course kit, which helps to make courses interactive and seamless, with built-in exercises, simulators, tests and videos. As a result of the update, the Bank:

- Properly integrated the LMS with the SAP PHR system
- Eliminated system errors that have accumulated in the LMS and ensured the uninterrupted operation of the system
- Updated the learning portal
- Automated the import and export of tests
- Configured automatic appointments of the required courses
- Obtained the ability to assign courses and tests for large groups of participants (up to 25,000 appointments simultaneously)

To date, the following subsidiaries of Halyk Group have been connected to the Bank's remote learning and testing system: Halyk Bank Kyrgyzstan, Halyk Bank Tajikistan, Tenge Bank, Halyk Aktiv, Halyk Aktiv 1, KUSA Halyk, Halyk Project, Halyk Insurance Company, Halyk Life, Kazteleport, Halyk Finance and Halyk Leasing.

As of the end of 2021, the remote learning system covered 200,353 positions, up 25% year-on-year.

Staff motivation and loyalty

To gauge its competitiveness as an employer and keep up-to-date on the latest trends in remuneration and motivation, the Bank participates in surveys of salaries, benefits and compensation conducted by consulting companies. Based on the data obtained, in March 2021, the Bank conducted a systematic review its employees' official salaries, which resulted in fixed salaries being increased by an average of 21%.

Improvements are constantly being made to the incentive system for employees of the retail, transactional and SME businesses, depending on the fulfilment of their KPIs.

As part of a programme to improve staff loyalty, employee engagement research is being conducted.

As part of efforts to care for employees' health, the Bank organised:

- flu vaccinations from the Archimedes and Medicare clinics
- COVID-19 vaccinations from City Polyclinic No. 12

In May 2021, the results of the Bank's employee achievement programme for 2020 were announced. The best employees in the following three categories received certificates, plaques and monetary awards:

- Best Bank employee: "Professionalism and Dedication to the Bank's Values" (first-degree nomination)
- Best Bank employee: "Diligence and the Pursuit of Success" (second-degree nomination)
- "Employee of the Year" (third-degree nomination)

The Bank's employees also received state and public awards. In recognition of Day of the Tenge National Currency, they received one "Merey" order and eight "Best Financier" medals. On Independence Day, they received three "30 years of Independence of the Republic of Kazakhstan" Anniversary Medals and two Commendations from the Chairman of the Agency for Financial Market Regulation and Development.

In 2021, the following events and contests were held to develop corporate and sporting spirit for the Bank's employees.

Holiday events:

- International Women's Day (8 March)
- Defenders of the Fatherland Day
- Halyk Bank Day
- Day of the Tenge National Currency
- Independence Day
- New Year

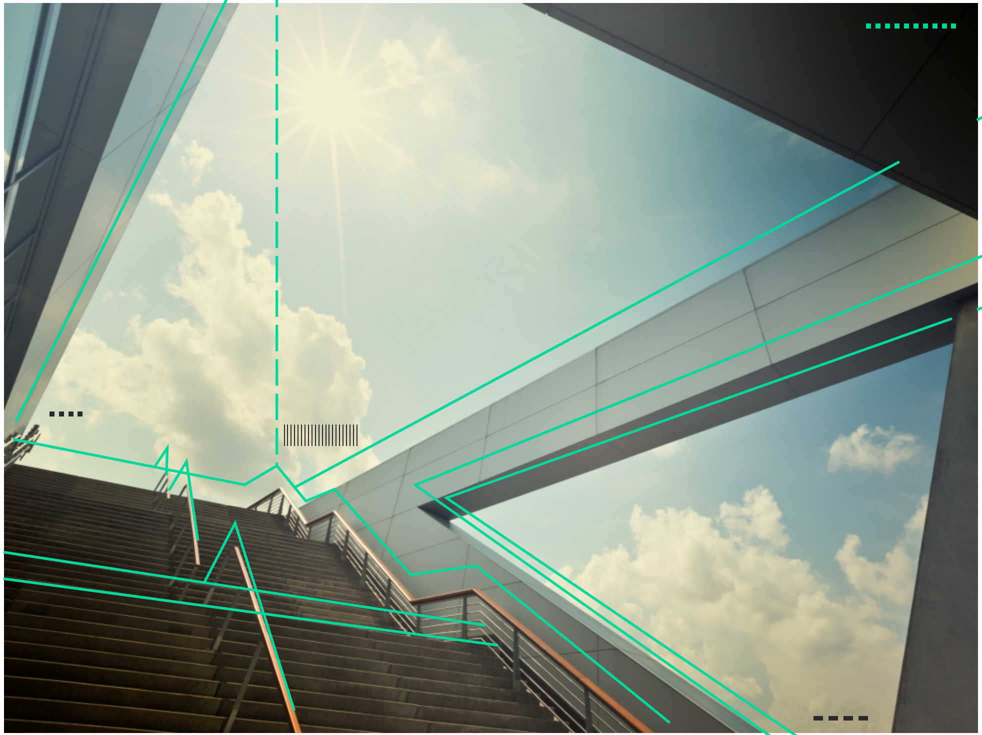
Sporting events organised by the Bank and outside organisations:

- A team from the Bank's Head Office took part in the online KPMG chess championship among major companies in Almaty
- Training sessions were organised for the Bank's football and tennis teams

Contests:

- A competition for the best poetic declaration of love for one's work, the Bank, clients, Homebank or the Halyk Group on Valentine's Day
- The quiz "I know, I'm proud, I apply!" for Halyk Bank Day
- The competition "Best Corporate Look or Dress Code" for Halyk Bank Day
- Instamask competition for Financier Day
- A poetry contest for Independence Day
- A New Year's costume contes

The Bank and its employees play an active role in socially significant projects. Throughout the year, charitable events are held and assistance is provided to the Bank's retirees to mark the 9 May and 1 October holidays and on anniversaries. Employees also take charity trips to orphanages in January, June and September. In 2021, KZT2.1 million in donations for orphanages was collected.



16 RESPONSIBILITY STATEMENT

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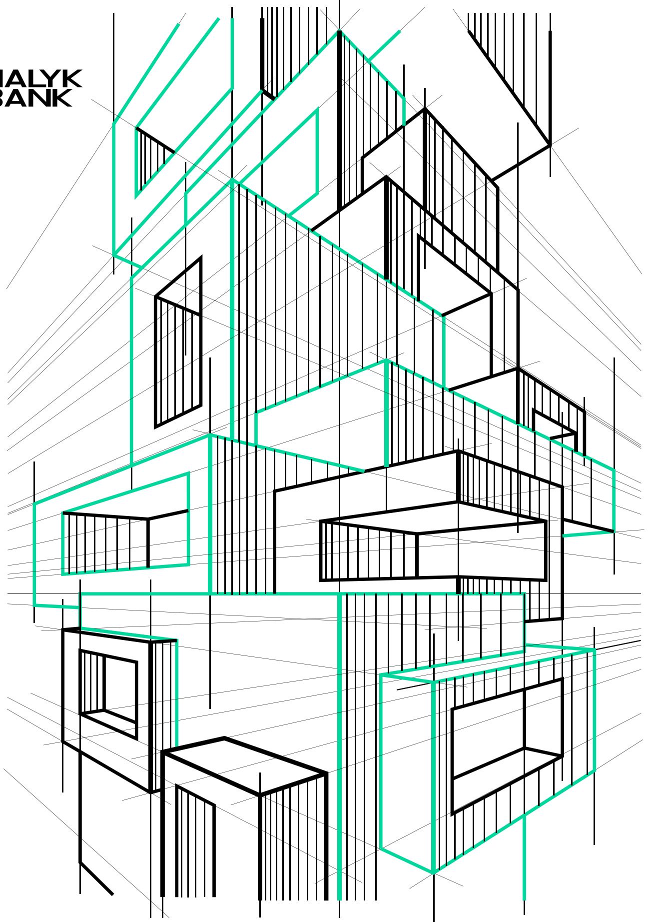
RESPONSIBILITY STATEMENT

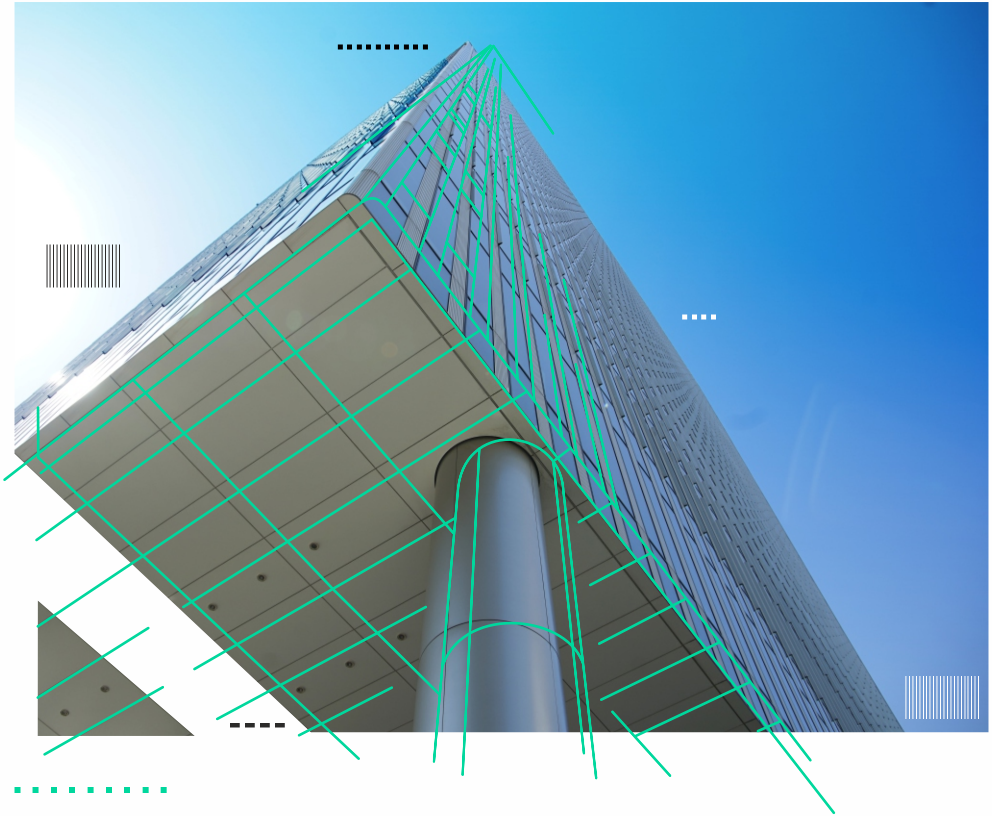


We herewith confirm that, to the best of our knowledge:

- the consolidated financial statements in this annual report are prepared in accordance with International Financial Reporting Standards and give a true and fair view of the financial position, results, cash flow and changes in equity of Halyk Bank and its subsidiaries; and
- the annual report includes a fair review of the development and performance of the financial position of Halyk Bank and its subsidiaries included in the consolidated financial statements and taken as a whole, as well as the principal risks and uncertainties that Halyk Bank faces.

UMUT SHAYAKHMETOVA

Chairperson of the Management Board
Halyk Bank



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OUTLOOK

17 OUTLOOK

Today, Halyk Bank is the largest commercial bank in Kazakhstan and Central Asia. Based on the results of 2021, it remains the leader in the country's banking sector, with a market share of more than 30% for all key indicators (as of the year-end): 31% for assets, 31% for net loans to customers, 32% for deposits and 37% for net income. The Bank also ranks second in terms of net income among commercial banks in the region*.

In 2021, Halyk Bank completed a three-year strategic cycle. As part of the Group's development strategy for 2019-21, several initiatives to enhance customer interaction were implemented to comprehensively transform the Group and Bank. During this strategic period, the Group's main efforts focused on improving the current business model and introducing new elements to it, based on customer demand for superior and convenient service, as well as the availability of high-tech financial services and products. By actively developing online services, as well as launching online lending for both individuals and small businesses, the Bank met customers' needs and provided high-quality service efficiently.

In 2021, the Bank implemented several key strategic projects:

- Data Factory, a major project, was implemented. It is already being used to provide real-time monitoring of client analytics and more than 10,000 individual offers of banking products and products of the Bank's ecosystem.
- In the Halyk Homebank mobile application, new functionality was added to make public services available for individuals, such as registering individual entrepreneurships, receiving benefits, re-registering cars and several other essential and widely used ones.
- A digital blank guarantee for corporate clients was launched, which makes it possible to issue tender guarantees in five minutes with just two clicks.
- A local QR service was created and replicated throughout the POS terminal network to make payments more convenient.
- For businesses, a service for international transfers was set up in the Onlinebank mobile application.
- For individual customers, the Bank launched a function for digital car loans with its partners, an online service to submit applications to buy property, an option to register pledge agreements online, a service that allows purchases in instalments through the Bank's POS terminal network and a service to use the Bank's cards for purchases using Google Pay.
- As part of efforts to develop its ecosystem of non-banking services, the Bank continued to enhance its services and actively promote the Kino.kz application (which sells cinema tickets) and the Halyk Travel application (which sells plane and train tickets). In addition, more than 44,000 accounts have already been opened in the Halyk Invest application, through which brokerage accounts can be set up and trading conducted online.
- More than 830,000 trading partners joined the Halyk Market e-commerce platform, through which their products are offered to the Bank's customers.
- In 2021, the Bank automated another 33 back office processes to optimise and accelerate service delivery.

All these initiatives helped the Bank to gain greater recognition among customers and secure high positions in mobile application ratings. For example, the Halyk Homebank application for individuals ranks second among the mobile applications of second-tier banks in Kazakhstan, while the Onlinebank application for legal entities ranks first in the rating of mobile banks for businesses in the country.

In late 2021, the Group and Bank devised a new development strategy for 2022-24. The Group's reliability and stability remains its key advantages, as reflected in the updated mission statement: "We create a territory of reliability, comfort and trust for our customers and partners."

THE BANK HAS IDENTIFIED THE FOLLOWING MAIN GOALS FOR THIS STRATEGIC CYCLE:

Customer focus

All the solutions, products and services being introduced aim to meet the needs of the Bank's customers and provide them with the best possible service. The Bank is focusing on providing integrated services based on the 'one-stop shop' principle and increasing the loyalty and satisfaction of its customers

Constant growth of the client base, as well as of MAU and DAU

The Bank has prioritised the development of mobile applications, which are used to deliver services better, more efficiently and faster. This should increase the number of both total customers and active ones: those who use the applications daily. The Bank is also focusing on expanding non-cash payments.

* among banks without state participation in Russia, Kazakhstan, Georgia, Belarus, Uzbekistan and Kyrgyzstan

Ability to scale business solutions

Given its substantial network of subsidiaries, the Bank plans to develop IT solutions that will allow services at subsidiaries to be scaled quickly and with minimal reconfiguration.

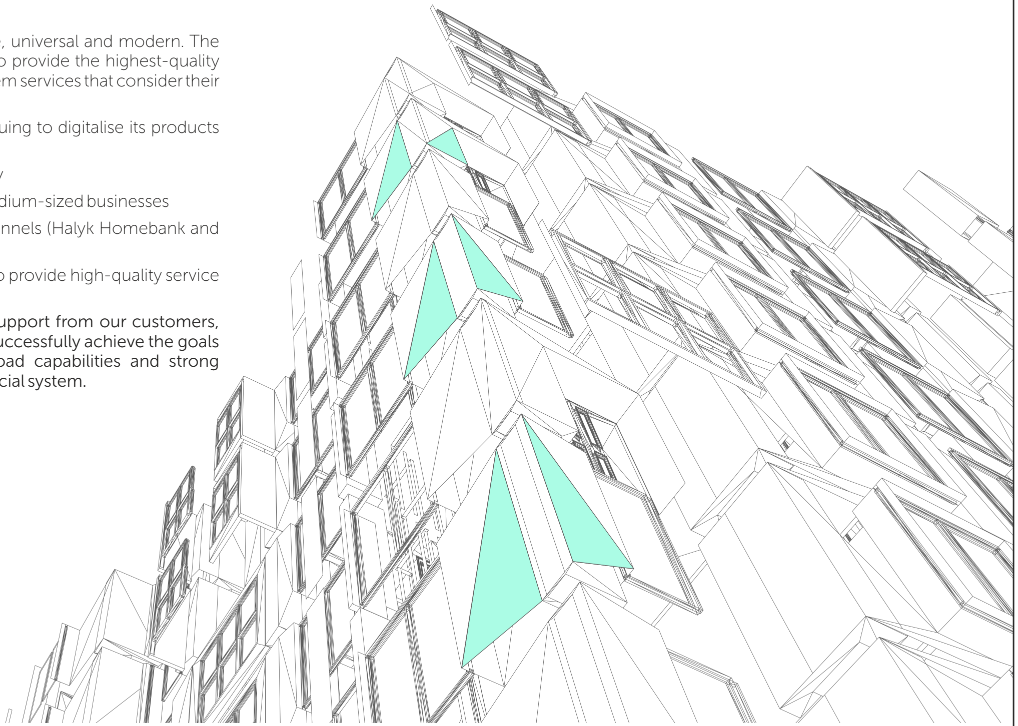
A flexible, adaptive and innovative approach

All the solutions developed by the Bank must be flexible, universal and modern. The Bank aims to select the best IT and business solutions to provide the highest-quality service to its customers, including by developing ecosystem services that consider their investment and entertainment interests.

To achieve these strategic objectives, the Bank is continuing to digitalise its products and services actively. Goals for 2022 include:

- pursuing the further rollout and scaling of Data Factory
- partly digitalising the lending process for large and medium-sized businesses
- continuously developing the Bank's main digital channels (Halyk Homebank and Onlinebank) and expanding the range of their services
- implementing several other equally important tasks to provide high-quality service to customers and partners

We are confident that these key initiatives, as well as support from our customers, partners and shareholders, will enable Halyk Group to successfully achieve the goals set for the next strategic period and reaffirm its broad capabilities and strong reputation as the undisputed leader of Kazakhstan's financial system.



HALYK BANK

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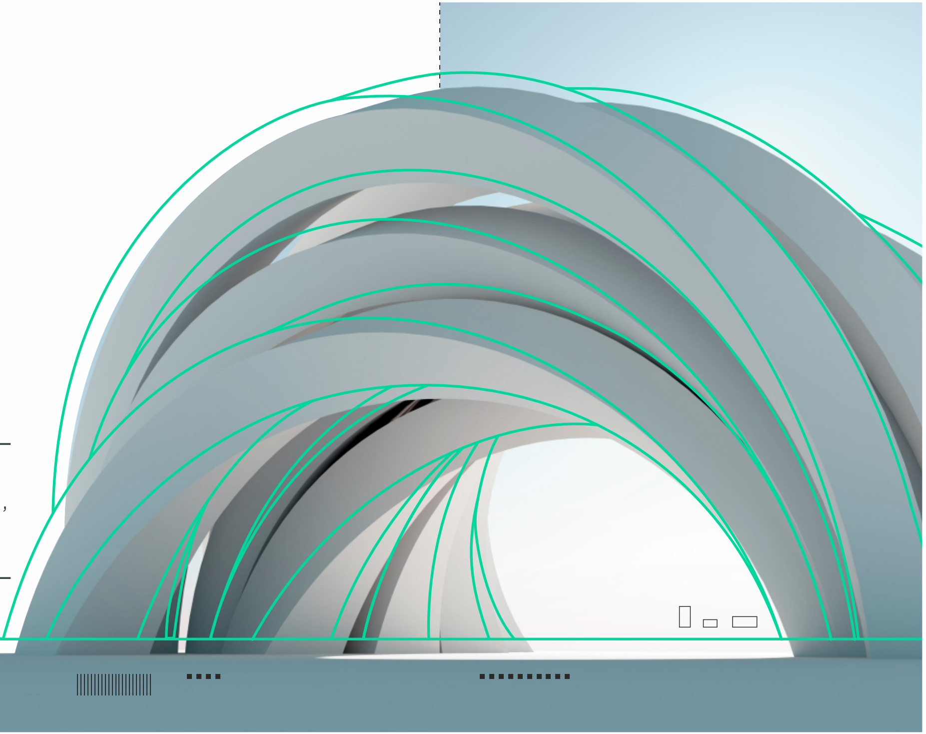
AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR 2021
(including independent auditors' report),
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2021



CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021:

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the Management Board on 14 March 2022.

ON BEHALF OF THE MANAGEMENT BOARD:

MURAT U. KOSHENOV
Deputy Chairperson of the Board

14 March 2022
Almaty, Kazakhstan

PAVEL A. CHEUSSOV
Chief Accountant

14 March 2022
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC Halyk Bank

OPINION

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

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER?	HOW THE MATTER WAS ADDRESSED IN THE AUDIT?
Collective assessment of the expected credit losses on loans to customers As at 31 December 2021, the Group reported total gross loans of KZT 6,250,260 million, including KZT 2,325,341 million subject to collective impairment assessment, which comprise 39% of total gross loans. The expected credit losses ("ECL") resulting from this assessment amounted to KZT 143,227 million. Due to the significance and subjectivity of judgements used by management of the Group and the volume of loans assessed on a collective basis, we identified the collective assessment of expected credit losses as a key audit matter. In particular, we focused on the principal assumptions and significant inputs underlying the estimation of ECL and the integrity of the models used in calculations. Refer to Notes 3, 4, 11 and 33 to the consolidated financial statements for the description of the Group's policy and disclosures of gross carrying amounts and related allowances balances.	We obtained an understanding of processes and control procedures related to the loan origination, credit risk management and ECL assessment for loans to customers, assessed on a collective basis. We challenged the reasonableness of the methodology on collective loan loss provisioning and its compliance with IFRS 9 Financial Instruments requirements. We checked that the data inputs and key assumptions used in the models for assessing PDs and LGDs reflect historical information about incurred credit losses adjusted for relevant forward-looking macroeconomic factors. With the involvement of our credit risk advisory specialists, we tested the integrity and mathematical accuracy of the ECL credit models used by re-performing selective calculations on relevant source data. We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.
Individual assessment of the expected credit losses on loans to customers As at 31 December 2021, the Group's gross loans assessed for impairment on an individual basis amounted to KZT 3,924,919 million, which accounts for 61% of total gross loans. The related ECL comprised KZT 223,848 million. The amount of allowances for the ECL on individually significant loans is dependent on the accuracy of allocation of loans to appropriate stage of impairment in the provisioning system of the Group. The appropriate identification of significant increase in credit risk or credit impairment event require considerable judgment on the basis of quantitative and qualitative information, which results in a focused audit procedures. Additionally, the measurement of ECL on individually significant credit-impaired loans is based on the estimation of future cash flows under different scenarios. Due to the significance of the allowance for expected credit losses on individually assessed loans and the complexity and subjectivity of management's judgements, we identified the individual assessment of ECL as a key audit matter. Refer to Notes 4, 11 and 33 to the consolidated financial statements for the description of impairment indicators on individually significant loans and disclosure of gross carrying amounts and related allowances for such loans.	We obtained an understanding of the loan origination and credit risk management processes. We assessed the Group's definitions of significant increase in credit risk and credit-impairment for assessment of individual loans' ECL. We also evaluated the design and implementation of controls related to individual assessment of the ECL on loans to customers. For a sample of loans identified as stage 1, we performed a detailed credit review and challenged the Group's analysis of whether there was a significant increase in credit risk (stage 2) or default (stage 3). In order to evaluate whether the loans have been appropriately classified to the respective stage, we analysed internal credit ratings (scoring), credit risk factors and checked if relevant impairment events, such as delinquency of interest or principal, restructuring events, external information and certain financial performance indicators had been identified on a timely manner. On a sample basis, we re-performed calculations of allowances for ECL for individually significant loans in stage 2 and 3, including reviewing the Group's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, such as estimated future cash flows and the fair value of collateral. We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

OTHER INFORMATION – ANNUAL REPORT

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of an assurance conclusion thereon.

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, 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 CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

7 March 2018
Almaty, Republic of Kazakhstan

ZHANGIR ZHILYSBAYEV
Engagement partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate
No.MF-0000116
dated 22 November 2012
General Director,
Deloitte LLP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021, 2020 AND 2019
(Millions of Kazakhstani Tenge)

	NOTES	31 December 2021	31 December 2020	31 December 2019
ASSETS				
Cash and cash equivalents	5	1,438,521	1,757,477	1,664,337
Obligatory reserves	6	194,931	170,128	141,006
Financial assets at fair value through profit or loss	7	283,333	242,326	185,031
Amounts due from credit institutions	8	602,125	709,310	53,161
Financial assets at fair value through other comprehensive income	9	1,871,677	1,256,158	1,630,921
Debt securities at amortised cost, net of allowance for expected credit losses	10	1,288,178	1,229,539	1,212,981
Loans to customers	11, 37	5,872,228	4,446,275	3,752,445
Investment property	12	28,007	39,441	46,558
Commercial property	13	92,412	103,098	113,381
Assets classified as held for sale	15	45,412	42,244	45,766
Current income tax assets	21	1,942	782	1,704
Deferred income tax assets	21	250	234	197
Property and equipment and intangible assets	14	183,849	170,581	144,583
Insurance contract assets	16	54,111	39,929	82,009
Other assets	17	134,394	180,310	160,678
TOTAL ASSETS		**12,091,370**	**10,387,832**	**9,234,758**

	NOTES	31 December 2021	31 December 2020	31 December 2019
LIABILITIES AND EQUITY				
LIABILITIES				
Amounts due to customers	18, 37	8,473,407	7,455,977	6,406,413
Amounts due to credit institutions	19	1,071,642	300,727	305,965
Financial liabilities at fair value through profit or loss	7	2,276	2,484	20,444
Debt securities issued	20	499,812	778,192	834,446
Current income tax liability	21	11,539	2,758	10,029
Deferred tax liability	21	50,469	51,281	45,570
Provisions	24	13,193	9,287	3,924
Insurance contract liabilities	16	240,281	191,246	223,702
Other liabilities	22	155,147	102,612	77,042
Total liabilities		**10,517,766**	**8,894,564**	**7,927,535**
EQUITY				
Share capital	23	209,027	209,027	209,027
Share premium reserve		9,067	5,741	3,867
Treasury shares	23	(259,322)	(111,027)	(114,634)
Retained earnings and other reserves		1,614,824	1,389,520	1,208,957
Total equity attributable to owners of the Group		1,573,596	1,493,261	1,307,217
Non-controlling interest		8	7	6
Total equity		**1,573,604**	**1,493,268**	**1,307,223**
TOTAL LIABILITIES AND EQUITY		**12,091,370**	**10,387,832**	**9,234,758**

ON BEHALF OF THE MANAGEMENT BOARD:

MURAT U. KOSHENOV
Deputy Chairperson of the Board

14 March 2022
Almaty, Kazakhstan

PAVEL A. CHEUSSOV
Chief Accountant

14 March 2022
Almaty, Kazakhstan

The notes on pages 97 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019

(Millions of Kazakhstani Tenge, Except for Earnings per Share which is in Tenge)

	NOTES	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Interest income calculated using the effective interest method	25, 37	858,243	717,688	701,350
Other interest income	25	21,622	15,546	8,954
Interest expense	25, 37	(366,792)	(333,741)	(312,326)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE	25	513,073	399,493	397,978
Recovery of credit loss expense / (Credit loss expense)	5, 8, 9, 10, 11, 17	4,004	(26,918)	(30,054)
NET INTEREST INCOME		**517,077**	**372,575**	**367,924**
Fee and commission income	26	138,389	124,121	120,643
Fee and commission expense	26	(71,789)	(63,184)	(54,646)
FEES AND COMMISSIONS, NET		**66,600**	**60,937**	**65,997**
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	27	15,071	3,201	(18,734)
Net realised gain from financial assets at fair value through other comprehensive income		1,401	3,424	8,138
Net foreign exchange gain	28	30,536	40,940	45,379
Insurance underwriting income	29	140,038	85,848	92,983
Share in profit of associate		6,640	6,321	5,742
Income on non-banking activities	31	22,684	27,245	31,301
Other income		2,024	8,391	4,742
OTHER NON-INTEREST INCOME		**218,394**	**175,370**	**169,551**

	NOTES	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Operating expenses	30	(176,608)	(145,814)	(135,325)
Loss from impairment of non-financial assets		(5,829)	(5,145)	(7,429)
Other credit loss expense	24	(4,002)	(5,025)	(1,308)
Insurance claims incurred, net of reinsurance	29	(91,017)	(63,366)	(88,925)
NON-INTEREST EXPENSES		**(277,456)**	**(219,350)**	**(232,987)**
INCOME BEFORE INCOME TAX EXPENSE		524,615	389,532	370,485
Income tax expense	21	(62,237)	(36,878)	(35,974)
NET PROFIT		**462,378**	**352,654**	**334,511**
Attributable to:				
Non-controlling interest		1	1	-
Common shareholders		462,377	352,653	334,511
		462,378	**352,654**	**334,511**
EARNINGS PER SHARE (in Kazakhstani Tenge)	32			
Basic and diluted earnings per share		39.57	30.16	28.64

ON BEHALF OF THE MANAGEMENT BOARD:

MURAT U. KOSHENOV
Deputy Chairperson of the Board

14 March 2022
Almaty, Kazakhstan

PAVEL A. CHEUSSOV
Chief Accountant

14 March 2022
Almaty, Kazakhstan

The notes on pages 97 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019

(Millions of Kazakhstani Tenge)

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Net profit	**462,378**	**352,654**	**334,511**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Gain resulting on revaluation of property and equipment (2021, 2020 and 2019 – net of tax – KZT 58 million, KZT 2,078 million, KZT 18 million)	440	9,043	124
(Loss)/gain on revaluation of equity financial assets at fair value through other comprehensive income	(1,938)	1,870	25
Items that may be subsequently reclassified to profit or loss:			
(Loss)/gain on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (2021, 2020 and 2019 – net of tax – kzt nil)	(24,269)	24,985	42,387
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (2021, 2020 and 2019 - net of tax – kzt nil)	(1,401)	(3,424)	(8,138)
Share of other comprehensive (loss)/income of associate on revaluation of debt financial assets at fair value through other comprehensive income	(475)	(256)	553
Share of other comprehensive income of associate on revaluation of property and equipment	11	-	-
Exchange differences on translating foreign operations (2021, 2020, 2019 – net of tax – kzt nil)	1,066	(4,589)	(552)
Other comprehensive (loss)/ income for the year	(26,566)	27,629	34,399
Total comprehensive income for the year	**435,812**	**380,283**	**368,910**
Attributable to:			
Non-controlling interest	1	1	-
Common shareholders	435,811	380,282	368,910
	435,812	**380,283**	**368,910**

ON BEHALF OF THE MANAGEMENT BOARD:

MURAT U. KOSHENOV
Deputy Chairperson of the Board

14 March 2022
Almaty, Kazakhstan

PAVEL A. CHEUSSOV
Chief Accountant

14 March 2022
Almaty, Kazakhstan

The notes on pages 97 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019

(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2020	**209,027**	**5,741**	**(111,027)**	**4,516**	**53,198**	**27,802**	**1,304,004**	**1,493,261**	**7**	**1,493,268**
Net income	-	-	-	-	-	-	462,377	462,377	1	462,378
Other comprehensive income/(loss)	-	-	-	1,066	(28,083)	451	-	(26,566)	-	(26,566)
Total comprehensive income/(loss)	**-**	**-**	**-**	**1,066**	**(28,083)**	**451**	**462,377**	**435,811**	**1**	**435,812**
Treasury shares purchased (Note 23)	-	(30)	(157,514)	-	-	-	-	(157,544)	-	(157,544)
Treasury shares sold (Note 23)	-	3,356	9,219	-	-	-	-	12,575	-	12,575
Dividends – common shares	-	-	-	-	-	-	(210,783)	(210,783)	-	(210,783)
Recovery of reserves for bonuses to the insured	-	-	-	-	-	-	276	276	-	276
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(732)	732	-	-	-
31 December 2021	**209,027**	**9,067**	**(259,322)**	**5,582**	**25,115**	**27,521**	**1,556,606**	**1,573,596**	**8**	**1,573,604**

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued) FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019

(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2019	**209,027**	**3,867**	**(114,634)**	**9,105**	**30,023**	**20,018**	**1,149,811**	**1,307,217**	**6**	**1,307,223**
Net income	-	-	-	-	-	-	352,653	352,653	1	352,654
Other comprehensive (loss)/ income	-	-	-	(4,589)	23,175	9,043	-	27,629	-	27,629
Total comprehensive (loss)/income	**-**	**-**	**-**	**(4,589)**	**23,175**	**9,043**	**352,653**	**380,282**	**1**	**380,283**
Treasury shares purchased (Note 23)	-	-	(6,697)	-	-	-	-	(6,697)	-	(6,697)
Treasury shares sold (Note 23)	-	1,874	10,304	-	-	-	-	12,178	-	12,178
Dividends – common shares	-	-	-	-	-	-	(199,778)	(199,778)	-	(199,778)
Recovery of reserves for bonuses to the insured	-	-	-	-	-	-	59	59	-	59
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(1,259)	1,259	-	-	-
31 December 2020	**209,027**	**5,741**	**(111,027)**	**4,516**	**53,198**	**27,802**	**1,304,004**	**1,493,261**	**7**	**1,493,268**

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued) FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019

(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2018	**209,027**	**1,839**	**(111,441)**	**9,657**	**(4,804)**	**20,970**	**940,392**	**1,065,640**	**6**	**1,065,646**
Net income	-	-	-	-	-	-	334,511	334,511	-	334,511
Other comprehensive (loss)/ income	-	-	-	(552)	34,827	124	-	34,399	-	34,399
Total comprehensive (loss)/income	**-**	**-**	**-**	**(552)**	**34,827**	**124**	**334,511**	**368,910**	**-**	**368,910**
Treasury shares purchased (Note 23)	-	-	(16,304)	-	-	-	-	(16,304)	-	(16,304)
Treasury shares sold (Note 23)	-	2,028	13,111	-	-	-	-	15,139	-	15,139
Dividends – common shares	-	-	-	-	-	-	(125,923)	(125,923)	-	(125,923)
Insurance bonuses to the insured	-	-	-	-	-	-	(245)	(245)	-	(245)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(1,076)	1,076	-	-	-
31 December 2019	**209,027**	**3,867**	**(114,634)**	**9,105**	**30,023**	**20,018**	**1,149,811**	**1,307,217**	**6**	**1,307,223**

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.

ON BEHALF OF THE MANAGEMENT BOARD:

MURAT U. KOSHENOV
Deputy Chairperson of the Board

14 March 2022
Almaty, Kazakhstan

PAVEL A. CHEUSSOV
Chief Accountant

14 March 2022
Almaty, Kazakhstan

The notes on pages 97 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019

(Millions of Kazakhstani Tenge)

	NOTES	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES:				
Interest received from financial assets at fair value through profit or loss		19,626	12,696	6,200
Interest received from cash and cash equivalents and amounts due from credit institutions		18,061	20,580	38,080
Interest received on financial assets at fair value through other comprehensive income		65,147	47,259	45,300
Interest received on debt securities at amortised cost, net of allowance for expected credit losses		99,170	98,563	93,345
Interest received from loans to customers		620,583	453,012	449,927
Interest paid on amounts due to customers		(290,482)	(225,577)	(214,704)
Interest paid on amounts due to credit institutions		(8,475)	(9,623)	(4,647)
Interest paid on debt securities issued		(40,840)	(63,058)	(65,309)
Fee and commission received		138,914	123,269	120,610
Fee and commission paid		(71,714)	(63,722)	(54,314)
Insurance underwriting income received		140,038	81,924	89,586
Ceded reinsurance share (paid)/ received		(1,290)	7,454	(2,593)
Receipts/(payments) from financial derivatives		10,053	(1,319)	(154)
Other income received		46,592	35,636	36,043
Operating expenses paid		(152,670)	(129,579)	(120,720)
Insurance claims paid		(62,801)	(37,661)	(54,351)
Cash flows from operating activities before changes in net operating assets		529,912	349,854	362,299
Changes in operating assets and liabilities:				
(Increase)/decrease in operating assets:				
Obligatory reserves		(24,803)	(29,122)	(25,274)
Financial assets at fair value through profit or loss		(32,039)	(41,426)	(13,906)
Amounts due from credit institutions		128,117	(640,098)	5,313
Loans to customers		(1,416,498)	(604,156)	(395,660)
Assets classified as held for sale		13,423	26,433	10,394
Insurance contract assets		(10,550)	10,731	(5,862)
Other assets		5,886	(7,079)	(19,461)
Increase/(decrease) in operating liabilities:				
Amounts due to customers		969,775	763,718	(58,841)
Amounts due to credit institutions		768,765	(8,181)	138,087
Financial liabilities at fair value through profit or loss		(906)	(18,231)	13,390
Insurance contract liabilities		18,541	(31,920)	6,180
Other liabilities		49,778	11,185	32,908
Net cash inflow/(outflow) from operating activities before income tax		999,401	(218,292)	49,567
Income tax paid		(55,444)	(37,553)	(13,789)
Net cash inflow/(outflow) from operating activities		**943,957**	**(255,845)**	**35,778**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019
(Millions of Kazakhstani Tenge)

	NOTES	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase and prepayments for property and equipment and intangible assets		(24,665)	(31,703)	(16,887)
Proceeds on sale of property and equipment and intangible assets		745	3,939	3,028
Proceeds on sale of investment property		16,309	1,494	6,278
Proceeds on sale of commercial property		29,865	35,621	26,311
Proceeds from sale of financial assets at fair value through other comprehensive income		408,519	1,064,720	349,067
Purchase of financial assets at fair value through other comprehensive income		(1,002,914)	(554,126)	(109,407)
Proceeds from sale of debt securities at amortised cost, net of allowance for expected credit losses		5,946	14,602	24,413
Proceeds from sale of debt securities at amortised cost, net of allowance for expected credit losses		(64,326)	(30,758)	(179,882)
Capital expenditures on commercial property		(3,373)	(1,251)	(327)
Net cash (outflow)/ inflow from investing activities		**(633,894)**	**502,538**	**102,594**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds on sale of treasury shares		12,575	12,178	15,139
Purchase of treasury shares		(157,544)	(6,697)	(16,304)
Dividends paid – common shares		(210,783)	(199,778)	(125,923)
Redemption and repayment of debt securities issued	20	(305,470)	(126,213)	(82,261)
Repayment of lease liabilities		(2,356)	(1,923)	(1,490)
Net cash outflow from financing activities		**(663,578)**	**(322,433)**	**(210,839)**
Effect of changes in foreign exchange rates on cash and cash equivalents		34,559	168,880	(18,334)
Net change in cash and cash equivalents		(318,956)	93,140	(90,801)
CASH AND CASH EQUIVALENTS, beginning of the year	**5**	**1,757,477**	**1,664,337**	**1,755,138**
CASH AND CASH EQUIVALENTS, end of the year	**5**	**1,438,521**	**1,757,477**	**1,664,337**

During the years ended 31 December 2021, 2020 and 2019, there were non-cash transfers, which were excluded from the consolidated statement of cash flows and were disclosed in Notes 12, 13, 15 and 23.

ON BEHALF OF THE MANAGEMENT BOARD:

MURAT U. KOSHENOV
Deputy Chairperson of the Board

14 March 2022
Almaty, Kazakhstan

PAVEL A. CHEUSSOV
Chief Accountant

14 March 2022
Almaty, Kazakhstan

The notes on pages 97 to 176 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019
(Millions of Kazakhstani Tenge)

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank (the "Bank") and its subsidiaries (collectively, the "Group") provide corporate and retail banking services principally in Kazakhstan, Russia, Kyrgyzstan, Tajikistan, Georgia and Uzbekistan, leasing services in Kazakhstan and Russia, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on 3 February 2020. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Deposit Insurance Fund.

The Bank's primary business includes originating loans and guarantees, collecting deposits, trading in securities and foreign currencies, executing transfers, cash and payment card operations, as well as rendering other banking services to its customers. In addition, the Bank acts as a non-exclusive agent of the Government of the Republic of Kazakhstan in channeling various budgetary payments and pensions through its nationwide branch network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE") and Astana International Exchange. The Bank's Global Depository Receipts ("GDRs") are primary listed on the London Stock Exchange, KASE and Astana International Exchange.

The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva via JSC HG Almex.

As at 31 December 2021, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 445 cash settlement units (31 December 2020 – 24, 120 and 467, respectively, 31 December 2019 – 24, 120 and 482, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 31 December 2021, the number of the Group's full-time equivalent employees was 17,038 (31 December 2019 – 16,991, 31 December 2019 – 16,387).

The consolidated financial statements of the Group for the year ended 31 December 2021 were authorised for issue by the Management Board on 14 March 2022.

LEGAL PROCEEDINGS

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly, no provision has been made in these consolidated financial statements.

OPERATING ENVIRONMENT

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

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

During 2021, the average price of Brent crude oil was approximately 68.63 USD/bbl. (43.86 USD/bbl. during 2020 year). Based on the results of 2021 year, Kazakhstan's GDP increased by 3.5%-3.7% in annual terms. Economic recovery continued amid rising world prices in commodity markets and easing quarantine restrictions. Meanwhile, inflation in December 2021 was 8.4% on an annualized basis.

As at 31 December 2021, the base rate set by the National Bank of the Republic of Kazakhstan ("NBRK") was 9.75% ± 1% (9.0% ± 1% as at 31 December 2020). Short-term notes of NBRK remain the key instrument to withdraw excess KZT liquidity from the system.

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

COVID-19 PANDEMIC

Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. Therefore, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Kazakhstan economy.

The coronavirus pandemic presents an unprecedented social and economic challenge, which is having a significant impact on people and businesses in Kazakhstan and around the world. The Group's financial strength and business model enables the Group to play a significant role, together with the Government, regulators and other authorities, in helping Kazakhstan manage through this crisis supporting the customers of the Group. The growth rate of the number of the infected population has stabilized. 76.7% of the total number of citizens of the Republic of Kazakhstan subject to vaccination received the vaccine in full or in part.

During 2021, the economic environment has undergone changes:

- rising prices for energy and other minerals;
- slowdown in GDP growth in the world;
- growth of inflationary expectations in Kazakhstan and in the world.

The changes in the economic environment, described above, may have significant impact on the Group's operations in future, by affecting its borrowers' ability to repay the amounts due to the Group. The following main activities are performed by the Group to support its clients:

- Offering of the loans under the state support programs;
- Change in loan conditions for customers due to quarantine restrictions and consequences of the COVID-19 pandemic;
- Expansion of offering through digital channels of products and services, which were previously provided exclusively at the Bank's branches;
- Extension of payment cards of individuals, which expire during the quarantine period.

The management of the Group is monitoring developments in the current environment and taking measures it considers necessary in order to support the sustainability and development of the Group's business in the foreseeable future.

OWNERSHIP

As at 31 December 2021, 2020 and 2019, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

31 DECEMBER 2021

	Total shares Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	69.6%
GDR holders	3,119,831,600	28.6%
Other	192,635,022	1.8%
TOTAL SHARES IN CIRCULATION (ON CONSOLIDATED BASIS)	**10,896,004,850**	**100%**

31 DECEMBER 2020

	Total shares Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	64.9%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	2,969,178,640	25.4%
Other	413,569,107	3.6%
TOTAL SHARES IN CIRCULATION (ON CONSOLIDATED BASIS)	**11,684,340,715**	**100%**

31 DECEMBER 2019

	Total shares Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	65.1%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.2%
GDR holders	3,001,602,000	25.7%
Other	353,390,222	3.0%
TOTAL SHARES IN CIRCULATION (ON CONSOLIDATED BASIS)	**11,656,585,190**	**100%**

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

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

These consolidated financial statements have been prepared assuming that the Group is a going concern, as the Group have the resources to continue in operation for the foreseeable future. In making this assessment, the management have considered a wide range of information in relation to present and future economic conditions, including projections of cash flows, profit and capital resources. In addition, the management of the Group observed that the emergence of COVID-19 pandemic during the first half of 2020 and the associated lock-down measures have determined negative effects that are expected to be offset, only in part, by the economic relief measures put in place by the government of the Republic of Kazakhstan. In order to ensure that the Group have adequate resources to continue to operate for the foreseeable future and also acknowledging the current uncertainty surrounding the economic recovery and the long-term impact of the lock-down measures adopted, the management of the Group have considered the implications of the COVID-19 pandemic upon the Group's performance, projected funding and capital positions and also have taken into account the impact of further stress scenarios, as well as a number of other key dependencies which are set out in the financial risk management section (Note 33) to ensure that the Group will continue to operate profitably in the foreseeable future.

These consolidated financial statements are presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated.

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are accounted for at fair value and insurance contract liabilities which are accounted for based on actuarial calculations and certain property and equipment which are carried at revalued cost less depreciation and impairment as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the date of the consolidated statement of financial position (current) and more than 12 months after the date of the consolidated statement of financial position (non-current) is presented in Note 33.

FUNCTIONAL CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Bank is KZT. The presentation currency of the consolidated financial statements is KZT.

CONSOLIDATED SUBSIDIARIES

These consolidated financial statements include the following subsidiaries:

SUBSIDIARIES	HOLDING %			COUNTRY	INDUSTRY
	31 December 2021	31 December 2020	31 December 2019		
JSC Halyk-Leasing	100	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	100	Kazakhstan	Telecom-munications
OJSC Halyk Bank Kyrgyzstan	100	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	100	Kazakhstan	Life insurance
JSC Insurance Company Halyk	99.99	99.99	99.99	Kazakhstan	General insurance
JSC Halyk Bank Georgia	100	100	100	Georgia	Banking
LLC Halyk Project	100	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Commercial Bank Moskommertsbank	100	100	100	Russia	Banking
CJSC Halyk Bank Tajikistan	100	100	100	Tajikistan	Banking
JSC Halyk Global Markets	100	100	100	Kazakhstan	Broker and dealer activities
LLP KUSA Halyk	100	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ	100	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ 1	100	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Finservice	100	100	100	Kazakhstan	Payment card processing and other related services
JSCB Tenge Bank	100	100	-	Uzbekistan	Banking

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

These consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

The profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to any non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to any non-controlling interests even if this results in any non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

NON-CONTROLLING INTERESTS

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group. Transactions with non-controlling shareholders are presented as financing activities in the consolidated statement of cash flows.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 "Income Taxes" ("IAS 12");
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" ("IFRS 2") at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5") are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts and amounts due from credit institutions and reverse repo agreements with original maturities within three months.

OBLIGATORY RESERVES

Obligatory reserves represent funds in correspondent accounts with the National Banks of Kazakhstan, Kyrgyzstan, Georgia, Tajikistan, Uzbekistan and the Central Bank of the Russian Federation and cash which are not available to finance the Group's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

AMOUNTS DUE FROM CREDIT INSTITUTIONS

In the normal course of business, the Group maintains current restricted accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for expected credit losses.

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Group accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

FINANCIAL ASSETS

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 "Financial Instruments" ("IFRS 9") are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Retention of an asset to obtain the cash flows stipulated by the contract. This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets. This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "retention of an asset to obtain the cash flows stipulated by the contract" business model.
- Retention of an asset for other purposes. Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are

deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

FINANCIAL ASSETS OR FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.
- Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

DEBT INSTRUMENTS AT AMORTISED COST OR AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments that reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

COLLATERAL

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

RECLASSIFICATION OF FINANCIAL ASSETS

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. Renegotiated terms are evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

When a financial asset is modified due to commercial reasons, the Group considers various qualitative factors (change in currency, interest rate, maturity) and on that basis concludes whether old loan should be derecognised and new loan should be recognised at fair value.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification. Please also refer to Note 11 for more details.

IMPAIRMENT

Calculation of financial assets impairment is carried out taking into account the following factors:

- In order to calculate the ECL, the Bank performs a loan assessment on an individual basis and on a group basis depending on general credit risk features.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
- Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

Allowances for expected credit losses

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

For more details about staging refer to Notes 5, 8, 9, 10, 11 and 17.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate ("EIR"), regardless of whether it is measured on an individual basis or a collective basis.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default, which affects both the measurement of ECLs and the identification of a significant increase in credit risk. Please also refer to Note 4 for more details.

For the details of supportable forward-looking information, please refer to Note 33 for more details.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING

The Group enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilised by the Group as an element of its treasury management.

Repos are treated as secured financing transactions. Securities sold under repos are retained in the consolidated statement of financial position and, in case the transferee has the right, by contract or custom, to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions.

Securities purchased under reverse repos are recorded as amounts due from credit institutions, amounts due customers or cash and cash equivalents as appropriate. The difference between the sale and repurchase prices is treated as interest and accrued over the life of the repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the consolidated statement of profit or loss. The obligation to return securities borrowed is recorded at fair value as a trading liability.

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Kazakhstan and other Commonwealth of Independent States ("CIS"), the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

OFFSETTING

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Derivative held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and credit default swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 7.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market, credit, and liquidity risks (Note 33).

CREDIT-IMPAIRED FINANCIAL ASSETS

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. The decision to use cross-default is based on case-by-case assessment of client's facility conditions such as collateral and materiality of exposure.

PURCHASED OR ORIGINATED CREDIT-IMPAIRED (“POCI”) FINANCIAL ASSETS

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain (recovery of credit loss expense).

WRITE OFF

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains. Where loans are secured, they are generally written off after receipt of any proceeds from the sale of collateral. When such net realizable value of collateral has been determined and no reasonable expectation of further recovery, write off may be earlier.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the

Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Group has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Modification and derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that 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 rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

TAXATION

The current income tax expense is calculated in accordance with the regulations of Kazakhstan and other countries where the Group operates.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset and reported net in the consolidated statement of financial position if:

- The Group has a legally enforceable right to offset current income tax assets against current income tax liabilities; and
- Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Kazakhstan and other countries where the Group operates also have various operating taxes that are assessed on the Group's activities. These taxes are recorded as taxes other than income tax.

The Group records a provision for uncertain tax positions if it is probable that the Group will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Group's best estimate of the amount expected to be paid. Provisions are reversed to income in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment, except for any buildings and construction which are carried at revalued amount, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	YEARS
Buildings and construction	20-100
Vehicles	5-7
Computers and banking equipment	5-10
Other	7-10

Leasehold improvements are amortised over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses, unless they qualify for capitalisation.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognised in the respective year and is included in operating expenses.

Buildings and construction held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such buildings and construction is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such buildings and construction is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and construction is charged to the consolidated statement of profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not subject to amortisation.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is recognised on a straight-line basis over the following estimated useful lives:

	YEARS
Customer deposit intangibles	5
Software	10
Licensing agreements for the right to use the software	10
Other	10

ASSETS HELD FOR SALE

Non-current assets and the liabilities directly associated with non-current assets are classified as held for sale ("disposal group") if it is highly probable that the net asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognised in profit or loss. Any subsequent increase in an asset's fair value less costs to sell is recognised to the extent of the cumulative impairment loss that was previously recognised in profit or loss in relation to that specific asset.

INVESTMENT PROPERTY

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the property is derecognised.

COMMERCIAL PROPERTY

In certain circumstances, the Group may foreclose commercial properties as part of the settlement of loan agreements with customers. The Group intends to sell these properties in the normal course of business and therefore these are initially measured at fair value including transaction costs and subsequently measured at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the commercial property is expected to be realised for. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

AMOUNTS DUE TO CUSTOMERS AND CREDIT INSTITUTIONS

Amounts due to customers and credit institutions are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. Subsequently, amounts due are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of profit or loss.

DEBT SECURITIES ISSUED

Debt securities issued represent bonds issued by the Group, which are accounted for according to the same principles used for amounts due to customers and credit institutions. Any difference between proceeds received, net of debt issuance costs, and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

EQUITY

The Group classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Group, after the deduction of liabilities.

The components of a compound financial instrument issued by the Group are classified and accounted for separately as financial assets, financial liabilities or equity instruments as appropriate.

Share capital

External costs directly attributable to the issue of new shares, other than in a business combination, are shown as a deduction from the proceeds in equity. Prior to 13 May 2003, any excess of the fair value of consideration received over the nominal value of shares issued was recognised as share premium reserve. Effective 13 May 2003, upon a change in the law concerning "Joint Stock Companies", the nominal amount concept was restricted to placement of shares only between the founders of an entity. For all other investors, share capital is recorded at placement value being the consideration received by an entity for its shares.

Treasury shares

When the Group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the Group are cancelled. Repurchased shares are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity. Dividends on shares purchased by the Group's subsidiaries are eliminated upon consolidation.

Dividends

Dividends are recognised as a liability and deducted from equity on the date they are declared. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- Revaluation reserve of financial assets at fair value through other comprehensive income which comprises changes in fair value of financial assets at fair value through other comprehensive income and allowances for expected credit losses on debt financial assets at fair value through other comprehensive income;
- Cumulative translation reserve which is used to record foreign exchange differences arising from the translation of the net investment in foreign operations;
- Property revaluation reserve, which comprises revaluation reserve of land and buildings.

CONTINGENCIES

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

CONTINGENT LIABILITIES ACQUIRED IN A BUSINESS COMBINATION

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting years, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15").

FIDUCIARY ACTIVITIES

The Group provides trustee services to its customers. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations. Revenue for provision of trustee services is recognised as services are provided.

RECOGNITION OF INCOME AND EXPENSE

Interest income and expense for all financial instruments, except for financial assets measured or designated at fair value through profit or loss are recognized in 'Net interest income' as 'Interest income calculated using the effective interest method' and 'Interest expense' in the profit or loss account using the effective interest method.

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

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets POCI the EIR reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Loan origination fees for loans issued to customers are (together with related direct costs) recognised as an adjustment to the effective yield of the loans. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognised in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in profit or loss on expiry.

Fee and commission income

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Group identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognises income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Group's influence. The consideration is subsequently allocated to the identified performance obligation.

Fee and commission income from maintenance of customer accounts and cash operations include fees earned from deposit products in lieu of compensating balances, service charges for transactions performed upon depositors' request, as well as fees earned from performing cash management activities. Service charges on deposit products are recognized over the period in which the related service is provided, typically monthly. Service fees are recognized at a point in time upon completion of the requested service transaction. Fees on cash management products are recognized over time as services are provided.

Plastic cards operations fee and commission income include interchange income from credit and debit card transactions and are recognized at a point in time upon settlement by the associated network. Interchange rates are generally set by the associated network based on purchase volume and other factors. Other card-related fees are recognized at a point in time upon completion of the transaction.

Other banking fees include fees for various transactional banking activities such as bank transfers, letters of credit fees and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided. Letter of credit fees primarily includes fees received related to letter of credit agreements and are generally recognized upon execution of the contract.

The adoption of IFRS 15 has not had any material impact on the disclosures or on the amounts reported in the consolidated financial statements.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in KZT, which is the functional currency of the Bank and each of its subsidiaries, except for foreign subsidiaries. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the currency rate of exchange as quoted by KASE as at the reporting date. Gains and losses resulting from the translation of foreign currency transactions into functional currency are recognised in the consolidated statement of profit or loss as net foreign exchange gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into the Group's presentation currency at the exchange rates as at the consolidated statement of financial position date, and their statements of profit or loss are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net foreign exchange gain or loss. The market exchange rate at 31 December 2021 was – KZT 431.67 to USD 1, KZT 5.77 to RUB, KZT 487.79 to EUR (at 31 December 2020 was – KZT 420.91 to USD 1, KZT 5.6 to RUB, KZT 516.79 EUR; at 31 December 2019 – KZT 382.59 to USD, KZT 6.16 to RUB, KZT 429.00 to EUR).

INSURANCE

Insurance contracts are those contracts which transfer significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Group utilises accounting policies determined by NBRK for insurance companies of Kazakhstan.

In accordance with the Kazakhstan regulations, when insurance contracts contain a discretionary participation feature with no guaranteed element, such additional payments to the insured are contingent on a decision reached at the annual general shareholders' meeting and should be presented as an allocation of retained earnings and not as an expense.

The Group offers various insurance products in property and casualty, liability, personal, and life insurance.

Insurance underwriting income

Insurance underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance, reduced by the net change in the unearned premium reserve.

Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned insurance premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within insurance contract liabilities in the consolidated statement of financial position.

Losses and loss adjustments are charged to the consolidated statement of profit or loss as incurred through the reassessment of the reserve for claims and loss adjustment expenses, and included within insurance claims incurred, net of reinsurance in the consolidated statement of profit or loss.

Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is written and deemed enforceable.

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are capitalised and recorded in the accompanying consolidated statement of financial position within insurance contract assets. The asset related to deferred acquisition costs is subsequently amortised over the period in which the related written premiums are earned and is reviewed for impairment in circumstances where its carrying amount may not be recoverable. If the asset is greater than the recoverable amount, it is written down immediately. All other costs are recognised as expenses when incurred.

Reserve for insurance losses and loss adjustment expenses

The reserve for insurance losses and loss adjustment expenses is included in insurance contract liabilities in the consolidated statement of financial position and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting year.

The incurred but not reported reserve ("IBNR") for motor, hull and liability insurance is actuarially determined and is based upon statistical claim data for the year typical for loss development of the classes and sub-classes of business and the Group's previous experience.

Due to the lack of the Group's specific historical data and comparable industry data for other lines of business, the reserve for IBNR claims is determined by applying current government guidance as provided by NBRK. Under this guidance, the IBNR reserve is calculated in an amount of 5% of the insurance premiums written during the last twelve months preceding the settlement date in this class of insurance.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss in the year in which they are determined.

Reinsurance

In the ordinary course of business, the Group cedes reinsurance risk to reinsurers. Such reinsurance arrangements provide for greater diversification of risks, allow management to control exposure to potential losses arising from insured risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from re-insurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Payables to reinsurers for ceded premium are recorded gross when due, unless a right of offset exists against commission receivable from the reinsurer and are included in the consolidated statement of financial position within insurance contract assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are both transferred by the Group to the re-insurer.

The Group regularly assesses its reinsurance assets for impairment. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

INCOME AND EXPENSES ON NON-BANKING ACTIVITIES

The income and expenses of the non-banking subsidiaries of the Group, the main activity of which is acquisition of distressed investment property and commercial property from the Bank and further management and/or sale of such assets, is recognized in the consolidated statement of profit or loss on a net basis as income and expenses on non-banking activities. Income and expenses on non-banking activities include income / expenses on sale of investment property, commercial property and assets held for sale and income/expenses on other transactions with real estate, which includes operating lease income, registration expenses and income/expenses from sale of accompanying property.

SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

FINANCIAL GUARANTEE CONTRACTS AND LETTERS OF CREDIT ISSUED

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognised at fair value. Subsequently, they are measured at the higher of (a) the amount recognised as a provision and (b) the amount initially recognised less, where appropriate, cumulative amortisation of initial premium revenue received over the financial guarantee contracts or letters of credit issued.

THE GROUP AS A LESSOR

In cases where the Group is the lessor under a lease, each lease is classified as an operating lease or finance lease. Contracts that transfer substantially all of the risks and rewards of ownership of the leased asset, but not necessarily the legal title to them, are classified as finance leases. At the start date of the lease, the Group recognizes assets held under finance leases in its consolidated statement of financial position and presents them as receivables in an amount equal to the net investment in the lease. Initial direct costs are included in the initial measurement of the net investment in the lease and are deducted from the income recognized over the lease term. Finance income receivable is recognized in interest income over the lease term so as to provide a constant rate of return on the net investment in the lease.

Agreements that do not transfer substantially all of the risks and rewards of ownership of the leased asset, but not necessarily legal title to them, are classified as operating leases. Assets subject to operating leases continue to be included in the Group's balance sheet in accordance with the category (balance sheet item) to which they were assigned. Operating lease receivables are recognized over the lease term on an accrual basis.

THE GROUP AS A LESSEE

When the Group acts as a lessee, leases are accounted for using the right-of-use model. This model assumes that at the start date of the lease, the lessee has a financial obligation to make the lease payments to the lessor for the right to use the underlying asset over the lease term. The cost of a right-of-use asset includes the initial measurement of the lease liability, lease payments at or before start date of the lease, less incentive payments received for the lease, and incremental lease costs that would not have been incurred if the lease had not been concluded.

Subsequent accounting for the right-of-use asset is carried out at its historical cost:

- less accumulated depreciation and accumulated impairment losses; and
- adjusted for the revaluation of the lease liability.

Depreciation is carried out on a straight-line basis until the expiry date of the lease.

The lease liability is measured on initial recognition at the present value of the lease payments that have not yet been settled at that date. The present value is calculated by discounting the lease payments using the interest rate implicit in the lease or the incremental borrowing rate.

After the commencement date of the lease, the Group measures the lease liability as follows:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- revaluing the carrying amount to reflect revaluation or modification of leases.

The right-of-use model does not apply to short-term leases (no longer than 12 months) that do not contain an option to purchase the underlying asset, or contracts with a low value of the underlying asset (up to USD 5,000). Lease payments for such leases are recognized as an expense over the lease term on an accrual basis.

New and amended IFRS Standards that are effective for the current year.

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

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

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

NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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

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

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except for IFRS 17 Insurance Contracts as described below.

IFRS 17 INSURANCE CONTRACTS

IFRS 17 establishes principles for recognition, measurement, disclosure and presentation of insurance contracts, and supersedes IFRS 4 Insurance Contracts.

IFRS 17 establishes a general model, which is modified and defined with respect to insurance contracts with direct participation features as the variable fee approach. If certain criteria are met, the general model is simplified by measuring liability for the remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows, and it separately estimates the cost of such uncertainty. The model takes into account market interest rates and the impact of options and guarantees of policyholders.

Standard is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. It is applied retrospectively, if practicable, otherwise a modified retrospective approach or fair value accounting should be applied. The draft of Amendments to IFRS 17, issues and difficulties associated with the implementation, which were identified after the issuance of IFRS 17. In this regard, the official entry into force of the standard was postponed until January 1, 2023 (established – from January 1, 2021).

In order to meet transitional requirements, the date of initial application is the beginning of the annual reporting period in which the entity first applies this standard, and the date of transition is the beginning of the period immediately preceding the date of initial application.

The management of the Group expects that the application of this standard will have an impact on the consolidated financial statements of the Group in the future. The calculation of the expected effect of the transition will be carried out after the approval of the legislative framework during 2022.

4. 4A. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting year. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

SIGNIFICANT INCREASE OF CREDIT RISK

As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information (refer to Note 33 for more details).

ESTABLISHING THE NUMBER AND RELATIVE WEIGHTINGS OF FORWARD-LOOKING SCENARIOS FOR EACH TYPE OF PRODUCT/MARKET AND DETERMINING THE FORWARD-LOOKING INFORMATION RELEVANT TO EACH SCENARIO

For treasury operations, the Bank calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty's/issuer's environment in the future. In particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default.

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage.

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 33 for more details.

The key inputs used for measuring ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

PROBABILITY OF DEFAULT

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default. The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

PD for individually assessed loans of corporate, small and medium businesses is estimated using an internal rating model based on the quantitative and qualitative characteristics of the borrower. The calculation of PD on loans assessed on a collective basis is carried out on the basis of historical data using the migration matrices and roll-rates.

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, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch and Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated and sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

EXPOSURE AT DEFAULT

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

MODELS AND ASSUMPTIONS USED

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Notes 5, 8, 9, 10, 11, 17 and 33 for more details on allowances for ECL and Note 36 for more details on fair value measurement.

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are reasonable in current circumstances.

In order to reflect objectively the impact of the prevailing macroeconomic conditions and in accordance with the recommendations of the International Accounting Standards Board, the Group adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recorded in the consolidated financial statements for the year ended 31 December 2020:

- The Group refined the approach of calculating macroeconomic parameters in the probability of default rates of borrowers, as disclosed in Note 33. The impact of macroeconomic indicators is assessed, which more accurately reflects the changing economic conditions and an updated forecast of macroeconomic indicators is used based on the most relevant information.

In 2021, the allowances for ECL of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions and available forward-looking information.

The carrying amount of the allowance for ECL of loans to customers as at 31 December 2021 is KZT 378,032 million (31 December 2020: KZT 378,041 million; 31 December 2019 is KZT 408,718 million).

FAIR VALUE MEASUREMENT AND VALUATION PROCESS

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 36 for more details on fair value measurement.

PROPERTY AND EQUIPMENT CARRIED AT REVALUED AMOUNTS

Buildings and construction are measured at revalued amounts. The latest appraisal was in November 2020. Details of the valuation techniques used are set out in Note 14.

TAXATION

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

As at 31 December 2021, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net income.

CLAIMS LIABILITY AND RESERVES ARISING FROM INSURANCE CONTRACTS

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. For certain lines of business, IBNR claims form the majority of insurance contract liabilities in the consolidated statement of financial position. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull, property, accident and liability insurance, the Group actuarially determines the liability using past claims settlement trends to predict future claims settlement amounts. In estimating the cost of reported and IBNR claims for certain other lines of business, management applies current government guidance, as provided by NBRK, due to the absence of sufficient historical data. Under this guidance, the IBNR reserve is calculated using the expected loss ratio for each line of business, less the cumulative losses actually reported. General insurance claims provisions are not discounted for the time value of money.

The gross reserves for claims and the related receivables for reinsurance recoveries are based on information available to management and the ultimate amounts may vary as a result of subsequent information and events and may result in adjustments to the amounts recovered. Actual claims experience may differ from the historical pattern on which the estimate is based and the cost of settling individual claims may differ from costs previously estimated. Any adjustments to the amount of reserves will be reflected in the consolidated financial statements in the year in which the necessary adjustments become known and estimable.

4B. RECLASSIFICATIONS

Certain reclassification have been made to the consolidated statement of profit or loss for the years ended 31 December 2020 and 2019 to conform to the presentation for the year ended.

31 December 2021, as management believes that loyalty programs should be netted with fee and commission income in accordance with the requirements of IFRS 15 on revenue accounting. The reclassification is related to the loyalty program, according to which the Group accrues bonuses to customers on card transactions, which in turn should be recognized under IFRS 15 as a "decrease in revenue", i.e. in this case, a decrease in fee and commission income.

	As previously reported	Reclassification amount	As reclassified
	31 December 2019	31 December 2019	31 December 2019
Fee and commission income	123,256	(2,613)	120,643
Operating expenses	(137,938)	2,613	(135,325)

	As previously reported	Reclassification amount	As reclassified
	31 December 2020	31 December 2020	31 December 2020
Fee and commission income	131,399	(7,278)	124,121
Operating expenses	(153,092)	7,278	(145,814)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2021	31 December 2020	31 December 2019
Cash on hand	245,615	214,693	180,553
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	156,830	150,183	155,818
Short-term deposits with OECD based banks	-	4,068	595,229
Overnight deposits with OECD based banks	86,360	-	15,731
Correspondent accounts with NBRK	108,649	26,899	418,688
Short-term deposits with NBRK	525,076	1,108,212	191,337
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	217,387	194,467	58,331
Correspondent accounts with non-OECD based banks	47,543	7,420	18,341
Short-term deposits with non-OECD based banks	41,779	48,802	26,459
Overnight deposits with non-OECD based banks	9,282	2,733	3,850
	1,438,521	**1,757,477**	**1,664,337**

As at 31 December 2021, 2020 and 2019, cash and cash equivalents allowance for expected credit losses comprised KZT 42 million, KZT 46 million and KZT 20 million, respectively.

The movements in accumulated allowances for expected credit losses of cash and cash equivalents were as follows:

	31 December 2021	31 December 2020	31 December 2019
	Stage 1	Stage 2	Stage 3
At the beginning of the year	(46)	(20)	(9)
Changes in risk parameters	7	(22)	(12)
Foreign exchange differences and other movements	(3)	(4)	1
At the end of the year	**(42)**	**(46)**	**(20)**

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are as follows:

	31 December 2021		31 December 2020		31 December 2019	
	KZT	Foreign currencies	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	-	-	1.0%	-	1.0%-2.5%
Overnight deposits with OECD based banks	-	0.1%	-	-	-	1.3%
Short-term deposits with NBRK	8.8%	0.3%	8.0%	0.3%	-	0.5%
Short-term deposits with Kazakhstan banks	8.8%-10.8%	0.3%	8.0%-12.5%	0.3%-4.8%	8.8%-12.8%	1.5%-3.9%
Short-term deposits with non-OECD based banks	-	5.0%-14.0%	-	0.1%-6.5%	-	4.1%-9.0%
Overnight deposits with non-OECD based banks	-	5.5%-10.5%	-	2.8%-8.0%	7.0%	2.0%-9.2%

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements as at 31 December 2021, 2020 and 2019 are as follows:

	31 December 2021		31 December 2020		31 December 2019	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	169,204	168,195	122,697	122,708	8,192	8,514
Bonds of Kazakhstan corporations	18,053	18,058	17,423	18,280	10,008	10,930
Notes of NBRK	10,774	10,774	38,821	38,863	15,425	15,901
Eurobonds of the Russian Federation	10,697	10,234	13,129	13,821	18,625	18,929
Bonds of international financial organizations	-	-	2,100	2,100	5,056	5,618
Equity securities	-	-	199	199	140	186
Treasury bills of the Ministry of the Finance of Russian Federation	-	-	98	102	-	-
Treasury bills of the Kyrgyz Republic	-	-	-	-	885	910
	208,728	**207,261**	**194,467**	**196,073**	**58,331**	**60,988**

As at 31 December 2021, 2020 and 2019, maturities of loans under reverse repurchase agreements are less than one month.

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	31 December 2021	31 December 2020	31 December 2019
Cash and due from banks allocated to obligatory reserves	194,931	170,128	141,006
	194,931	**170,128**	**141,006**

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of the Republic of Kazakhstan, Kyrgyzstan, Georgia, Tajikistan, Uzbekistan and Central Bank of the Russian Federation and used for calculation of the minimum reserve requirements. As at 31 December 2021, obligatory reserves of the Bank's subsidiaries – OJSC Halyk Bank Kyrgyzstan, JSC Halyk Bank Georgia, JSC Commercial Bank Moskommertsbank, JSCB Tenge Bank and CJSC Halyk Bank Tajikistan comprised KZT 17,401 million (31 December 2021 – KZT 10,224 million, 31 December 2019 – KZT 7,973 million).

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	31 December 2021	31 December 2020	31 December 2019
Financial assets held for trading:			
Corporate bonds	142,817	115,748	89,587
Treasury bills of the Ministry of Finance of Kazakhstan	41,576	52,306	9,569
Bonds of JSC Development Bank of Kazakhstan	24,311	25,679	14,843
Bonds of Kazakhstan banks	22,855	8,682	9,523
Bonds of foreign organizations	19,253	10,687	11,403
Equity securities of Kazakhstan corporations	11,080	11,307	20,866
Equity securities of foreign organizations	10,476	6,487	8,634
Derivative financial instruments	5,633	3,672	5,088
Eurobonds of foreign states	5,332	7,758	14,088
Notes of NBRK	-	-	1,430
	283,333	**242,326**	**185,031**

Financial liabilities at fair value through profit or loss comprise:

	31 December 2021	31 December 2020	31 December 2019
Financial liabilities held for trading:			
Derivative financial instruments	2,276	2,484	20,444

Interest rates on financial assets 0ble below are calculated as weighted average of the effective interest rates for the respective financial assets:

	31 December 2021	31 December 2020	31 December 2019
Corporate bonds	10.2%	10.5%	10.7%
Treasury bills of the Ministry of Finance of Kazakhstan	6.2%	9.0%	9.1%
Bonds of JSC Development Bank of Kazakhstan	10.2%	10.5%	9.1%
Bonds of Kazakhstan banks	10.5%	11.5%	11.5%
Bonds of foreign organizations	5.7%	6.1%	8.9%
Eurobonds of foreign states	3.9%	3.6%	2.2%
Notes of NBRK	-	-	9.4%

Derivative financial instruments comprise:

Foreign currency contracts	31 December 2021			31 December 2020			31 December 2019		
	Notional amount	Fair value		Notional amount	Fair value		Notional amount	Fair value	
		Asset	Liability		Asset	Liability		Asset	Liability
Swaps	267,388	5,069	1,660	242,701	3,656	2,381	947,346	4,642	19,983
Spots	26,511	552	578	40,172	16	102	29,903	446	461
Forwards	12,155	12	38	290	-	1	2,383	-	-
		5,633	2,276		3,672	2,484		5,088	20,444

As at 31 December 2021, 2020 and 2019, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable and unobservable market data.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	31 December 2021	31 December 2020	31 December 2019
Term deposits and restricted accounts	550,272	660,776	26,186
Deposit pledged as collateral	31,029	26,596	13,409
Loans to credit institutions	21,022	22,199	13,733
	602,323	**709,571**	**53,328**
Less - Allowance for expected credit losses	(198)	(261)	(167)
	602,125	**709,310**	**53,161**

Interest rates and maturities of amounts due from credit institutions are as follows:

	31 December 2021		31 December 2020		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Term deposits and restricted accounts	0.3-18.0	2022-2023	0.1-14.0	2021	0.1-14.0	2020-2023
Deposit pledged as collateral	0.1-2.5	2046	0.2-1.8	2046	0.2-3.0	2046
Loans to credit institutions	2.0-13.0	2022	2.0-8.5	2021	1.5-6.2	2020

The movements in accumulated allowances for expected credit losses of amounts due from credit institutions were as follows:

	31 December 2021	31 December 2020	31 December 2019
	Stage 1	Stage 2	Stage 3
At the beginning of the year	(261)	(167)	(232)
Changes in risk parameters	59	(91)	69
Foreign exchange differences and other movements	4	(3)	(4)
At the end of the year	**(198)**	**(261)**	**(167)**

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt securities comprise:

	31 December 2021	31 December 2020	31 December 2019
Treasury bills of the Ministry of Finance of Kazakhstan	1,087,639	708,749	431,344
Bonds of JSC Development Bank of Kazakhstan	216,932	106,839	78,904
Corporate bonds	199,402	141,732	199,517
Bonds of foreign organizations	184,344	147,241	96,701
Eurobonds of foreign states	127,123	82,470	9,061
Notes of NBRK	21,685	59,709	466,821
Bonds of Kazakhstan banks	13,818	3,442	3,169
Local municipal bonds	11,573	-	-
Treasury bills of the USA	-	-	342,889
	1,862,516	**1,250,182**	**1,628,406**

Equity securities comprise:

	31 December 2021	31 December 2020	31 December 2019
Equity securities of Kazakhstan corporations	9,161	5,976	2,515
	9,161	**5,976**	**2,515**
Total financial assets at fair value through other comprehensive income	**1,871,677**	**1,256,158**	**1,630,921**

As at 31 December 2021, 2020 and 2019, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 2,677 million, KZT 1,710 million and KZT 1,658 million, respectively (Note 10).

As at 31 December 2021, 2020 and 2019, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 886,912 million, KZT 119,654 million, and KZT 108,203 million, respectively, pledged under repurchase agreements with the other banks (see Note 19). All repurchase agreements as at 31 December 2021, 2020 and 2019 mature before 28 January 2022, 22 January 2021 and 22 January 2020, respectively.

Interest rates and maturities of financial assets at fair value through other comprehensive income are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2021		31 December 2020		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	4.6%	2022-2045	4.6%	2021-2045	4.8%	2020-2045
Bonds of JSC Development Bank of Kazakhstan	5.1%	2022-2032	6.1%	2022-2032	5.7%	2022-2032
Bonds of foreign organisations	3.4%	2022-2027	4.4%	2021-2025	5.9%	2020-2036
Corporate bonds	10.1%	2022-2047	10.9%	2021-2047	8.5%	2020-2047
Eurobonds of foreign states	1.0%	2022-2025	2.1%	2021-2025	2.0%	2020-2023
Bonds of Kazakhstan banks	10.9%	2022-2026	11.9%	2022-2023	10.9%	2020-2023
Notes of NBRK	9.2%	2022	9.5%	2021	9.2%	2020
Local municipal bonds	10.8%	2026	-	-	-	-
Treasury bills of the USA	-	-	-	-	2.1%	2020

10. DEBT SECURITIES AT AMORTISED COST, NET OF ALLOWANCE FOR EXPECTED CREDIT LOSSES

Debt securities at amortised cost, net of allowances for expected credit losses comprise:

	31 December 2021	31 December 2020	31 December 2019
Treasury bills of the Ministry of Finance of Kazakhstan	1,045,031	1,044,920	1,044,902
Corporate bonds	178,538	171,946	156,685
Bonds of foreign organizations	56,793	1,927	1,946
Treasury bills of the Kyrgyz Republic	3,849	4,296	4,667
Notes of National Bank of Georgia	2,436	2,229	1,906
Bonds of Kazakhstan banks	1,531	-	-
Notes of National Bank of Kyrgyz Republic	-	509	904
Notes of National Bank of Tajikistan	-	3,712	1,971
	1,288,178	**1,229,539**	**1,212,981**

As at 31 December 2021, 2020 and 2019, the allowance for expected credit losses on debt securities at amortised cost comprised KZT 545 million, KZT 574 million and KZT 562 million, respectively.

Interest rates and maturities of debt securities at amortised cost, net of allowance for expected credit losses are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2021		31 December 2020		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	9.2%	2022-2027	9.3%	2022-2027	9.3%	2022-2027
Corporate bonds	3.2%	2024	3.3%	2022-2024	7.0%	2022-2024
Bonds of foreign organizations	4.1%	2023-2025	7.8%	2021-2025	9.1%	2020-2026
Treasury bills of the Kyrgyz Republic	8.0%	2022-2024	6.3%	2021-2024	4.9%	2020-2021
Notes of National Bank of Georgia	8.8%	2024-2028	8.7%	2024-2028	10.6%	2020-2025
Bonds of Kazakhstan banks	4.1%	2023	-	-	-	-
Notes of National Bank of Kyrgyz Republic	-	-	4.8%	2021	5.2%	2020
Notes of National Bank of Tajikistan	-	-	10.1%	2021	13.5%	2020

The movements in accumulated allowances for expected credit losses of debt securities at amortised cost, net of allowances for expected credit losses and financial assets at fair value through other comprehensive income were as follows:

	31 December 2021			31 December 2020			31 December 2019			
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**(1,262)**	**(1,022)**	**(2,284)**	**(1,185)**	**(1,035)**	**(2,220)**	**(1,101)**	**(21)**	**(1,881)**	**(3,003)**
Changes in risk parameters*	251	1,247	1,498	160	180	340	35	21	(20)	36
New originations or purchases of financial assets*	(678)	-	(678)	(236)	-	(236)	(338)	-	-	(338)
Derecognition of financial assets*	35	-	35	28	-	28	208	-		208
Recoveries of allowances on previously written-off assets	-	(1,919)	(1,919)							
Write-offs	-	102	102	-	-	-	-	-	866	866
Foreign exchange differences and other movements	26	(2)	24	(29)	(167)	(196)	11	-	-	11
At the end of the year	**(1,628)**	**(1,594)**	**(3,222)**	**(1,262)**	**(1,022)**	**(2,284)**	**(1,185)**	**-**	**(1,035)**	**(2,220)**

* FS line "Recovery of credit loss expense / (Credit loss expense)" in the consolidated statement of profit or loss is comprised from "Changes in risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".

11. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2021	31 December 2020	31 December 2019
Originated loans to customers	6,236,850	4,811,892	4,143,692
Overdrafts	13,410	12,424	17,471
	6,250,260	**4,824,316**	**4,161,163**
Stage 1	5,469,752	4,015,322	3,338,205
Stage 2	245,157	216,589	159,120
Stage 3	502,058	533,519	586,025
Purchased or originated credit-impaired assets (“POCI”)	33,293	58,886	77,813
Total	**6,250,260**	**4,824,316**	**4,161,163**
Less – Allowance for expected credit losses	(378,032)	(378,041)	(408,718)
Loans to customers	**5,872,228**	**4,446,275**	**3,752,445**

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. For the year ended 31 December 2021, average interest rate on loans was 12.6% (for the year ended 31 December 2020 –12.7%, for the year ended 31 December 2019 – 12.8%).

As at 31 December 2021, the Group's loan concentration to the ten largest borrowers was KZT 1,192,775 million, which comprised 19% of the Group's total gross loan portfolio (as at 31 December 2020 – KZT 840,995 million, 17%, as at 31 December 2019 – KZT 775,224 million, 19%) and 56% of the Group's total equity (as at 31 December 2020 – 56%; as at 31 December 2019 – 66%). As at 31 December 2021, the allowance for expected credit losses created against these loans was KZT 5,026 million (as at 31 December 2020 – KZT 4,732 million, as at 31 December 2019 – KZT 58,782 million). The significant reduction in allowance for ECL created against top ten loans in 2020 was mostly due to write-off of significant impaired exposure from the Group's balance sheet in 2020.

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2021	31 December 2020	31 December 2019
Loans collateralised by pledge of real estate or rights thereon	1,643,667	1,605,495	1,594,776
Loans collateralised by guarantees	1,228,357	1,173,271	875,201
Consumer loans issued within the framework of payroll projects*	1,091,952	791,973	638,485
Loans collateralised by mixed types of collateral	698,877	122,281	62,149
Loans collateralised by cash	335,919	214,025	219,611
Loans collateralised by pledge of vehicles	210,002	63,788	72,266
Loans collateralised by pledge of corporate shares	148,009	144,782	166,694
Loans collateralised by pledge of equipment	101,313	18,469	10,348
Loans collateralised by pledge of inventories	67,379	18,219	39,357
Loans collateralised by pledge of agricultural products	276	14,851	7,463
Unsecured loans	724,509	657,162	474,813
	6,250,260	**4,824,316**	**4,161,163**
Less – Allowance for expected credit losses	(378,032)	(378,041)	(408,718)
Loans to customers	**5,872,228**	**4,446,275**	**3,752,445**

* These loans are collateralised by cash to be received in the future from the employees of companies within the framework of salary projects.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, charges over real estate properties, equipment, guarantees of legal entities with external rating not lower than 'B';
- For retail lending, mortgages over residential properties, motor vehicles.

The Group obtained the following financial and non-financial assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Group's policy is to realise collateral on a timely basis. The primary purpose of collateral is to reduce the potential credit loss in case of default. Management monitors the market value of collateral obtained during its review of the adequacy of the allowance for expected credit losses.

Loans are granted to the following sectors:

	31 December 2021	%	31 December 2020	%	31 December 2019	%
Retail loans:						
- consumer loans	1,625,469	26%	1,055,522	22%	810,438	19%
- mortgage loans	283,837	5%	270,513	6%	256,053	6%
	1,909,306		**1,326,035**		**1,066,491**	
Services	747,595	12%	683,652	14%	567,589	14%
Wholesale trade	437,116	7%	374,274	8%	427,760	10%
Retail trade	343,291	5%	310,049	6%	271,342	7%
Oil and gas	332,966	5%	213,306	5%	207,410	5%
Real estate	306,401	5%	293,966	6%	293,923	7%
Energy	301,949	5%	201,268	4%	67,655	2%
Chemical industry	297,820	5%	34,011	1%	30,312	1%
Financial services	248,777	4%	100,339	2%	90,871	2%
Construction	220,524	4%	215,618	4%	190,814	5%
Agriculture	200,405	3%	127,205	3%	139,110	3%
Food industry	176,100	3%	97,510	2%	65,799	2%
Transportation	155,590	2%	206,024	4%	166,824	4%
Mining	118,584	2%	165,090	3%	169,167	4%
Machinery	113,060	2%	60,058	1%	44,199	1%
Metallurgy	95,767	2%	171,642	4%	172,245	4%
Communication	76,359	1%	115,473	2%	91,678	2%
Hotel industry	58,591	1%	47,710	1%	41,879	1%
Light industry	37,896	0%	28,277	1%	19,204	0%
Other	72,163	1%	52,809	1%	36,891	1%
	6,250,260	**100%**	**4,824,316**	**100%**	**4,161,163**	**100%**

Restructured and modified loans to customers

The Bank derecognises a financial asset, such as a loan to a customer, if the terms of the contract are renegotiated in such a way that it effectively becomes a new loan and the difference is recognized as a gain or loss on derecognition before an impairment loss is recognized. On initial recognition, loans to customers are classified in Stage 1 for the purpose of estimating expected credit losses, unless the loan originated is considered POCI. If the modification does not result in a significant change in cash flows, then derecognition does not occur. No material modification gain/(loss) of loans to customers was recognized in 2021, 2020 and 2019.

As at 31 December 2021, accrued interest on loans comprised KZT 173,466 million (31 December 2020 – KZT 179,879 million, 31 December 2019 – KZT 165,444 million).

During the years ended 31 December 2021, 2020 and 2019, the Group received financial and non-financial assets by taking possession of collateral it held as security. As at 31 December 2021, 2020 and 2019, such assets of KZT 14,524 million, KZT 12,112 million and KZT 36,304 million, respectively, are included in assets classified as held for sale.

As at 31 December 2021, 2020 and 2019, loans to customers included loans of KZT 329,185 million, KZT 369,731 million and KZT 351,440 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due.

The following is a reconciliation of the gross carrying amounts at the beginning and end of year:

	31 December 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**4,015,322**	**216,589**	**533,519**	**58,886**	**4,824,316**
Transfer to Stage 1	52,159	(34,259)	(17,900)	-	-
Transfer to Stage 2	(222,992)	226,763	(3,771)	-	-
Transfer to Stage 3	(197,116)	(43,505)	240,621	-	-
New originations or purchases of financial assets	5,374,798	-	-	5,813	5,380,611
Assets derecognised or repaid	(2,409,050)	(29,687)	(92,650)	(17,659)	(2,549,046)
Write-offs	-	-	(51,878)	(4,173)	(56,051)
Changes in the gross value of financial assets*	(1,143,369)	(90,744)	(105,881)	(9,576)	(1,349,570)
At the end of the year	**5,469,752**	**245,157**	**502,058**	**33,293**	**6,250,260**

Corporate Business	31 December 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**2,199,629**	**176,581**	**258,682**	**49,598**	**2,684,490**
Transfer to Stage 1	14,050	(14,050)	-	-	-
Transfer to Stage 2	(153,157)	153,532	(375)	-	-
Transfer to Stage 3	(114,458)	(16,861)	131,319	-	-
New originations or purchases of financial assets	2,983,348	-	-	5,689	2,989,037
Assets derecognised or repaid	(1,567,558)	(17,647)	(38,622)	(17,659)	(1,641,486)
Write-offs	-	-	(16,627)	(3,797)	(20,424)
Changes in the gross value of financial assets*	(527,249)	(84,341)	(100,102)	(6,859)	(718,551)
At the end of the year	**2,834,605**	**197,214**	**234,273**	**26,974**	**3,293,066**

Retail Business	31 December 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**1,161,588**	**14,660**	**159,301**	**-**	**1,335,549**
Transfer to Stage 1	20,792	(11,540)	(9,252)	-	-
Transfer to Stage 2	(24,169)	26,156	(1,987)	-	-
Transfer to Stage 3	(38,189)	(12,430)	50,619	-	-
New originations or purchases of financial assets	1,385,199	-	-	-	1,385,199
Assets derecognised or repaid	(393,661)	(3,925)	(40,081)	-	(437,667)
Write-offs	-	-	(21,878)	-	(21,878)
Changes in the gross value of financial assets*	(352,882)	(1,288)	5,148	-	(349,022)
At the end of the year	**1,758,678**	**11,633**	**141,870**	**-**	**1,912,181**

	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**3,338,205**	**159,120**	**586,025**	**77,813**	**4,161,163**
Transfer to Stage 1	34,343	(10,223)	(24,120)	-	-
Transfer to Stage 2	(139,098)	148,383	(9,285)	-	-
Transfer to Stage 3	(215,829)	(35,453)	251,282	-	-
New originations or purchases of financial assets	3,947,786	-	-	-	3,947,786
Assets derecognised or repaid	(1,999,780)	(24,473)	(70,536)	(17,451)	(2,112,240)
Write-offs	-	-	(72,056)	(8,280)	(80,336)
Changes in the gross value of financial assets*	(950,305)	(20,765)	(127,791)	6,804	(1,092,057)
At the end of the year	**4,015,322**	**216,589**	**533,519**	**58,886**	**4,824,316**

SME Business	31 December 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**654,105**	**25,348**	**115,536**	**9,288**	**804,277**
Transfer to Stage 1	17,317	(8,669)	(8,648)	-	-
Transfer to Stage 2	(45,666)	47,075	(1,409)	-	-
Transfer to Stage 3	(44,469)	(14,214)	58,683	-	-
New originations or purchases of financial assets	1,006,251	-	-	124	1,006,375
Assets derecognised or repaid	(447,831)	(8,115)	(13,947)	-	(469,893)
Write-offs	-	-	(13,373)	(376)	(13,749)
Changes in the gross value of financial assets*	(263,238)	(5,115)	(10,927)	(2,717)	(281,997)
At the end of the year	**876,469**	**36,310**	**125,915**	**6,319**	**1,045,013**

Corporate Business	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**1,946,349**	**137,268**	**307,764**	**65,745**	**2,457,126**
Transfer to Stage 1	9,306	(294)	(9,012)	-	-
Transfer to Stage 2	(90,534)	91,290	(756)	-	-
Transfer to Stage 3	(138,641)	(14,970)	153,611	-	-
New originations or purchases of financial assets	2,422,620	-	-	-	2,422,620
Assets derecognised or repaid	(1,448,418)	(14,338)	(36,077)	(17,195)	(1,516,028)
Write-offs	-	-	(34,214)	(8,112)	(42,326)
Changes in the gross value of financial assets*	(501,053)	(22,375)	(122,634)	9,160	(636,902)
At the end of the year	**2,199,629**	**176,581**	**258,682**	**49,598**	**2,684,490**

Retail Business	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**877,031**	**11,920**	**164,460**	**-**	**1,053,411**
Transfer to Stage 1	12,679	(6,408)	(6,271)	-	-
Transfer to Stage 2	(8,826)	15,621	(6,795)	-	-
Transfer to Stage 3	(41,035)	(8,116)	49,151	-	-
New originations or purchases of financial assets	762,410	-	-	-	762,410
Assets derecognised or repaid	(196,034)	(2,366)	(9,570)	-	(207,970)
Write-offs	-	-	(29,211)	-	(29,211)
Changes in the gross value of financial assets*	(244,637)	4,009	(2,463)	-	(243,091)
At the end of the year	**1,161,588**	**14,660**	**159,301**	**-**	**1,335,549**

	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**2,984,811**	**142,663**	**671,408**	**91,990**	**3,890,872**
Transfer to Stage 1	36,811	(15,796)	(21,015)	-	-
Transfer to Stage 2	(109,461)	129,522	(20,061)	-	-
Transfer to Stage 3	(213,815)	(35,199)	249,014	-	-
New originations or purchases of financial assets	3,847,470	-	-	-	3,847,470
Assets derecognised or repaid	(1,977,313)	(25,393)	(132,119)	(1,856)	(2,136,681)
Write-offs	-	-	(41,867)	(1,687)	(43,554)
Changes in the gross value of financial assets*	(1,210,509)	(40,771)	(135,030)	(10,634)	(1,396,944)
At the end of the year	**3,338,205**	**159,120**	**586,025**	**77,813**	**4,161,163**

SME Business	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**514,825**	**9,932**	**113,801**	**12,068**	**650,626**
Transfer to Stage 1	12,358	(3,521)	(8,837)	-	-
Transfer to Stage 2	(39,738)	41,472	(1,734)	-	-
Transfer to Stage 3	(36,153)	(12,367)	48,520	-	-
New originations or purchases of financial assets	762,756	-	-	-	762,756
Assets derecognised or repaid	(355,328)	(7,769)	(24,889)	(256)	(388,242)
Write-offs	-	-	(8,631)	(168)	(8,799)
Changes in the gross value of financial assets*	(204,615)	(2,399)	(2,694)	(2,356)	(212,064)
At the end of the year	**654,105**	**25,348**	**115,536**	**9,288**	**804,277**

Corporate Business	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**1,791,553**	**114,676**	**340,165**	**76,363**	**2,322,757**
Transfer to Stage 1	10,057	(4,094)	(5,963)	-	-
Transfer to Stage 2	(62,549)	78,244	(15,695)	-	-
Transfer to Stage 3	(138,071)	(14,090)	152,161	-	-
New originations or purchases of financial assets	2,390,289	-	-	-	2,390,289
Assets derecognised or repaid	(1,443,682)	(13,833)	(47,745)	(1,600)	(1,506,860)
Write-offs	-	-	(27,632)	(1,501)	(29,133)
Changes in the gross value of financial assets*	(581,459)	(27,729)	(103,222)	(7,517)	(719,927)
At the end of the year	**1,946,349**	**137,268**	**307,764**	**65,745**	**2,457,126**

Retail Business	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**756,583**	**13,775**	**204,286**	**-**	**974,644**
Transfer to Stage 1	14,234	(7,989)	(6,245)	-	-
Transfer to Stage 2	(17,709)	20,273	(2,564)	-	-
Transfer to Stage 3	(40,722)	(9,500)	50,222	-	-
New originations or purchases of financial assets	736,144	-	-	-	736,144
Assets derecognised or repaid	(183,562)	(2,854)	(59,960)	-	(246,376)
Write-offs	-	-	(9,630)	-	(9,630)
Changes in the gross value of financial assets*	(387,937)	(1,785)	(11,649)	-	(401,371)
At the end of the year	**877,031**	**11,920**	**164,460**	**-**	**1,053,411**

SME Business	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**436,675**	**14,212**	**126,957**	**15,627**	**593,471**
Transfer to Stage 1	12,520	(3,713)	(8,807)	-	-
Transfer to Stage 2	(29,203)	31,005	(1,802)	-	-
Transfer to Stage 3	(35,022)	(11,609)	46,631	-	-
New originations or purchases of financial assets	721,037	-	-	-	721,037
Assets derecognised or repaid	(350,069)	(8,706)	(24,414)	(256)	(383,445)
Write-offs	-	-	(4,605)	(186)	(4,791)
Changes in the gross value of financial assets*	(241,113)	(11,257)	(20,159)	(3,117)	(275,646)
At the end of the year	**514,825**	**9,932**	**113,801**	**12,068**	**650,626**

* Changes in the gross value of financial assets includes changes in gross carrying amount associated with partial repayment of debt, accrual of interest income and foreign exchange differences

The movements in accumulated allowances for expected credit losses of loans to customers were as follows:

	31 December 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(55,473)**	**(37,479)**	**(266,657)**	**(18,432)**	**(378,041)**
Transfer to Stage 1	(8,709)	2,661	6,048	-	-
Transfer to Stage 2	4,147	(5,229)	1,082	-	-
Transfer to Stage 3	16,401	5,057	(21,458)	-	-
Changes in risk parameters*	46,994	(15,597)	(39,970)	(7,326)	(15,899)
New originations or purchases of financial assets*	(98,916)	-	-	(278)	(99,194)
Derecognition of financial assets*/**	25,991	2,409	55,909	19,998	104,307
Recoveries of allowances on previously written-off assets	-	-	(25,430)	(16,611)	(42,041)
Write-offs	-	-	51,878	4,173	56,051
Foreign exchange differences and other movements	(281)	(191)	(1,644)	(1,099)	(3,215)
At the end of the year	**(69,846)**	**(49,369)**	**(240,242)**	**(19,575)**	**(378,032)**

Corporate Business	31 December 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(10,803)**	**(35,057)**	**(168,609)**	**(17,429)**	**(231,898)**
Transfer to Stage 1	(150)	106	44	-	-
Transfer to Stage 2	1,795	(1,795)	-	-	-
Transfer to Stage 3	11,257	1,538	(12,795)	-	-
Changes in risk parameters*	25,563	(8,853)	(3,444)	(6,214)	7,052
New originations or purchases of financial assets*	(44,026)	-	-	(278)	(44,304)
Derecognition of financial assets*/**	10,787	1,964	43,513	19,383	75,647
Recoveries of allowances on previously written-off assets	-	-	(1,439)	(14,858)	(16,297)
Write-offs	-	-	16,628	3,796	20,424
Foreign exchange differences and other movements	(209)	(102)	(1,093)	(1,098)	(2,502)
At the end of the year	**(5,786)**	**(42,199)**	**(127,195)**	**(16,698)**	**(191,878)**

Retail Business	31 December 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(37,467)**	**(1,133)**	**(59,559)**	**-**	**(98,159)**
Transfer to Stage 1	(6,330)	2,226	4,104	-	-
Transfer to Stage 2	1,591	(2,483)	892	-	-
Transfer to Stage 3	2,652	2,796	(5,448)	-	-
Changes in risk parameters*	15,520	(5,820)	(22,698)	-	(12,998)
New originations or purchases of financial assets*	(43,231)	-	-	-	(43,231)
Derecognition of financial assets*/**	12,346	171	8,135	-	20,652
Recoveries of allowances on previously written-off assets	-	-	(7,804)	-	(7,804)
Write-offs	-	-	21,878	-	21,878
Foreign exchange differences and other movements	(72)	(89)	(520)	-	(681)
At the end of the year	**(54,991)**	**(4,332)**	**(61,020)**	**-**	**(120,343)**

	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(36,305)**	**(45,797)**	**(302,834)**	**(23,782)**	**(408,718)**
Transfer to Stage 1	(6,662)	2,230	4,432	-	-
Transfer to Stage 2	1,806	(4,934)	3,128	-	-
Transfer to Stage 3	14,339	5,847	(20,186)	-	-
Changes in risk parameters*	6,495	4,858	(29,527)	9,734	(8,440)
New originations or purchases of financial assets*	(45,001)	-	-	-	(45,001)
Derecognition of financial assets*/**	10,044	1,038	22,769	384	34,235
Recoveries of allowances on previously written-off assets	-	-	(11,896)	(9,388)	(21,284)
Write-offs	-	-	72,056	8,280	80,336
Foreign exchange differences and other movements	(547)	(721)	(4,599)	(3,302)	(9,169)
At the end of the year	**(55,831)**	**(37,479)**	**(266,657)**	**(18,074)**	**(378,041)**

SME Business	31 December 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(7,203)**	**(1,289)**	**(38,489)**	**(1,003)**	**(47,984)**
Transfer to Stage 1	(2,229)	329	1,900	-	-
Transfer to Stage 2	761	(951)	190	-	-
Transfer to Stage 3	2,492	723	(3,215)	-	-
Changes in risk parameters*	5,911	(924)	(13,828)	(1,112)	(9,953)
New originations or purchases of financial assets*	(11,659)	-	-	-	(11,659)
Derecognition of financial assets*/**	2,858	274	4,261	615	8,008
Recoveries of allowances on previously written-off assets	-	-	(16,187)	(1,753)	(17,940)
Write-offs	-	-	13,372	377	13,749
Foreign exchange differences and other movements	-	-	(31)	(1)	(32)
At the end of the year	**(9,069)**	**(1,838)**	**(52,027)**	**(2,877)**	**(65,811)**

Corporate Business	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(5,553)**	**(43,753)**	**(201,737)**	**(20,831)**	**(271,874)**
Transfer to Stage 1	(484)	10	474	-	-
Transfer to Stage 2	162	(607)	445	-	-
Transfer to Stage 3	264	2,611	(2,875)	-	-
Changes in risk parameters*	4,773	6,719	(6,703)	7,379	12,168
New originations or purchases of financial assets*	(13,018)	-	-	-	(13,018)
Derecognition of financial assets*/**	3,441	881	15,914	168	20,404
Recoveries of allowances on previously written-off assets	-	-	(8,286)	(8,392)	(16,678)
Write-offs	-	-	34,214	8,112	42,326
Foreign exchange differences and other movements	(746)	(918)	(55)	(3,507)	(5,226)
At the end of the year	**(11,161)**	**(35,057)**	**(168,609)**	**(17,071)**	**(231,898)**

Retail Business	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(28,029)**	**(873)**	**(63,376)**	**-**	**(92,278)**
Transfer to Stage 1	(5,422)	1,997	3,425	-	-
Transfer to Stage 2	1,147	(3,572)	2,425	-	-
Transfer to Stage 3	13,445	2,150	(15,595)	-	-
Changes in risk parameters*	2,271	(864)	(13,120)	-	(11,713)
New originations or purchases of financial assets*	(26,510)	-	-	-	(26,510)
Derecognition of financial assets*/**	5,364	47	3,277	-	8,688
Recoveries of allowances on previously written-off assets	-	-	(353)	-	(353)
Write-offs	-	-	29,211	-	29,211
Foreign exchange differences and other movements	267	(18)	(5,453)	-	(5,204)
At the end of the year	**(37,467)**	**(1,133)**	**(59,559)**	**-**	**(98,159)**

	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(43,516)**	**(28,716)**	**(322,917)**	**(14,644)**	**(409,793)**
Transfer to Stage 1	(13,930)	7,727	6,203	-	-
Transfer to Stage 2	9,109	(23,780)	14,671	-	-
Transfer to Stage 3	49,988	4,163	(54,151)	-	-
Changes in risk parameters*	17,469	(7,252)	(13,953)	(3,894)	(7,630)
New originations or purchases of financial assets*	(68,134)	-	-	-	(68,134)
Derecognition of financial assets*/**	12,299	1,663	31,512	2,340	47,814
Recoveries of allowances on previously written-off assets	-	-	(11,457)	(9,874)	(21,331)
Write-offs	-	-	41,867	1,687	43,554
Foreign exchange differences and other movements	410	398	5,391	603	6,802
At the end of the year	**(36,305)**	**(45,797)**	**(302,834)**	**(23,782)**	**(408,718)**

SME Business	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(2,723)**	**(1,171)**	**(37,721)**	**(2,951)**	**(44,566)**
Transfer to Stage 1	(756)	223	533	-	-
Transfer to Stage 2	497	(755)	258	-	-
Transfer to Stage 3	630	1,086	(1,716)	-	-
Changes in risk parameters*	(549)	(997)	(9,704)	2,355	(8,895)
New originations or purchases of financial assets*	(5,473)	-	-	-	(5,473)
Derecognition of financial assets*/**	1,239	110	3,578	216	5,143
Recoveries of allowances on previously written-off assets	-	-	(3,257)	(996)	(4,253)
Write-offs	-	-	8,631	168	8,799
Foreign exchange differences and other movements	(68)	215	909	205	1,261
At the end of the year	**(7,203)**	**(1,289)**	**(38,489)**	**(1,003)**	**(47,984)**

Corporate Business	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(28,721)**	**(18,953)**	**(213,125)**	**(13,033)**	**(273,832)**
Transfer to Stage 1	(9,194)	5,100	4,094	-	-
Transfer to Stage 2	6,012	(15,695)	9,683	-	-
Transfer to Stage 3	32,992	2,748	(35,740)	-	-
Changes in risk parameters*	29,938	(18,314)	(11,075)	(3,466)	(2,917)
New originations or purchases of financial assets*	(44,968)	-	-	-	(44,968)
Derecognition of financial assets*/**	8,117	1,098	20,798	2,083	32,096
Recoveries of allowances on previously written-off assets	-	-	(7,562)	(8,453)	(16,015)
Write-offs	-	-	27,632	1,501	29,133
Foreign exchange differences and other movements	271	263	3,558	537	4,629
At the end of the year	**(5,553)**	**(43,753)**	**(201,737)**	**(20,831)**	**(271,874)**

Retail Business	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(10,008)**	**(6,604)**	**(74,271)**	**-**	**(90,883)**
Transfer to Stage 1	(3,204)	1,777	1,427	-	-
Transfer to Stage 2	2,095	(5,469)	3,374	-	-
Transfer to Stage 3	11,497	957	(12,454)	-	-
Changes in risk parameters*	(15,661)	7,993	3,065	-	(4,603)
New originations or purchases of financial assets*	(15,671)	-	-	-	(15,671)
Derecognition of financial assets*/**	2,829	382	7,248	-	10,459
Recoveries of allowances on previously written-off assets	-	-	(2,635)	-	(2,635)
Write-offs	-	-	9,630	-	9,630
Foreign exchange differences and other movements	94	91	1,240	-	1,425
At the end of the year	**(28,029)**	**(873)**	**(63,376)**	**-**	**(92,278)**

SME Business	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(4,787)**	**(3,159)**	**(35,521)**	**(1,611)**	**(45,078)**
Transfer to Stage 1	(1,532)	850	682	-	-
Transfer to Stage 2	1,002	(2,616)	1,614	-	-
Transfer to Stage 3	5,499	458	(5,957)	-	-
Changes in risk parameters*	3,192	3,069	(5,943)	(428)	(110)
New originations or purchases of financial assets*	(7,495)	-	-	-	(7,495)
Derecognition of financial assets*/**	1,353	183	3,466	257	5,259
Recoveries of allowances on previously written-off assets	-	-	(1,260)	(1,421)	(2,681)
Write-offs	-	-	4,605	186	4,791
Foreign exchange differences and other movements	45	44	593	66	748
At the end of the year	**(2,723)**	**(1,171)**	**(37,721)**	**(2,951)**	**(44,566)**

* FS line "Recovery of credit loss expense / (Credit loss expense)" in the consolidated statement of profit or loss is comprised from "Changes in risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".
*/** Derecognition of financial assets includes changes in the amount of allowances for expected credit losses on fully repaid loans to customers.

During the years ended 31 December 2021, 2020 and 2019, the Group has written off loans of KZT 56,051 million, KZT 80,336 million and KZT 43,554 million, respectively, which allow the writing off loans without being considered forgiveness of the loan for tax purpose and are therefore not subject to corporate income tax.

COVID-19 Government - support measures

In March 2020, the Program was developed by NBRK and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market in conjunction with the second-tier banks.

For the implementation of this Program, KZT 600 billion was allocated through the placement of contingent deposits in the second-tier banks. JSC Kazakhstan Sustainability Fund under NBRK was identified as the operator of the Program and 12 participating banks were selected, which undergo an independent assets quality review (the "AQR") and have small and medium - sized enterprises ("SME") loans in their portfolio.

The business support mechanism is implemented by providing second-tier banks with concessional loans for working capital replenishment to SME and individual entrepreneurs, who suffered as a result of the emergency regime, for up to 12 months at a rate of no more than 8% per annum.

KZT 180 billion (30% of KZT 600 billion) was allocated to the Bank. The Bank signed the agreement on the implementation of the Program on 27 March 2020. In December 2020, the terms of the Program were revised, including the amount of the Program which was increased to KZT 770 billion. 2021 was the final year of the Program for concessional lending. As a result of its implementation, as at 31 December 2021 the Bank supported 428 clients for the amount of KZT 277.5 billion (31 December 2020 - 379 clients for the amount of KZT 143.9 billion).

It should also be noted that the Bank is one of the market participants in implementing the programs of preferential financing for business entities of such development institutions as JSC Entrepreneurship Development Fund DAMU, JSC Development Bank of Kazakhstan, JSC Agrarian Credit Corporation, JSC KazakhExport. As at 31 December 2021, the proportion of the unimpaired SME portfolio that is covered by the state financing programs accounts for 53% of the unimpaired SME loan portfolio or KZT 431.7 billion (31 December 2020 – 68% or KZT 431.2 billion).

Allowance for expected credit losses and provisions

For the year ended 31 December 2021, credit loss expense on loans to customers comprised KZT 10,786 million (2020 year: credit loss expense on loans to customers comprised KZT 19,206 million; 2019 year: credit loss expense on loans to customers comprised KZT 27,950 million). Allowances for expected credit losses reflect the net impact of economic scenarios, actions taken on problem assets of corporate and retail business to ensure the repayment of overdue debts, sale of unsecured loans to collection companies, as well as the effect of government programs to support the SME sector.

Internal rating model for loans to customers

Loans to customers are classified based on internal assessments and other analytical procedures. The respective business units classify loans according to their risk and the exposure that they potentially present to the Group, and this classification is verified by the risk management function.

The Bank and its subsidiaries are using an internal rating model to classify loans in different risk categories. The model assists to assess the risk category based on a borrowers' financial performance, credit history, quality of accounts receivable, liquidity of the borrower, market risks relating to the borrower, industry of the borrower and other factors. At the same time, the rating is an auxiliary criterion in assessing the level of increase in credit risk and staging. In addition to the rating, the bank takes into account such factors borrowers' credit history and financial performance, changes in the value of collateral and the quality of financial guarantees. Periodically, the required information is inputted into the model by credit analysts. Information input into the system and the estimate of the allowance for loan loss is verified by the risk management department.

The following classifications are used by the rating model:

- Rating score 1 - superior loan rating, minimal credit risk;
- Rating score 2 - very high quality of loan, very low credit risk;
- Rating score 3 - high quality of loan, low credit risk;
- Rating score 4 - satisfactory quality of loan, insignificant risk;
- Rating score 5 - credit risk can increase at economic variation;
- Rating score 6 - high risk at economic variation;
- Rating score 7 - high risk of default, in the absence of other factors mentioned above, paying capacity of the borrower depends on favorable economic circumstances;
- Rating score 8 - 10 - very high risk of default/default.

Pools of homogeneous loans – loans to customers are included in groups of loans with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults, internal ratings and other factors). Pools of homogeneous loans include assets that have been assessed collectively.

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Rating score	31 December 2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
1-3	-	-	-	-	-
4	1,424,408	-	-	-	1,424,408
5	1,250,546	60,846	30,336	13,794	1,355,522
6	182,705	113,415	76,782	2,867	375,769
7	-	23,275	65,719	-	88,994
8-10	-	-	73,519	10,313	83,832
Loans to corporate customers that are individually assessed for impairment	2,857,659	197,536	246,356	26,974	3,328,525
Loans to SME customers and retail business that are individually assessed for impairment	490,501	29,581	74,024	5,678	599,784
Loans to customers that are collectively assessed for impairment	2,121,592	18,040	181,678	641	2,321,951
	5,469,752	**245,157**	**502,058**	**33,293**	**6,250,260**
Less – Allowance for expected credit losses	(69,846)	(48,369)	(240,242)	(19,575)	(378,032)
Loans to customers	**5,399,906**	**196,788**	**261,816**	**13,718**	**5,872,228**

Rating score	31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
1-3	-	-	-	-	-
4	393,558	-	-	-	393,558
5	1,101,257	24,393	-	-	1,125,650
6	586,442	125,049	36,043	13,246	760,780
7	131,352	31,153	148,658	1,606	312,769
8-10	-	-	81,666	34,745	116,411
Loans to corporate customers that are individually assessed for impairment	2,212,609	180,595	266,367	49,597	2,709,168
Loans to SME customers and retail business that are individually assessed for impairment	396,565	16,094	58,928	8,466	480,053
Loans to customers that are collectively assessed for impairment	1,406,148	19,900	208,224	823	1,635,095
	4,015,322	**216,589**	**533,519**	**58,886**	**4,824,316**
Less – Allowance for expected credit losses	(55,831)	(37,479)	(266,657)	(18,074)	(378,041)
Loans to customers	**3,959,849**	**179,110**	**266,862**	**40,454**	**4,446,275**

Rating score	31 December 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
1-3	-	-	-	-	-
4	298,985	-	-	-	298,985
5	990,784	12,513	-	-	1,003,297
6	580,210	65,042	27,787	14,572	687,611
7	39,419	61,792	132,131	1,626	234,968
8-10	-	-	139,635	49,548	189,183
Loans to corporate customers that are individually assessed for impairment	1,909,398	139,347	299,553	65,746	2,414,044
Loans to SME customers and retail business that are individually assessed for impairment	330,989	9,018	72,304	11,344	423,655
Loans to customers that are collectively assessed for impairment	1,097,818	10,755	214,168	723	1,323,464
	3,338,205	**159,120**	**586,025**	**77,813**	**4,161,163**
Less – Allowance for expected credit losses	(36,305)	(45,797)	(302,834)	(23,782)	(408,718)
Loans to customers	**3,301,900**	**113,323**	**283,191**	**54,031**	**3,752,445**

Analysis by credit quality of loans to retail business and SME customers that are collectively and individually assessed for impairment as at 31 December 2021, 2020 and 2019 is as follows:

As at 31 December 2021	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	1,758,902	(53,167)	1,705,735
Overdue:			
up to 30 days	37,989	(5,895)	32,094
31 to 60 days	9,579	(2,426)	7,153
61 to 90 days	6,224	(2,103)	4,121
91 to 180 days	11,993	(8,404)	3,589
over 180 days	70,290	(45,540)	24,750
Loans to retail business that are collectively and individually assessed for impairment	**1,894,977**	**(117,535)**	**1,777,442**
Loans to SME customers			
Not past due	961,269	(24,336)	936,933
Overdue:			
up to 30 days	11,450	(2,334)	9,116
31 to 60 days	4,630	(1,922)	2,708
61 to 90 days	2,164	(882)	1,282
91 to 180 days	11,644	(7,523)	4,121
over 180 days	53,856	(28,814)	25,042
Loans to SME customers that are collectively and individually assessed for impairment	**1,045,013**	**(65,811)**	**979,202**
Loans to SME customers and retail business that are collectively and individually assessed for impairment	**2,939,990**	**(183,346)**	**2,756,644**
Loans to corporate customers that are collectively and individually assessed for impairment	**3,293,066**	**(191,878)**	**3,101,188**
Loans related to card transactions	**17,204**	**(2,808)**	**14,396**
Loans to customers	**6,250,260**	**(378,032)**	**5,872,228**

As at 31 December 2020	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	1,179,945	(45,831)	1,134,114
Overdue:			
up to 30 days	26,078	(4,590)	21,488
31 to 60 days	6,562	(1,824)	4,738
61 to 90 days	3,638	(1,171)	2,467
91 to 180 days	12,630	(8,009)	4,621
over 180 days	81,213	(48,992)	32,221
Loans to retail business that are collectively and individually assessed for impairment	**1,310,066**	**(110,417)**	**1,199,649**
Loans to SME customers			
Not past due	706,043	(20,980)	685,063
Overdue:			
up to 30 days	20,537	(1,189)	19,348
31 to 60 days	3,204	(510)	2,694
61 to 90 days	3,219	(444)	2,775
91 to 180 days	3,409	(890)	2,519
over 180 days	60,532	(34,009)	26,523
Loans to SME customers that are collectively and individually assessed for impairment	**796,944**	**(58,022)**	**738,922**
Loans to SME customers and retail business that are collectively and individually assessed for impairment	**2,107,010**	**(168,439)**	**1,938,571**
Loans to corporate customers that are collectively and individually assessed for impairment	**2,701,336**	**(207,241)**	**2,494,095**
Loans related to card transactions	**15,970**	**(2,361)**	**13,609**
Loans to customers	**4,824,316**	**(378,041)**	**4,446,275**

As at 31 December 2019	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	898,387	(30,108)	868,279
Overdue:			
up to 30 days	23,525	(3,714)	19,811
31 to 60 days	4,443	(1,167)	3,276
61 to 90 days	9,153	(3,361)	5,792
91 to 180 days	10,278	(5,541)	4,737
over 180 days	96,746	(58,338)	38,408
Loans to retail business that are collectively and individually assessed for impairment	**1,042,532**	**(102,229)**	**940,303**
Loans to SME customers			
Not past due	552,663	(14,507)	538,156
Overdue:			
up to 30 days	8,587	(997)	7,590
31 to 60 days	3,476	(465)	3,011
61 to 90 days	1,762	(147)	1,615
91 to 180 days	5,739	(3,634)	2,105
over 180 days	69,664	(39,323)	30,341
Loans to SME customers that are collectively and individually assessed for impairment	**641,891**	**(59,073)**	**582,818**
Loans to SME customers and retail business that are collectively and individually assessed for impairment	**1,684,423**	**(161,302)**	**1,523,121**
Loans to corporate customers that are collectively and individually assessed for impairment	**2,452,781**	**(241,518)**	**2,211,263**
Loans related to card transactions	**23,959**	**(5,898)**	**18,061**
Loans to customers	**4,161,163**	**(408,718)**	**3,752,445**

12. INVESTMENT PROPERTY

	2021	2020	2019
As at 1 January	39,441	46,558	58,868
Additions	657	1,511	13,843
Disposals	(17,314)	(5,488)	(25,769)
Transferred from/(to) commercial property	3,880	(3,767)	-
Transferred to non-current assets held for sale	-	-	(231)
Transferred from/(to) property and equipment	481	-	(529)
Gain on revaluation of investment property	669	969	135
Translation differences	193	(342)	241
As at 31 December	**28,007**	**39,441**	**46,558**

During the years ended 31 December 2021, 2020 and 2019, the Group foreclosed collateral it held as a security for loans to customers. As a result, the Group received investment property of KZT 657 million, KZT 1,511 million, and KZT 13,843 million, respectively.

As at 31 December 2021, 2020 and 2019, there was no investment property that was pledged as collateral for liabilities.

Investment property rental income is included in other income in the consolidated statement of profit or loss. For the years ended 31 December 2021, 2020 and 2019, investment property rental income earned was KZT 1,816 million, KZT 1,766 million, and KZT 2,929 million, respectively.

Operating expenses arising from the investment property that generated rental income during the years ended 31 December 2021, 2020 and 2019 were KZT 1,178 million, KZT 854 million, and KZT 1,623 million, respectively.

Investment property owned by the Group was revalued by independent appraisers as at 31 December 2021, 2020 and 2019. The fair value of the investment property was estimated based on the income approach and the comparative approach. When estimating the fair value of the properties, their current use is considered the best use and the most effective. There has been no change to the valuation technique during the year. This revaluation resulted in recognition of a revaluation gain in the consolidated statement of profit or loss for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 – KZT 669 million, KZT 969 million and KZT 135 million, respectively.

As at 31 December 2021, 2020 and 2019, the fair value measurements of the Group's investment property of KZT 28,007 million, KZT 39,441 million, and KZT 46,558 million, respectively, are categorised into Level 3 (description of measurement hierarchy is disclosed in Note 36).

13. COMMERCIAL PROPERTY

	2021	2020	2019
As at 1 January	103,098	113,381	70,318
Additions	29,977	26,215	69,722
Sale of property	(40,156)	(41,516)	(26,597)
Capitalised expenses	3,373	1,251	327
Transferred (to)/from investment property	(3,880)	3,767	-
Transfers to original investors	-	-	(389)
As at 31 December	**92,412**	**103,098**	**113,381**

During the years ended 31 December 2021, 2020 and 2019, the Group foreclosed collateral it held as a security for loans to customers. As a result, the Group received commercial property of KZT 29,977 million, KZT 26,215 million and KZT 69,722 million, respectively.

14. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The movements in property and equipment are as follows:

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2020	**114,381**	**4,421**	**41,012**	**1,774**	**24,153**	**8,459**	**27,299**	**221,499**
Additions	1,041	676	8,685	7,750	4,393	2,604	3,748	28,897
Disposals	(175)	(83)	(3,432)	(1)	(1,681)	(1,114)	(688)	(7,174)
Reclassification to assets classified as held for sale	-	-	-	-	(7)	-	-	(7)
Transferred to investment property	(481)	-	-	-	-	-	-	(481)
Transfers	5,323	-	284	(3,867)	(1,740)	-	-	-
Translation differences	90	8	84	-	272	198	149	801
31 December 2021	**120,179**	**5,022**	**46,633**	**5,656**	**25,390**	**10,147**	**30,508**	**243,535**
Accumulated depreciation:								
31 December 2020	**468**	**1,844**	**19,343**	**-**	**11,579**	**2,593**	**15,091**	**50,918**
Charge	1,870	580	5,524	-	2,364	2,081	2,490	14,909
Disposals	(75)	(66)	(3,292)	-	(1,204)	(933)	(678)	(6,248)
Transfers	982	-	(7)	-	(972)	(3)	-	-
Translation differences	10	5	40	-	38	(44)	58	107
31 December 2021	**3,255**	**2,363**	**21,608**	**-**	**11,805**	**3,694**	**16,961**	**59,686**
Net book value:								
31 December 2021	**116,924**	**2,659**	**25,025**	**5,656**	**13,585**	**6,453**	**13,547**	**183,849**

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2019	**103,232**	**3,804**	**31,448**	**364**	**22,112**	**5,517**	**23,225**	**189,702**
Additions	1,123	958	10,517	2,821	3,235	3,436	8,076	30,166
Disposals	(844)	(328)	(1,512)	(104)	(528)	(195)	(3,737)	(7,248)
Revaluation	10,541	-	-	(13)	-	-	-	10,528
Reclassification to assets classified as held for sale	(223)	-	-	-	-	-	-	(223)
Transfers	1,046	-	753	(1,294)	(505)	-	-	-
Translation differences	(494)	(13)	(194)	-	(161)	(299)	(265)	(1,426)
31 December 2020	**114,381**	**4,421**	**41,012**	**1,774**	**24,153**	**8,459**	**27,299**	**221,499**
Accumulated depreciation:								
31 December 2019	**2,523**	**1,635**	**16,314**		**10,088**	**1,055**	**13,504**	**45,119**
Charge	1,904	528	4,522	-	2,103	1,745	2,224	13,026
Disposals	(352)	(314)	(1,411)	-	(493)	(134)	(543)	(3,247)
Write-off at revaluation	(3,585)	-	-	-	-	-	-	(3,585)
Transfers	8	2	27	-	(37)	-	-	-
Translation differences	(30)	(7)	(109)	-	(82)	(73)	(94)	(395)
31 December 2020	**468**	**1,844**	**19,343**	**-**	**11,579**	**2,593**	**15,091**	**50,918**
Net book value:								
31 December 2020	**113,913**	**2,577**	**21,669**	**1,774**	**12,574**	**5,866**	**12,208**	**170,581**

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2018	**105,951**	**3,520**	**26,090**	**63**	**20,691**	**-**	**20,482**	**176,797**
Additions	1,334	760	6,859	775	2,469	3,183	3,597	18,977
Recognition of right-of-use asset on adoption of IFRS 16	-	-	-	-	-	3,077	-	3,077
Disposals	(2,986)	(478)	(1,889)	(66)	(518)	(743)	(895)	(7,575)
Transferred from investment property	529	-	-	-	-	-	-	529
Reclassification to assets classified as held for sale	(1,485)	-	-	(408)	(262)	-	-	(2,155)
Transfers	-	-	336	-	(336)	-	-	-
Translation differences	(111)	2	52		68	-	41	52
31 December 2019	**103,232**	**3,804**	**31,448**	**-364**	**22,112**	**5,517**	**23,225**	**189,702**
Accumulated depreciation:								
31 December 2018	**881**	**1,598**	**13,931**	**-**	**8,918**	**-**	**12,047**	**37,375**
Charge	1,896	444	4,103	-	1,668	1,162	2,323	11,596
Disposals	(272)	(406)	(1,756)		(488)	(112)	(882)	(3,916)
Transfers	-	-	44	-	(44)	-	-	-
Translation differences	18	(1)	(8)	-	34	5	16	64
31 December 2019	**2,523**	**1,635**	**16,314**	**-**	**10,088**	**1,055**	**13,504**	**45,119**
Net book value:								
31 December 2019	**100,709**	**2,169**	**15,134**	**364**	**12,024**	**4,462**	**9,721**	**144,583**

The Group's revaluation policy requires the entire asset class of buildings and construction to be revalued every three years. In the event of significant changes in specific market or property indicators, the Group may opt to perform revaluations more regularly. In 2021, the management of the Group has not identified such significant changes in the commercial property market for similar buildings that Group owns and no revaluation has been performed accordingly.

The Group had its buildings and properties revalued during 2020 by independent appraisers. The independent appraisers used three approaches to identify the fair value of the property and equipment - the income approach with the income capitalisation method, the comparative approach, using market information to identify the fair value of buildings and structures under active market conditions, and the cost approach when no active market existed for items subject to revaluation.

As at 31 December 2021, the fair value measurements of the Group's buildings and construction, are categorised into Level 2 and Level 3, in the amount of KZT 109,869 million and KZT 7,055 million, respectively (31 December 2020: KZT 102,385 million and KZT 11,528 million, respectively; 31 December 2019: KZT 88,695 million and KZT 12,014 million, respectively). A description of the measurement hierarchy is disclosed in Note 36.

As at 31 December 2021, the total fair value of buildings and construction was KZT 116,924 million (31 December 2020: KZT 113,913 million, 31 December 2019: KZT 100,709 million). As at 31 December 2021, the carrying amount of property and equipment that would have been recognised had the assets been carried under the cost model is KZT 113,202 million (31 December 2020: KZT 110,564 million, 31 December 2019: KZT 97,881 million).

15. ASSETS CLASSIFIED AS HELD FOR SALE

After the default of some counterparties on loans to customers, the Group recognised the property pledged as collateral for those loans as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less disposal costs or the carrying value, as the Group's management of the appropriate level committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan was initiated.

Assets held for sale comprised the following:

	31 December 2021	31 December 2020	31 December 2019
Real estate	27,840	25,455	22,139
Land plots	16,840	16,653	23,613
Movable property	732	136	14
Total assets classified as held for sale	**45,412**	**42,244**	**45,766**

In November 2020, the Group performed an independent valuation of its assets held for sale and based on the results recognised an impairment loss of KZT 1,690 million, included to the "Loss from impairment of non-financial assets" in the consolidated statement of profit or loss.

Despite the Group actively marketing these assets for sale, the majority have not been sold within a short timeframe. However, the management remains committed to the sale of these assets. As the assets are carried at a price not exceeding the current fair value less costs to sell, they continued to be classified as held for sale at the end of 2021, 2020 and 2019.

The fair value of the Group's non-current assets held for sale was determined by independent appraisers. Income approach, comparative approach and cost-based approach were used to estimate the fair value of those non-current assets. To estimate the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Group's assets held for sale and information about the fair value hierarchy as at 31 December 2021, 2020 and 2019 are as follows:

	Level 2	Level 3	Total
31 December 2019			
Real estate	12,806	9,333	22,139
Land plots	-	23,613	23,613
Movable property	-	14	14
31 December 2020			
Real estate	12,469	12,986	25,455
Land plots	-	16,653	16,653
Movable property	-	136	136
31 December 2021			
Real estate	13,508	14,332	27,840
Land plots	-	16,840	16,840
Movable property	-	732	732

16. INSURANCE CONTRACT ASSETS AND LIABILITIES

Insurance contract assets comprised the following:

	31 December 2021	31 December 2020	31 December 2019
Reinsurers' share of reserves for claims	18,934	16,898	42,234
Reinsurers' share of unearned premium reserve	13,653	12,364	19,818
	32,587	29,262	62,052
Premiums receivable	21,524	10,667	19,957
Insurance contract assets	**54,111**	**39,929**	**82,009**

Insurance contract liabilities comprised the following:

	31 December 2021	31 December 2020	31 December 2019
Reserves for insurance claims	180,373	148,085	173,052
Gross unearned insurance premium reserve	44,253	32,819	36,349
	224,626	180,904	209,401
Payables to reinsurers and agents	15,655	10,342	14,301
Insurance contract liabilities	**240,281**	**191,246**	**223,702**

Insurance risk

The Group establishes underwriting guidelines and limits, which stipulate the approval process for risks and their limits. These limits are being continuously monitored. The Group's direct insurance business is spread throughout the Republic of Kazakhstan. The Group's reinsurance portfolio is diversified in terms of geographical spread and in terms of lines of business.

Claims management risk

The risk that claims are handled or paid inappropriately is managed using a range of IT system controls and manual processes conducted by experienced staff. These, together with a range of detailed policies and procedures, ensure that all claims are handled in a timely, appropriate and accurate manner.

Reinsurance risk

Reinsurance is used to protect against the impact of major catastrophic events or unforeseen volumes of, or adverse trends in, large individual claims and to transfer risk that is outside the Group's current risk appetite.

Reinsurance of risk above the Group's appetite is only effective if the reinsurance premium is economic and the counterparty is financially secure.

The Group evaluates the financial strengths of its reinsurers and monitors the concentration of credit risks arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimise its exposure to significant losses from reinsurer insolvencies.

Insurance reserve risk

There is a risk that reserves are assessed incorrectly and there are not enough funds to pay or handle claims as they fall due. To estimate insurance and reinsurance liabilities, the Group uses various actuarial methods and assumptions.

Liability adequacy test

The Group applies a liability adequacy test at each reporting date to ensure that the insurance liabilities are adequate considering the estimated future cash flows. This test is performed by comparing the carrying value of the liability and the discounted projections of future cash flows (including premiums, claims, expenses, investment return and other items), using best estimate assumptions.

If a deficiency is found in the liability (i.e. the carrying value amount of its insurance liabilities is less than the future expected cash flows) that deficiency is fully recognized in the statement of profit or loss.

Credit risk in respect to insurance

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one debtor, or groups of debtors and geographical segments. Limits on the level of credit risk by a debtor and reinsurer are approved by NBRK on a regular basis. Such risks are monitored continuously and are subject to an annual or more frequent reassessment.

The movements on claims reserves for the years ended 31 December 2021, 2020 and 2019, were as follows:

	2021	2020	2019
Reserves for claims, beginning of the year	148,085	173,052	134,802
Reserves for claims, reinsurance share, beginning of the year	(16,898)	(42,234)	(34,270)
Net reserves for claims, beginning of the year	131,187	130,818	100,532
Plus claims incurred	91,017	63,366	88,925
Less claims paid	(60,765)	(62,997)	(58,639)
Net reserves for claims, end of the year	161,439	131,187	130,818
Reserves for claims, reinsurance share, end of the year	18,934	16,898	42,234
Reserves for claims, end of the year	**180,373**	**148,085**	**173,052**

The movements on unearned insurance premium reserve for the years ended 31 December 2021, 2020 and 2019, were as follows:

	2021	2020	2019
Gross unearned insurance premium reserve, beginning of the year	32,819	36,349	32,952
Unearned insurance premium reserve, reinsurance share, beginning of the year	(12,364)	(19,818)	(17,224)
Net unearned insurance premium reserve, beginning of the year	20,455	16,531	15,728
Change in unearned insurance premium reserve	11,434	(3,530)	3,397
Change in unearned insurance premium reserve, reinsurance share	(1,289)	7,454	(2,594)
Net change in unearned insurance premium reserve	10,145	3,924	803
Net unearned insurance premium reserve, end of the year	30,600	20,455	16,531
Unearned insurance premium reserve, reinsurance share, end of the year	13,653	12,364	19,818
Gross unearned insurance premium reserve, end of the year	**44,253**	**32,819**	**36,349**

17. OTHER ASSETS

Other assets comprise:

	31 December 2021	31 December 2020	31 December 2019
Other financial assets:			
Debtors on banking activities	52,792	84,296	70,541
Finance lease receivables	21,369	19,013	21,514
Debtors on non-banking activities	10,907	16,849	29,006
Accrued commission income	5,579	6,078	5,168
Other	182	48	71
	90,829	**126,284**	**126,300**
Less – Allowance for expected credit losses	(19,596)	(30,636)	(23,876)
	71,233	**95,648**	**102,424**
Other non-financial assets:			
Investments in associates	33,774	32,797	26,732
Advances for taxes other than income tax	7,013	6,123	6,256
Prepayments for investment property	6,307	7,126	5,813
Prepayments for property and equipment	4,631	6,259	1,286
Inventory	3,862	4,089	2,268
Goodwill	3,085	3,085	3,085
Precious metals	1,298	21,551	9,248
Other investments	1,061	838	884
Other	2,130	2,794	2,682
	63,161	84,662	58,254
	134,394	**180,310**	**160,678**

As at 31 December 2021, 2020 and 2019, investment in associate was represented by 40% investment in JSC Altyn Bank (SB China Citic Bank Corporation Limited). In 2021, the Group received dividends from associate in the amount of KZT 5,200 million (2020: nil, 2019: nil).

The movements in accumulated allowances for expected credit losses of other financial assets were as follows:

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**(935)**	**(3,161)**	**(26,540)**	**(30,636)**
Transfer to Stage 1	(857)	857	-	-
Transfer to Stage 2	-	(576)	576	-
Transfer to Stage 3	131	2,501	(2,632)	-
Changes in risk parameters*	(1,294)	379	14,784	13,869
Recoveries of allowances on previously written-off assets	-	-	(5,153)	(5,153)
Write-offs	-	-	2,478	2,478
Foreign exchange differences and other movements	(14)	-	(140)	(154)
At the end of the year	**(2,969)**	**-**	**(16,627)**	**(19,596)**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**(809)**	**(2,502)**	**(20,565)**	**(23,876)**
Changes in risk parameters*	(135)	(684)	(6,912)	(7,731)
Recoveries of allowances on previously written-off assets	-	-	(192)	(192)
Write-offs	4	-	1,107	1,111
Foreign exchange differences and other movements	5	25	22	52
At the end of the year	**(935)**	**(3,161)**	**(26,540)**	**(30,636)**

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**(1,046)**	**(1,696)**	**(13,583)**	**(16,325)**
Changes in risk parameters*	51	(806)	(1,312)	(2,067)
Recoveries of allowances on previously written-off assets	-	-	(7,857)	(7,857)
Write-offs	187	-	2,537	2,724
Foreign exchange differences and other movements	(1)	-	(350)	(351)
At the end of the year	**(809)**	**(2,502)**	**(20,565)**	**(23,876)**

* FS line "Recovery of credit loss expense / (Credit loss expense)" in the consolidated statement of profit or loss is comprised from "Changes in risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".

18. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	31 December 2021	31 December 2020	31 December 2019
Recorded at amortised cost:			
Term deposits:			
Individuals	3,674,572	3,073,187	2,743,019
Legal entities	2,046,999	1,825,513	1,441,930
	5,721,571	**4,898,700**	**4,184,949**
Current accounts:			
Legal entities	2,011,305	1,932,096	1,713,267
Individuals	740,531	625,181	508,197
	2,751,836	2,557,277	2,221,464
	8,473,407	**7,455,977**	**6,406,413**

As at 31 December 2021, the Group's ten largest groups of related customers accounted for approximately 20% of the total amounts due to customers (31 December 2020 – 23%; 31 December 2019 – 27%), where each group of related customers represents customers related to each other within that group.

As at 31 December 2021, amounts due to customers included amounts held as collateral of KZT 119,885 million (31 December 2020 – KZT 83,610 million, 31 December 2019 – KZT 72,779 million).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realise its liquid assets to enable repayment.

An analysis of customer accounts by sector is as follows:

	31 December 2021	%	31 December 2020	%	31 December 2019	%
Individuals and entrepreneurs	4,415,103	52%	3,698,368	50%	3,251,216	51%
Other consumer services	767,535	9%	569,342	8%	423,489	7%
Financial sector	711,392	8%	660,328	9%	420,979	7%
Oil and gas	471,553	6%	407,114	5%	581,486	9%
Wholesale trade	336,007	4%	398,752	5%	345,563	5%
Construction	259,836	3%	259,903	3%	234,289	4%
Transportation	258,282	3%	294,612	4%	215,466	3%
Healthcare and social services	246,109	3%	227,031	3%	211,418	3%
Metallurgy	187,437	2%	71,531	1%	70,805	1%
Communication	116,694	1%	87,411	1%	61,178	1%
Government and state-controlled companies	110,568	1%	216,925	3%	171,331	3%
Education	80,260	1%	66,096	1%	44,694	0%
Insurance and pension funds activity	77,109	1%	75,631	1%	76,594	1%
Energy	43,678	1%	55,187	1%	40,753	1%
Other	391,844	5%	367,746	5%	257,152	4%
	8,473,407	**100%**	**7,455,977**	**100%**	**6,406,413**	**100%**

19. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	31 December 2021	31 December 2020	31 December 2019
Recorded at amortised cost:			
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	889,941	124,927	127,237
Loans from JSC Entrepreneurship Development Fund DAMU	83,878	89,005	91,001
Loans from JSC Development Bank of Kazakhstan	47,451	47,251	45,245
Correspondent accounts	25,856	20,405	14,917
Loans and deposits from non-OECD based banks	22,943	9,532	6,005
Loans from other financial institutions	1,507	2,075	2,417
Loans from JSC National Managing Holding KazAgro	66	131	197
Loans and deposits from OECD based banks	-	7,401	18,946
	1,071,642	**300,727**	**305,965**

As at 31 December 2021, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 81,879 million at a 1.0% - 4.5% interest rate maturing in 2022 - 2035 with an early recall option (31 December 2020 – KZT 88,478 million, 31 December 2019 – KZT 90,558 million). These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreements between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate.

As at 31 December 2021, the Group entered into an agreement with DAMU to provide a credit line for financing leasing transactions of small and medium-sized businesses in the amount of KZT 1,576 million with maturity until July 2024. Under the terms of the loan agreement, loans are issued for a period not exceeding 84 months at a rate of 9%, provided that the Group obtains sufficient collateral.

As at 31 December 2021, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 30,921 million (31 December 2020 – KZT 30,921 million, 31 December 2019 – KZT 30,921 million) at a 2.0% interest rate maturing in 2029 - 2037, to finance corporate enterprises operating in manufacturing industries, as well as a long-term loan of KZT 16,175 million (31 December 2020 – KZT 16,175 million, 31 December 2019 – KZT 14,175 million) at a 1.0% interest rate maturing in 2035, to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate, and to retail borrowers – up to 5 years at a 4.0% interest rate.

The management of the Group believes that there are no other similar financial instruments and due to their specific nature, the loans from DAMU, KazAgro and DBK represent separate segments in corporate, SME and retail lending. As a result, the loans from DAMU, KazAgro and DBK were received in an orderly transaction and as such have been recorded at fair value at the recognition date, which was determined to be the cash consideration transferred to the customers.

Interest rates and maturities of amounts due to credit institutions are as follows:

	31 December 2021		31 December 2020		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	8.8-11.5	2022	8.0-10.4	2021	9.0-10.0	2020
Loans from JSC Entrepreneurship Development Fund DAMU	1.0-9.0	2022-2035	1.0-4.5	2021-2035	1.0-4.5	2021-2035
Loans from JSC Development Bank of Kazakhstan	1.0-2.0	2029-2037	1.0-2.0	2029-2037	1.0-2.0	2029-2037
Loans and deposits from non-OECD based bank	2.5-10.5	2022	1.0-16.0	2021-2025	1.0-8.0	2020-2024
Loans from other financial institutions	4.0-10.0	2023-2026	4.0-10.0	2023-2026	4.0-10.0	2023-2026
Loans from JSC National Managing Holding KazAgro	3.0	2022	3.0	2022	3.0	2022
Loans and deposits from OECD based banks	-	-	7.0	2021	3.6	2020

The fair value of assets pledged (Note 9) and the carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 December 2021, 2020 and 2019, are as follows:

	31 December 2021		31 December 2020		31 December 2019	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Treasury bills of the Ministry of Finance of Kazakhstan	886,912	882,990	119,654	121,740	108,203	105,524
	886,912	**882,990**	**119,654**	**121,740**	**108,203**	**105,524**

Details of transferred financial assets that are not derecognised in their entirety as at 31 December 2021, 2020 and 2019 are disclosed below.

Loans under repurchase agreements are used by the Group to provide current cash flows in KZT within the Group's operating activities. The Group regularly uses this type of instrument to attract short-term liquidity and plans to continue raising funds through loans under repurchase agreements when necessary.

The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

	Financial assets at fair value through other comprehensive income (Note 9)
As at 31 December 2021:	
Carrying amount of transferred assets	886,912
Carrying amount of associated liabilities	882,990
As at 31 December 2020:	
Carrying amount of transferred assets	119,654
Carrying amount of associated liabilities	121,740
As at 31 December 2019:	
Carrying amount of transferred assets	108,203
Carrying amount of associated liabilities	105,524

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. Certain of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

The Group's management believes that as at 31 December 2021, 2020 and 2019, the Group was in compliance with the covenants.

20. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	31 December 2021	31 December 2020	31 December 2019
Recorded at amortised cost:			
Subordinated debt securities issued:			
KZT denominated bonds, fixed rate	86,952	84,014	81,463
Total subordinated debt securities outstanding	**86,952**	**84,014**	**81,463**
Unsubordinated debt securities issued:			
KZT denominated bonds	333,310	331,760	330,197
USD denominated bonds	79,550	362,418	422,786
Total unsubordinated debt securities outstanding	**412,860**	**694,178**	**752,983**
Total debt securities outstanding	**499,812**	**778,192**	**834,446**

On 1 March 2019, the Group made a partial prepayment on its USD 750 million Eurobond issue bearing 5.5% coupon rate due 2022. The partial prepayment was made for USD 200 million together with the interest accrued, but unpaid.

In April 2019, the Group placed senior unsecured coupon bonds through the Astana International Financial Center with a nominal value of USD 180,500,000 for a period of 36 months and at a rate of 3% per annum.

On 26 April 2019, the Group redeemed subordinated bonds issued in April 2009, with an initial placement amount of KZT 3,530 million. The repayment was made from the Group's own funds.

On 14 November 2019, the Group redeemed coupon bonds issued in November 2014 with an initial placement amount of KZT 59,889 million. The repayment was made from the Group's own funds.

On 31 December 2020, the Group made a partial prepayment on its USD 750 million Eurobond issue bearing 5.5% coupon rate due 2022. The partial prepayment was made for USD 300 million together with the interest accrued, but unpaid.

On 28 January 2021, the Bank redeemed its USD 500 million Eurobond issue bearing 7.25% coupon rate due 2021. The repayment was made from the Bank's own funds.

On 1 March 2021, the Bank fully repaid its outstanding debt of USD 248 million under the USD 750 million Eurobond programme bearing 5.5% coupon rate due 2022. The Group recognized a loss of KZT 19,767 million from early redemption of eurobonds in the consolidated statement of profit or loss included as "other income".

The coupon rates and maturities of these debt securities issued are as follows:

	31 December 2021		31 December 2020		31 December 2019	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:						
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025	9.5%	2025
Unsubordinated debt securities issued:						
KZT denominated bonds	7.5%-8.8%	2022-2025	7.5%-8.8%	2022-2025	7.5%-8.8%	2022-2025
USD denominated bonds	3.0%	2022	3.0%-7.3%	2021-2022	3.0%-7.3%	2021-2022

As at 31 December 2021, accrued interest on debt securities issued was KZT 14,943 million (as at 31 December 2020 – KZT 21,090 million, as at 31 December 2019 – KZT 20,354 million).

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Coupon payments on debt securities issued are payable on a semi-annual and an annual basis.

In accordance with the terms of the matured USD denominated bonds, the Group is required to maintain certain financial covenants, particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 31 December 2021, 2020 and 2019, the Group was in compliance with the covenants of the agreements the Group has with trustees and holders of the notes.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2021	Financing cash flows	Non-cash changes		31 December 2021
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	778,192	(305,470)	2,310	24,780	499,812

	1 January 2020	Financing cash flows	Non-cash changes		31 December 2020
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	834,446	(126,213)	52,439	17,520	778,192

	1 January 2019	Financing cash flows	Non-cash changes		31 December 2019
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	900,791	(82,261)	(1,573)	17,489	834,446

21. TAXATION

The Bank and its subsidiaries are subject to taxation in accordance with the tax law of the country where the Group operates.
The income tax expense comprises:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Current income tax expense	63,065	31,204	56,466
Deferred income tax (benefit)/expense	(828)	5,674	(20,492)
Income tax expense	**62,237**	**36,878**	**35,974**

Deferred income tax (benefit)/expense relating to temporary differences is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Fair value of derivatives and financial assets at fair value through other comprehensive income	407	2,727	(19,330)
Property and equipment, accrued depreciation	1,517	3,689	240
Loans to customers, allowance for expected credit losses	(384)	311	(37)
Other	(2,368)	(1,053)	(1,365)
Deferred income tax (benefit)/expense recognized in profit or loss and other comprehensive income	**(828)**	**5,674**	**(20,492)**

The tax rate for Kazakhstan companies was 20% during the years ended 31 December 2021, 2020 and 2019. Income on state and other qualifying securities is tax exempt.

During the years ended 31 December 2021, 2020 and 2019 the tax rates in the Russian Federation, the Republic of Kyrgyzstan, Georgia, the Republic of Tajikistan and the Republic of Uzbekistan are 20%, 10%, 15%, 23% and 20% respectively.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on the Kazakhstan statutory rate of 20% with the reported income tax expense is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Income before income tax expense	524,615	389,532	370,485
Statutory tax rate	20%	20%	20%
Income tax expense at the statutory rate	104,923	77,906	74,097
Tax-exempt interest income and other related income on state and other qualifying securities and derivatives	(37,110)	(40,890)	(40,956)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(245)	(489)	(174)
Non-deductible expenditures:			
- other provisions	99	943	331
- general and administrative expenses	269	269	614
Other	(5,699)	(861)	2,062
Income tax expense	**62,237**	**36,878**	**35,974**

Deferred tax assets and liabilities comprise:

	31 December 2021	31 December 2020	31 December 2019
Tax effect of deductible temporary differences:			
Bonuses accrued	4,605	3,298	3,083
Vacation pay accrual	767	619	609
Fair value of derivatives	296	1,115	3,424
Other	14	25	67
Deferred tax asset	5,682	5,058	7,183
Tax effect of taxable temporary differences:			
Fair value adjustment on customer accounts	(40,397)	(41,342)	(42,191)
Property and equipment, accrued depreciation	(14,401)	(13,687)	(9,997)
Fair value of derivatives and financial assets at fair value through other comprehensive income	(805)	(398)	-
Allowance for loans to customers	(297)	(681)	(370)
Other	(1)	4	2
Deferred tax liability	(55,902)	(56,104)	(52,556)
Net deferred tax liability	**(50,219)**	**(51,047)**	**(45,373)**

Current income tax assets and liabilities comprise:

	31 December 2021	31 December 2020	31 December 2019
Current income tax assets	1,942	782	1,704
Current income tax liability	(11,539)	(2,758)	(10,029)
Current income tax liability	**(9,597)**	**(1,976)**	**(8,325)**

The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right of offset existed. The amounts presented after offset comprise:

	31 December 2021	31 December 2020	31 December 2019
Deferred tax income asset	250	234	197
Deferred tax liability	(50,469)	(51,281)	(45,570)
Net deferred tax liability	**(50,219)**	**(51,047)**	**(45,373)**

Kazakhstan and other countries where the Group operates currently have a number of laws related to various taxes imposed by both state and regional government authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implemented regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create substantially more significant tax risks in Kazakhstan than typically found in countries with more developed tax systems.

Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally, such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit.

In Kazakhstan, tax years remain open for review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk that relevant authorities could take differing positions with regard to interpretive issues remains.

Movements in net deferred tax liability:

	2021	2020	2019
Net deferred tax liability at the beginning of the year	51,047	45,373	65,865
Deferred tax (benefit)/expense recognized in profit or loss	(944)	3,596	(20,510)
Deferred tax expense recognized in other comprehensive income	116	2,078	18
Net deferred tax liability at the end of the year	**50,219**	**51,047**	**45,373**

22. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2021	31 December 2020	31 December 2019
Liability arising from continuing involvement	71,989	46,933	26,167
Salary, bonuses and vacation accrual	27,125	20,270	19,243
Creditors on non-banking activities	21,655	8,187	4,421
Taxes payable other than income tax	10,435	5,961	5,394
Other prepayments received	6,605	9,415	8,144
Lease liabilities	6,477	5,930	4,871
Creditors on bank activities	5,817	1,142	1,266
Payable for general and administrative expenses	2,935	2,424	2,083
Advances received related to commercial property	1,585	2,305	5,252
Others	524	45	201
Total other liabilities	**155,147**	**102,612**	**77,042**

Liability arising from continuing involvement represents obligations to JSC Kazakhstan Sustainability Fund ("Operator") related to the state mortgage program "7-20-25" and other programs. In accordance with the conditions of this program, the Bank provides mortgage loans to borrowers and transfers rights of claim on loans to the Program Operator. In accordance with the program and trust management agreement, the Bank carries out trust management of transferred mortgage loans. The Bank is obliged to repurchase the rights of claims on transferred mortgage loans, when the loan principal amount and interest has an overdue of 90 days. Reverse repurchase is performed at the loan nominal value.

The Bank has determined that it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset transferred; however, the Bank has determined that it retains control over the assets transferred and continues recognizing thereof to the extent of continuing involvement in the assets transferred. The extent of the Bank's continuing involvement is limited to maximum amount of the consideration received, that the Bank has to return as the Bank's continuing involvement takes a form of the guarantee on the asset transferred. As the Bank continues to recognize the asset to the extent of its continuing involvement in loans to customers, the Bank also recognizes the associated liability. As at 31 December 2021, 2020 and 2019, principal amount of these loans were KZT 71,989 million, KZT 46,933 million and KZT 26,167 million, respectively.

23. EQUITY

The number of shares authorised, issued and fully paid as at 31 December 2021, 2020 and 2019, were as follows:

	Share capital authorised	Share capital authorised and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
31 December 2021:					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(2,551,539,932)	10,896,004,850
31 December 2020:					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,763,204,067)	11,684,340,715
31 December 2019:					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,790,959,592)	11,656,585,190

All shares are KZT denominated. Movements of shares outstanding are as follows:

	Number of shares Common	Nominal (placement) amount (millions of KZT) Common
31 December 2018	**11,679,756,429**	**97,586**
Purchases of treasury shares	(46,726,224)	(16,304)
Sale of treasury shares	23,554,985	13,111
31 December 2019	**11,656,585,190**	**94,393**
Purchases of treasury shares	(63,622,022)	(6,697)
Sale of treasury shares	91,377,547	10,304
31 December 2020	**11,684,340,715**	**98,000**
Purchase common shares	(845,775,545)	(153,973)
Purchases of treasury shares	(24,003,844)	(3,541)
Sale of treasury shares	81,443,524	9,219
31 December 2021	**10,896,004,850**	**(50,295)**

In December 2021, the Board of Directors of the Bank authorized the repurchase of 845,775,545 common shares at a price of KZT 182.10 per share, including 147,006,040 shares in the form of 3,675,151 global depositary receipts, at a price of USD 16.78 per share, for a total amount of KZT 154 billion. The purpose of the repurchase of the securities is to optimize the capital structure of the Group.

The repurchase volume was 7.2% of the Bank's outstanding shares at the time of the repurchase, as a result, as at 31 December 2021, the total number of repurchased treasury shares of the Bank amounted to 2,539,270,930 shares or 18.9% of the total number of outstanding shares of the Bank.

Repurchased securities are held as treasury shares as a reduction of shareholders' equity and, in accordance with the laws of the Republic of Kazakhstan, cannot be cancelled. At the same time, the repurchased treasury shares of the Bank are not included in the calculation of basic and diluted earnings per share ("EPS") and dividend per share. In the event that the Bank sells the repurchased shares, the standard procedure established by the legislation of the Republic of Kazakhstan for declared but not placed shares will be applied.

Common shares

As at 31 December 2021, 2020 and 2019, share capital comprised KZT 209,027 million. As at 31 December 2021, the Group held 2,551,539,932 shares of the Group's common shares as treasury shares for KZT 259,322 million (31 December 2020 – 1,763,204,067 for KZT 111,027 million, 31 December 2019 – 1,790,959,592 for KZT 114,634 million).

Each common share outstanding is entitled to one vote and dividends. Treasury shares are not entitled to any vote or dividends.

Dividends paid for the previous financial years were as follows:

	Paid in 2021 for the year ended 31 December 2020	Paid in 2020 for the year ended 31 December 2019	Paid in 2019 for the year ended 31 December 2018
Dividends declared during the period	210,783	199,778	125,923
Dividend paid per one common share	18.00	17.08	10.78

Share premium reserve

Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

24. FINANCIAL COMMITMENTS AND CONTINGENCIES

The Group's financial commitments and contingencies comprise the following:

	31 December 2021	31 December 2020	31 December 2019
Guarantees issued	626,319	422,672	408,027
Commercial letters of credit	65,267	38,306	68,312
Commitments to extend credit	58,101	45,647	53,151
Financial commitments and contingencies	749,687	506,625	529,490
Less: cash collateral against letters of credit	(35,469)	(16,922)	(33,453)
Less: provisions	(13,193)	(9,287)	(3,924)
Financial commitments and contingencies, net	**701,025**	**480,416**	**492,113**

Guarantees issued represent bank guarantees issued by the Group by order of its clients, and which are in effect as at the reporting date. As at 31 December 2021, uncovered guarantees issued for the ten largest groups of customers/groups of customers accounted for 60% of the Group's total financial guarantees (31 December 2020 – 52%, 31 December 2019 – 59%) and represented 24% of the Group's total equity (31 December 2020 – 15%, 31 December 2019 – 18%).

Commercial letters of credit represent letters of credit issued by the Group by order of its clients, and under which, as at the reporting date, the payment has not yet been made. As at 31 December 2021, the ten largest unsecured letters of credit accounted for 44% of the Group's total commercial letters of credit (31 December 2020 – 60%, 31 December 2019 – 52%) and represented 2% of the Group's total equity (31 December 2020 – 2%, 31 December 2019 – 3%).

The Group requires collateral to support credit-related financial instruments, when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through a review of the credit risk of the borrower or an analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held with banks, government securities and other assets.

Provision represents other credit loss expenses against letters of credit and guarantees issued.

The movements in provisions were as follows:

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**(640)**	**(1,343)**	**(7,304)**	**(9,287)**
Transfer to Stage 2	258	(258)	-	-
Transfer to Stage 3	14,004	1,419	(15,423)	-
(Additional provisions recognised)/recoveries	(14,044)	(6,289)	16,331	(4,002)
Foreign exchange differences	116	38	(58)	96
At the end of the year	**(306)**	**(6,433)**	**(6,454)**	**(13,193)**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**(365)**	**(838)**	**(2,721)**	**(3,924)**
Transfer to Stage 1	(33)	-	33	-
Transfer to Stage 3	3,550	276	(3,826)	-
Additional provisions recognised	(3,798)	(759)	(468)	(5,025)
Foreign exchange differences	6	(22)	(322)	(338)
At the end of the year	**(640)**	**(1,343)**	**(7,304)**	**(9,287)**

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**(152)**	**(1,061)**	**(1,333)**	**(2,546)**
Transfer to Stage 3	-	38	(38)	-
(Additional provisions recognised)/recoveries	(208)	194	(1,294)	(1,308)
Foreign exchange differences	(5)	(9)	(56)	(70)
At the end of the year	**(365)**	**(838)**	**(2,721)**	**(3,924)**

Capital commitments

As at 31 December 2021, the Group had capital expenditures commitments in respect of construction in progress for KZT 5,998 million (31 December 2020 – KZT 12,210 million; 31 December 2019 – KZT 38 million).

Operating lease commitments

There were no material operating lease commitments under irrevocable operating leases outstanding as at 31 December 2021, 2020 and 2019.

25. NET INTEREST INCOME

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Interest income:			
Loans to customers	634,858	508,537	449,120
- Corporate business	282,512	228,044	206,137
- Retail business	263,709	206,938	182,640
- SME business	88,637	73,555	60,343
Debt securities at amortised cost, net of allowance for expected credit losses	99,429	98,949	94,951
Financial assets at fair value through other comprehensive income	94,649	80,871	109,171
Amounts due from credit institutions and cash and cash equivalents	18,228	20,464	37,890
Other financial assets	11,079	8,867	10,218
Interest income calculated using effective interest method	858,243	717,688	701,350
Financial assets at fair value through profit or loss	21,622	15,546	8,954
Other interest income	**21,622**	**15,546**	**8,954**
Total interest income	**879,865**	**733,234**	**710,304**
Interest expense:			
Amounts due to customers	(303,169)	(232,823)	(216,588)
- Individuals	(165,142)	(135,175)	(131,958)
- Legal entities	(138,027)	(97,648)	(84,630)
Debt securities issued	(45,853)	(80,578)	(82,800)
Amounts due to credit institutions	(8,829)	(9,572)	(4,760)
Other interest and similar expense	(8,264)	(10,269)	(7,784)
Other financial liabilities	(677)	(499)	(394)
Total interest expense	**(366,792)**	**(333,741)**	**(312,326)**
Net interest income before credit loss expense	**513,073**	**399,493**	**397,978**

Other interest and similar expense includes loss on initial recognition of long-term financial accounts receivable.

The total interest income calculated using the EIR method for financial assets measured at amortised cost is KZT 763,593 million for the year ended 31 December 2021 (31 December 2020: KZT 636,817 million; 31 December 2019: KZT 592,179 million).

26. FEES AND COMMISSIONS

Fee and commission income is derived from the following sources:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Plastic card operations	82,531	69,228	63,147
Bank transfers - settlements	25,746	18,625	15,878
Letters of credit and guarantees issued	11,477	10,131	9,718
Cash operations	10,484	10,376	11,335
Servicing customers' pension payments	7,381	8,599	8,131
Bank transfers – salary projects	4,494	6,045	6,925
Maintenance of customer accounts	3,938	3,129	3,310
Other	7,826	5,266	4,812
Loyalty program	(15,488)	(7,278)	(2,613)
Total fee and commission income	**138,389**	**124,121**	**120,643**

Fee and commission expense is derived from the following sources:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Payment cards	(60,700)	(48,746)	(37,231)
Deposit insurance	(5,965)	(8,635)	(12,121)
Bank transfers	(2,254)	(1,634)	(1,327)
Cash operations	(861)	(1,130)	(1,106)
Commission paid to collectors	(186)	(326)	(314)
Other	(1,823)	(2,713)	(2,547)
Total fee and commission expense	**(71,789)**	**(63,184)**	**(54,646)**

27. NET GAIN/ (LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:			
Realized net gain/(loss) on derivative operations	8,289	(2,106)	2,736
Unrealized net gain/(loss) on derivative operations	5,018	4,517	(20,055)
Net gain/(loss) on trading operations	1,764	790	(1,415)
Total net gain/(loss) on operations with financial assets and liabilities classified as held for trading	**15,071**	**3,201**	**(18,734)**

28. NET FOREIGN EXCHANGE GAIN

Net foreign exchange gain comprises:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Dealing, net	38,175	51,273	37,212
Translation differences, net	(7,639)	(10,333)	8,167
Total net foreign exchange gain	**30,536**	**40,940**	**45,379**

29. INSURANCE UNDERWRITING INCOME / (INSURANCE CLAIMS INCURRED)

Insurance underwriting income / (insurance claims incurred) comprises:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Insurance premiums written, gross	227,027	147,214	132,329
Ceded reinsurance share	(79,371)	(61,976)	(37,173)
Change in unearned insurance premiums, net	(7,618)	610	(2,173)
Total insurance underwriting income	**140,038**	**85,848**	**92,983**
Insurance reserve expenses	(32,933)	(11,677)	(24,201)
Insurance payments	(31,113)	(25,147)	(22,193)
Commissions to agents	(26,971)	(26,542)	(42,531)
Total insurance claims incurred, net of reinsurance	**(91,017)**	**(63,366)**	**(88,925)**
Net insurance income	**49,021**	**22,482**	**4,058**

30. OPERATING EXPENSES

Operating expenses comprises:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Salaries and other employee benefits	105,410	85,286	79,231
Depreciation and amortisation expenses	14,909	13,027	11,596
Taxes other than income tax	9,607	8,281	7,786
Information services	6,909	5,593	4,515
Communication	5,546	5,455	4,243
Security	5,403	4,885	4,459
Utilities	4,312	3,868	4,248
Advertisement	4,261	1,808	1,544
Repair and maintenance	3,639	4,263	3,875
Rent	2,996	2,762	3,476
Charity	2,944	2,719	2,004
Professional services	1,843	1,091	1,495
Stationery and office supplies	1,744	1,756	1,555
Transportation	731	665	766
Business trip expenses	696	491	1,324
Other	5,658	3,864	3,208
Total operating expenses	**176,608**	**145,814**	**135,325**

31. INCOME ON NON-BANKING ACTIVITIES

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Net gain on sale of commercial property	16,048	18,828	22,845
Net gain on sale of assets classified as held for sale	2,754	3,980	1,851
Other income on non-banking activities	2,338	3,688	3,703
Net gain on sale of investment property	1,544	749	2,902
Income on non-banking activities	**22,684**	**27,245**	**31,301**

32. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year.

According to Kazakhstan legislation on Joint Stock Companies, dividend payments on common shares may not exceed dividend payments on preferred shares for the same year. Therefore, net profit for the year is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Basic and diluted earnings per share			
Net profit for the year attributable to equity holders of the parent	462,377	352,653	334,511
Earnings attributable to common shareholders	462,377	352,653	334,511
Weighted average number of common shares for the purposes of basic earnings per share	11,684,338,205	11,693,073,338	11,678,815,976
Basic and diluted earnings per share (in Tenge)	**39.57**	**30.16**	**28.64**

As required by KASE rules for listed companies, the book value of one common share as at 31 December 2021, 2020 and 2019 is disclosed as follows:

Class of shares	31 December 2021		
	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	10,896,004,850	1,560,057	143.18
		1,560,057	

Class of shares	31 December 2020		
	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,684,340,715	1,481,060	126.76
		1,481,060	

Class of shares	31 December 2019		
	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,656,585,190	1,297,502	111.31
		1,297,502	

Equity attributable to common shares is calculated as the difference between the total equity and total net book value of intangible assets.

The management of the Group believes that it fully complies with the requirement of KASE as at the reporting dates.

33. FINANCIAL RISK MANAGEMENT

Risk management is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Group recognises that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks.

Risk appetite management

Risk appetite is the aggregate level and types of risks that the Bank is ready to accept when achieving strategic objectives and business plan.

In order to build an effective system for managing the Bank's risk appetite, the risk appetite strategy of JSC Halyk Bank was developed and approved.

The risk appetite strategy defines clear boundaries of the volume of accepted significant risks in which the Bank operates as part of the implementation of the overall development strategy of Halyk Group, and also determines the risk profile of the Bank's activities in order to prevent the implementation of risks or minimize their negative impact on the financial position of the Bank.

As part of the development and implementation of the risk appetite strategy for each significant level of risk, the Board of Directors approved the levels of risk appetite (for credit risk, market risk, liquidity risk, operational risk), taking into account the adopted business model, scale of activities, types and complexity of the Bank's operations.

Internal process for assessing capital adequacy

In accordance with the requirements of the rules for the formation of a risk management and internal control system for second-tier banks, the Group developed and implemented an internal process for assessing capital adequacy, which was approved by the Board of Directors. The internal capital adequacy assessment process (the "ICAAP") is a set of processes for managing significant risks, taking into account the volume of assets, the nature and level of complexity of the activity, the organizational structure, strategic plans, risk profile, regulatory framework, assessment and aggregation of such risks in order to determine target level of the Group's capital adequacy to maintain a stable financial position and solvency.

The purpose of the ICAAP development is to identify, assess, aggregate and control significant types of risks inherent in the Group's activities in order to determine the required level of capital sufficient to cover them, including: credit risk, market risk, liquidity risk and operational risk. The Group assesses the adequacy of its equity capital, taking into account the current level of risk appetite and development strategy, based on the approved budget. Equity capital adequacy is assessed taking into account the results of stress testing of the Group's risks. The internal process for assessing capital adequacy is subject to continuous review of both quantitative and qualitative indicators, including the application of its results, approaches to stress testing, risk identification and information collection process, validation of risk assessment models.

Credit risk

Credit risk is the risk of loss arising for the Group when a borrower/counterparty is unable to meet its contractual obligations on time or in full.

The risk management department plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification, evaluation and implementation of control and monitoring measures. As part of the credit risk management system, the Group maintains a sufficient level of allowances for expected credit losses, controls the credit risk assessment process, takes the necessary measures to ensure the completeness and reliability of information in order to make decisions, adhere to internal policies and procedures, and maintain a credit assessment procedures independent of the business units risks.

The risk management department directly participates in credit decision - making processes and the development process of internal rules, regulations and loan programs. In addition, the department provides independent recommendations concerning credit exposure limitation measures, controls limits and monitors credit risks, the level of risk appetite for credit risk, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (the "ALMC"). The Group sets the levels of risk appetite for the concentration of the loan portfolio by types of lending: corporate business, small and medium business, retail business to the Bank's loan portfolio, portfolio concentration by 10 large borrowers of the Bank, the concentration of the portfolio on foreign currency loans, the concentration of the loan portfolio by the acceptable rating level, PD level and NPL level in small and retail business in the loan portfolio by lending segment. Limits on credit risk exposure with respect to credit programs (SME and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures, which are reviewed by the Credit Committees and the ALMC. Actual exposures against limits are monitored daily.

The risk that the counterparty will not meet its obligations is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the consolidated statement of financial position (i.e. the policy based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring). The Group monitors the term to maturity of off-balance sheet contingencies, as longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Structure and authorities of credit committees

Credit committees, the ALMC, the Management Board, Risk Committee and the Board of Directors are credit authorities responsible for the implementation of the Bank's Credit Policy and credit decision making process.

Head Office Credit Committee ("CC")

The primary goal of the CC is the implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers.

Branch Credit Committee and Branch Network Credit Committee ("BCC", "BNCC")

The primary goal of the BCC and the BNCC is the implementation of the Bank's Credit Policy in terms of granting financial instruments via branches to SME customers.

Delegated credit authority limits for the BCC and the BNCC are established by the Management Board. The BCC makes credit decisions within its limits. If the loan application exceeds the relevant credit limit or the authorities of the BCC, the final decision has to be taken by the BNCC. The procedure of the decision-making by the BNCC involves consideration of a package of documents, including complex analysis and assessments of the potential borrowers conducted by the Bank's experts.

Retail Branch Credit Committee of the Head Office ("RCCHO") and Decision Making Center ("DMC")

The primary goal of the RCCHO and the DMC, which are credit authorities, is the implementation of the Bank's Credit Policy in terms of granting retail financial instruments via branches.

The DMC is comprised of credit underwriters with delegated credit authorities based on a four eyes principle. The DMC makes credit decisions within their authorities and limits established by the Management Board and the RCCHO. The RCCHO is authorised to consider loan applications that exceed relevant credit limits or the authorities of the DMC, as well as other matters within the authorities established by the Management Board.

Along with the functioning of the DMC and RCCHO, there is an automated approach for making decisions when lending to individuals. Automation of decision making is based on a risk-based approach, including Risk Based Pricing and the use of additional parameters when assessing customer solvency. Based on the results of consideration of applications, loan proposals are formed both according to the requested conditions and by offering alternative solutions for all segments of applicants for individuals (participants / non-participants of the salary project, pensioners, etc.). This approach takes into account the risk profile of the potential borrower and allows minimising the credit risk exposure in the decision making process.

Decision Making Center for Small Business ("DMC for SB")

The DMC for SB was established in 2018, the main task of which is to consider loan applications in the small business sector in an amount not exceeding KZT 150 million.

The DMC for SB consists of credit underwriters with delegated decision-making powers based on the four-eye principle. The Decision Making Center takes decisions within the framework of the authority approved by the Board of the Bank and the limits approved by the BNCC.

Problem loans committee of the Head Office, branches

The primary goal of the problem loans committee of the Head Office, branches is the implementation of the Bank's Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

Authorised credit authorities of the Bank's subsidiaries

Consideration and approval of the loan applications in the subsidiaries are performed by the authorised credit authorities in accordance with the internal rules and regulations of the subsidiary. Loan applications exceeding the established limits and authorities have to be approved by the Board of Directors of the subsidiaries with the preliminary consideration by the relevant credit committee, according to the Bank's internal rules and regulations.

ALMC

The primary goal of the ALMC is profit maximisation and to limit the risks of banking activities related to raising and allocating funds and the establishment of a medium-term policy for the management of assets and liabilities. The main tasks of the ALMC are: liquidity management, market risk management, ensuring effective control over the activities of the Bank's executive bodies on financial risk management and determining priority areas for minimizing the Bank's risks.

The Management Board

For loan applications exceeding the authorities of the Head Office Credit Committee, the BNCC and the RCCHO, or exceeding the relevant limits of the BNCC and the RCCHO, have to be considered by the Management Board.

Risk Committee

The Committee is a collegial body under the Board of Directors and assists in the implementation of functions related to the formation of an effective risk management and internal control system in the Bank, ensuring its functioning and informing the Board of Directors about the level of risks assumed by the Bank.

The Board of Directors

If the loan application exceeds 5% of the Bank's equity capital or the potential borrower is a related party, such applications have to be considered by the Board of Directors.

Maximum Exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets, the maximum exposure equals the carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on, or in the case of commitments, if the loan amount was called on (Note 24). The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

	31 December 2021	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,192,906	208,728
Obligatory reserves	194,931	-
Financial assets at fair value through profit or loss (less equity securities)	262,066	-
Amounts due from credit institutions	602,125	-
Financial assets at fair value through other comprehensive income	1,862,516	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,288,178	-
Loans to customers	5,872,228	5,158,676
Other financial assets	71,233	-
Commitments and contingencies (less provisions)	736,494	35,469

	31 December 2020	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,542,784	194,467
Obligatory reserves	170,128	-
Financial assets at fair value through profit or loss (less equity securities)	224,532	-
Amounts due from credit institutions	709,310	-
Financial assets at fair value through other comprehensive income	1,250,182	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,229,539	-
Loans to customers	4,446,275	3,789,113
Other financial assets	95,648	-
Commitments and contingencies (less provisions)	497,338	16,922

	31 December 2019	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,483,784	58,331
Obligatory reserves	141,006	-
Financial assets at fair value through profit or loss (less equity securities)	155,531	-
Amounts due from credit institutions	53,161	-
Financial assets at fair value through other comprehensive income	1,628,406	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,212,981	-
Loans to customers	3,752,445	3,277,632
Other financial assets	102,424	-
Commitments and contingencies (less provisions)	525,566	33,453

* Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

As at 31 December 2021, 2020 and 2019, there is no any difference between maximum exposure and net exposure after offset.

Significant increase in credit risk

As explained in Note 4, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

For treasury operations (interbank transactions, securities, reverse repurchase agreements), a significant increase in credit risk is determined individually for each financial asset on the basis of quantitative indicators (rating downgrades by 3 or more steps since initial recognition, overdue by 1 day or more since initial recognition) and qualitative indicators (negative information relating to the issuer/counterparty, including deterioration of financial condition, change of shareholders, the realization of the risk of loss of reputation, the systematic violation of prudential standards) since initial recognition.

For bank loans assessed on a collective basis, a significant increase in credit risk is determined on the basis of increase in lifetime probability of default since initial recognition over defined thresholds for segmented homogeneous portfolios and for loans with an overdue more than 30 days since initial recognition, for loans assessed on an individual basis - additionally in case of the decrease of internal credit rating and increase in lifetime PD on 10 percentage points in accordance with the internal rating model (the presence of restructuring during deterioration of the financial position for classification to Stage 3), expert opinions of the Bank's specialists based on the changes in the qualitative and quantitative indicators of the borrower, a significant deterioration of collateral and other objective evidence of significant financial difficulties since initial recognition.

Stage 3 is determined for loans that are assessed on a collective basis with an overdue of over 60 - 90 days, for loans assessed on an individual basis - over 60 days past due, restructuring related to the deterioration of financial condition, deterioration of the internal credit rating and expert opinion of the Bank's specialists.

The Group considers that certain financial instruments with low credit risk at the reporting date have not experienced a significant increase in credit risk. The Group applies this policy to financial instruments issued to sovereign and financial institutions only. The Group considers a financial instrument to have low credit risk when their external credit risk rating is equivalent to definition of 'investment grade' by international rating agencies.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The incorporation of forward-looking elements reflects the expectations of the Group and involves the creation of two scenarios ("base case" and "downside" scenarios), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The "base case" scenario enters with a probability of 75% and the "downside" scenario with a probability of 25%.

Development of forecasting was carried out by JSC Halyk Finance using internal and external information for creating "base case" and "downside" scenarios of future forecasting of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

When applying these stress factors, the results of stress testing performed at the end of 2021 show a slight decrease in certain financial indicators of the Group (growth in provisions for expected credit losses, decrease in net profit and outflow of customer accounts).

At the same time, given that, the Group has a sufficient amount of equity and liquid assets, significant deterioration in the financial position of the Group and violation of regulatory requirements and norms are not predicted.

In general, a worsening of forecasted macroeconomic variables for each scenario or an increase in the probability of the "downside" scenario occurring will both increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated allowances for expected credit losses. In contrast, an improvement in the outlook on forecasted macroeconomic variables or an increase in the probability of the "base case" scenario occurring will have a positive impact. It is not possible to meaningfully isolate the impact of changes in the various macroeconomic variables for a particular scenario due to the interrelationship between the variables as well as the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring.

The table below summarizes the forecasts for the following year for the principal macroeconomic indicators included in economic scenarios as at 31 December 2021, 2020 and 2019 for Kazakhstan, which is the country where the Group operates and therefore is the country that has a material impact in ECLs.

List of macro variables used	31 December 2021		31 December 2020		31 December 2019	
	Definition	Range	Definition	Range	Definition	Range
Real GDP growth	% change	Between 2.5% and 3.7%	% change	Between 2.0% and 3.0%	% change	Between 2.4% and 3.6%
Inflation	Inflation %	Between 7.5% and 9.0%	Inflation %	Between 6.5% and 8.0%	Inflation %	Between 5.8% and 10.4%
Oil price (USD/bbl)	Price per barrel	Between USD 50 and USD 68	Price per barrel	Between USD 35 and USD 45	Price per barrel	Between USD 45 and USD 55

Historically, the main risk factor for the economy of Kazakhstan has been the deterioration in the terms of foreign trade associated with the high volatility of oil prices. At the same time, the COVID-19 pandemic has brought global changes in the pace of development of society and external shocks on the economy of the Republic of Kazakhstan.

According to the forecasts of the baseline scenario, the economy of Kazakhstan in 2022 will demonstrate a recovery growth of 3.7%, taking into account the forecast for the cost of Brent crude of 68 USD/bbl. The economy will be supported by the recovery of investment activity in the oil and gas industry, which accounts for about 40% of all investments in the country. Taking into account that a significant part of the employed population is concentrated in the service sector, the expected easing of quarantine measures, the negative consequences of which have most strongly affected this particular sector, should have a positive impact on accelerating its recovery growth dynamics.

Under the stress scenario, the oil price equals 50 USD/bbl (-25% of the baseline scenraio). According to the US Department of Energy, global oil demand in 2022 will continue to recover. At the same time, the oil market is still subject to the influence of geopolitical factors. Additionally, the situation with the COVID-19 pandemic remains uncertain and difficult to predict. Based on the factual results of 2021 year, Kazakhstan's GDP increased by 4.0% and inflation was 8.4%.

Financial assets are graded according to the current credit rating they have been issued by an international rating agency or in accordance with the Group's internal rating system. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

The following table details the credit ratings of financial assets held by the Group (except for loans to customers, which are disclosed in details below), before any allowances for expected credit losses:

	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2021 Total
Cash equivalents*	220,128	13,360	9,539	911,214	24,133	14,574	1,192,948
Obligatory reserves	-	-	-	194,931	-	-	194,931
Financial assets at fair value through profit or loss	190	188	7,297	172,764	89,238	13,656	283,333
Amounts due from credit institutions	-	17,428	73,943	467,644	24,121	19,187	602,323
Financial assets at fair value through other comprehensive income	20,052	75,029	134,835	1,583,770	54,281	6,387	1,874,354
Debt securities at amortised cost	-	-	43,187	1,058,187	6,275	181,074	1,288,723
Other financial assets	-	-	-	-	-	90,829	90,829
Commitments and contingencies	-	-	-	-	-	749,687	749,687

	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2020 Total
Cash equivalents*	85,871	21,315	16,871	1,362,247	43,927	12,599	1,542,830
Obligatory reserves	-	-	-	170,128	-	-	170,128
Financial assets at fair value through profit or loss	8,241	148	6,889	175,273	15,678	36,096	242,326
Amounts due from credit institutions	6,949	5,130	207,854	464,553	6,408	18,677	709,571
Financial assets at fair value through other comprehensive income	55,370	10,553	110,284	922,213	139,968	19,481	1,257,868
Debt securities at amortised cost	-	-	-	1,050,974	4,805	174,334	1,230,113
Other financial assets	-	-	-	-	-	126,284	126,284
Commitments and contingencies	-	-	-	-	-	506,625	506,625

	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2019 Total
Cash equivalents*	333,315	150,360	192,281	746,969	52,473	8,406	1,483,804
Obligatory reserves	-	-	-	133,033	7,973	-	141,006
Financial assets at fair value through profit or loss	8,360	332	1,167	19,616	114,002	41,554	185,031
Amounts due from credit institutions	2,557	6,700	5,151	9,009	16,741	13,170	53,328
Financial assets at fair value through other comprehensive income	342,889	15,289	47,820	1,073,913	111,244	39,766	1,630,921
Debt securities at amortised cost	-	-	-	1,046,755	13,752	153,036	1,213,543
Other financial assets	-	-	-	-	-	126,300	126,300
Commitments and contingencies	-	-	-	-	-	529,490	529,490

* Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

The following table details the carrying value of assets that are impaired and for those that are past due but not impaired:

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2021 Total
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amountof assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	
Amounts due from credit institutions	602,208	(198)	-	-	115	-	602,125
Financial assets at fair value through other comprehensive income	1,874,354	(2,677)	-	-	-	-	1,871,677
Debt securities at amortised cost	1,282,741	(539)	3,543	(3)	2,439	(3)	1,288,178
Loans to customers	3,554,951	(59,805)	369,968	(175,000)	2,325,341	(143,227)	5,872,228
Other financial assets	-	-	51,475	(18,539)	39,354	(1,057)	71,233

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2020 Total
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amountof assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	
Amounts due from credit institutions	709,460	(261)	-	-	111	-	709,310
Financial assets at fair value through other comprehensive income	1,257,868	(1,710)	-	-	-	-	1,256,158
Debt securities at amortised cost	1,215,276	(545)	7,781	(6)	7,056	(23)	1,229,539
Loans to customers	2,797,451	(46,904)	391,770	(198,577)	1,635,095	(132,560)	4,446,275
Other financial assets	-	-	103,069	(26,541)	23,215	(4,095)	95,648

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2019 Total
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amountof assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	
Amounts due from credit institutions	44,005	(166)	9,323	(1)	-	-	53,161
Financial assets at fair value through other comprehensive income	1,631,244	(990)	1,335	(668)	-	-	1,630,921
Debt securities at amortised cost	1,205,377	(554)	6,258	(6)	1,908	(2)	1,212,981
Loans to customers	2,386,392	(52,096)	451,307	(235,340)	1,323,464	(121,282)	3,752,445
Other financial assets	-	-	107,975	(20,566)	18,325	(3,310)	102,424

As at 31 December 2021, the carrying amount of unimpaired overdue loans was KZT 32,761 million (31 December 2020 – 36,466 million; 31 December 2019 – 23,463 million). Maturities of these overdue loans are not greater than 90 days.

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Group to provide funds for repayment of its obligations in due time. The Group's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

In accordance with the requirements of the Rules for the formation of a risk management and internal control system for second-tier banks, the Group has developed and implemented an internal process for assessing liquidity adequacy ("IPALA"), which was approved by the Board of Directors. IPALA is a set of liquidity risk management processes in order to maintain an adequate level of liquidity and implement an appropriate liquidity risk management system at different time intervals depending on the type of activity, currency. IPALA was developed in accordance with the risk appetite strategy, taking into account the current market and economic situation, the risk profile and the requirements of the legislation of the Republic of Kazakhstan in terms of the formation of a risk management and internal control system for second-tier banks, as well as the internal needs of the Bank in determining the main approaches and principles of the process assessing the adequacy of liquidity. In order to determine the risk appetite, the Board of Directors approves the levels of risk appetite for liquidity risk, and also uses a quantitative internal indicator of liquidity adequacy within the IPALA, which limits the risks of current, short-term, medium-term and long-term liquidity. In order to identify weaknesses, the IPALA is subject to continuous review at least once a year, which is submitted for approval by the Board of Directors.

As part of the risk management system, liquidity risk is measured and controlled through the following tools:

- monitoring compliance with regulatory (prudential) liquidity ratios;
- setting and regular monitoring of internal limits and triggers for liquidity risk: risk appetite level, IPALA ratio, limit on GAP gaps, liability concentration limits, early warning indicators of liquidity risk;
- analysis of contractual maturities (GAP-analysis) and cash flow forecasting, including: planned transactions, projected rollover of attracted customer funds (taking into account the calculation of the stable part of funding);
- analysis of the concentration of funding sources (by largest depositors, by currency, by funding maturity, by funding source;
- indicators of early warning about liquidity risk, allowing to monitor and control liquidity risk;
- analysis of the volume of assets that can be used as collateral to raise liquidity;
- development and regular testing of a contingency financing plan with a description of the process of eliminating liquidity shortage in emergency situations;
- stress testing of the impact of changes in various macroeconomic and other factors and parameters on liquidity.

Short-term liquidity needs are managed by the Group's treasury function collecting daily cash inflow/outflow forecasts. Long-term liquidity management is performed by the ALMC by analysing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Group analyses and evaluates cash inflows and outflows to determine the potential shortage of liquid assets in the future. The Group measures and forecasts estimated cash flows for assets and liabilities, including off-balance sheet claims and liabilities, which analyzes the structure of gaps between cash flows for financial assets and financial liabilities (GAP analysis). In a GAP analysis, cash flows are grouped into time buckets based on the following principles:

- assets and liabilities are broken down into economically homogeneous and significant items;
- securities at fair value through profit or loss are classified in the column "Less than 1 month" because they are available to meet the Group's short-term liquidity needs;
- part of long-term loans provided to customers are classified in the column "From 3 months to 1 year", because for them, the Group has the right to unilaterally withdraw within ten months after due notice issued by the Group;
- loans to customers, amounts due from credit institutions, financial assets at fair value through other comprehensive income, debt securities at amortized cost, other financial assets, customer accounts, amounts due to credit institutions, debt securities issued, other financial liabilities included analysis of the liquidity position based on expected contractual maturities;
- Assets and liabilities other than those listed above are generally classified according to the payment schedule and the remaining period from the reporting date to the earliest contractual payment date or available maturity date.

For the purposes of effective control, the Group divides liquidity management into:

- management of current (intraday)/short-term liquidity – management of assets and liabilities with a maturity of less than 3 months;
- management of mid-term/long-term liquidity – management of assets and liabilities with maturity from 3 months to 1 year and more than 1 year.

Liquidity risk management is generally carried out by ALMC, whose main tasks are to control the implementation of the asset and liability management policy and the liquidity management policy, and to determine the need for liquid funds. The treasury department directly manages the Bank's cash flows and short-term liquidity within the established level of risk appetite for liquidity risk and the limits established by ALMC. The treasury department develops and implements measures for operational liquidity management. The risk management division is responsible for the implementation of the liquidity risk management process, for identifying, measuring, monitoring, controlling and analyzing liquidity risk as part of periodic management reporting on the current state of liquidity risk with related analysis, and, if necessary, provides its recommendations for minimizing risks. The risk management division also conducts stress testing of the impact of changes in various macroeconomic and other factors and parameters on liquidity, including taking into account the scenario of the outflow of customer funds.

Liquidity risk management (identification, measurement, monitoring, control and analysis of liquidity risk) is carried out in accordance with the IPALA and the liquidity risk management policy, as well as regulatory requirements.

The following tables provide an analysis of financial assets and liabilities grouped based on the above principles.

	31 December 2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,425,776	12,745	-	-	-	1,438,521
Obligatory reserves	124,301	15,340	47,272	7,671	347	194,931
Financial assets at fair value through profit or loss	278,518	8	-	194	4,613	283,333
Amounts due from credit institutions	77,851	74,735	448,040	1,497	2	602,125
Financial assets at fair value through other comprehensive income	52,836	48,811	219,577	1,254,770	295,683	1,871,677
Debt securities at amortised cost, net of allowance for expected credit losses	11,992	1,559	329,197	694,656	250,774	1,288,178
Loans to customers*	180,410	401,881	3,333,341	1,790,844	165,752	5,872,228
Other financial assets	15,146	6,281	4,044	42,006	3,756	71,233
	2,166,830	**561,360**	**4,381,471**	**3,791,638**	**720,927**	**11,622,226**
FINANCIAL LIABILITIES:						
Amounts due to customers	4,040,155	946,963	2,363,147	721,714	401,428	8,473,407
Amounts due to credit institutions	889,465	49,375	903	18,350	113,549	1,071,642
Financial liabilities at fair value through profit or loss	1,566	-	107	142	461	2,276
Debt securities issued	101,473	3,785	82,265	300,797	11,492	499,812
Other financial liabilities	90,772	688	16,752	1,184	-	109,396
	5,123,431	**1,000,811**	**2,463,174**	**1,042,187**	**526,930**	**10,156,533**
Net position	**(2,956,601)**	**(439,451)**	**1,918,297**	**2,749,451**	**193,997**	**1,465,693**
Accumulated gap	**(2,956,601)**	**(3,396,052)**	**(1,473,781)**	**1,271,696**	**1,465,693**	

	31 December 2020					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,745,718	11,759	-	-	-	1,757,477
Obligatory reserves	97,353	20,780	41,490	10,120	385	170,128
Financial assets at fair value through profit or loss	238,742	-	3,548	5	31	242,326
Amounts due from credit institutions	152,028	7,514	549,029	737	2	709,310
Financial assets at fair value through other comprehensive income	75,531	2,686	95,143	908,867	173,931	1,256,158
Debt securities at amortised cost, net of allowance for expected credit losses	16,303	2,292	35,118	675,152	500,674	1,229,539
Loans to customers*	233,521	399,590	2,437,184	1,200,408	175,572	4,446,275
Other financial assets	31,524	8,724	12,608	30,550	12,242	95,648
	2,590,720	**453,345**	**3,174,120**	**2,825,839**	**862,837**	**9,906,861**
FINANCIAL LIABILITIES:						
Amounts due to customers	3,616,311	859,205	1,785,064	775,042	420,355	7,455,977
Amounts due to credit institutions	162,608	191	2,586	17,675	117,667	300,727
Financial liabilities at fair value through profit or loss	1,725	-	206	104	449	2,484
Debt securities issued	211,145	3,785	3,265	559,264	733	778,192
Other financial liabilities	56,219	582	7,631	229	-	64,661
	4,048,008	**863,763**	**1,798,752**	**1,352,314**	**539,204**	**8,602,041**
Net position	**(1,457,288)**	**(410,418)**	**1,375,368**	**1,473,525**	**323,633**	**1,304,820**
Accumulated gap	**(1,457,288)**	**(1,867,706)**	**(492,338)**	**981,187**	**1,304,820**	

	31 December 2019					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,660,923	3,414	-	-	-	1,664,337
Obligatory reserves	88,664	8,084	39,259	3,990	1,009	141,006
Financial assets at fair value through profit or loss	67,151	124	18,798	43,555	55,403	185,031
Amounts due from credit institutions	26,543	266	21,346	4,729	277	53,161
Financial assets at fair value through other comprehensive income	90,815	218,030	659,083	356,391	306,602	1,630,921
Debt securities at amortised cost, net of allowance for expected credit losses	13,668	2,375	38,939	657,225	500,774	1,212,981
Loans to customers*	261,581	383,551	2,042,671	975,196	89,446	3,752,445
Other financial assets	14,901	3,314	44,528	24,238	15,443	102,424
	2,224,246	**619,158**	**2,864,624**	**2,065,324**	**968,954**	**8,742,306**
FINANCIAL LIABILITIES:						
Amounts due to customers	3,033,841	382,085	2,030,783	553,693	406,011	6,406,413
Amounts due to credit institutions	167,723	183	1,810	15,817	120,432	305,965
Financial liabilities at fair value through profit or loss	20,218	-	-	226	-	20,444
Debt securities issued	13,481	3,785	3,108	607,153	206,919	834,446
Other financial liabilities	33,710	1,687	487	3,125	-	39,009
	3,268,973	**387,740**	**2,036,188**	**1,180,014**	**733,362**	**7,606,277**
Net position	**(1,044,727)**	**231,418**	**828,436**	**885,310**	**235,592**	**1,136,029**
Accumulated gap	**(1,044,727)**	**(813,309)**	**15,127**	**900,437**	**1,136,029**	

* Loans to customers in the column "3 months to 1 year" include loans with non-standard repayment schedule.

The change in liquidity gaps during the reporting period is associated with a change in the volume and/or structure of liquid assets, a change in the maturity structure of the Group's assets and liabilities, including due to a change in the maturity of assets (reduction/increase in the maturity of the portfolio of securities, funds of amounts due to credit institutions, for debt securities issued).

As at 31 December 2021, 2020 and 2019 the Group complies with main liquidity ratios and regulatory liquidity requirements.

The analysis of liabilities by maturity does not reflect the historical stability of customer current account balances, which have traditionally been repaid over a longer period than indicated in the tables above. In this regard, Management believes that although a substantial portion of current accounts and customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group, indicate that these deposits provide a long-term and stable source of funding for the Group. Therefore, an essential part of the Group's current accounts is considered to be stable resources for the purposes of liquidity analysis and management. Additionally, the accumulated gap can be sufficiently covered by refinancing with the repurchase agreements and sale of liquid government and other high-quality rated securities or attracting long-term debt funding on capital markets when necessary.

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position, as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

FINANCIAL AND CONTINGENT LIABILITIES	31 December 2021					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts due to customers	4,041,427	950,688	2,434,737	743,815	499,564	8,670,231
Amounts due to credit institutions	883,280	50,632	932	18,867	140,000	1,093,711
Debt securities issued	101,834	4,937	102,313	396,427	879	606,390
Other financial liabilities	90,772	688	16,752	1,184	-	109,396
Guarantees issued	626,319	-	-	-	-	626,319
Commercial letters of credit	65,267	-	-	-	-	65,267
Commitments to extend credit	58,101	-	-	-	-	58,101
	5,867,000	**1,006,945**	**2,554,734**	**1,160,293**	**640,443**	**11,229,415**
Derivative financial assets	231,935	4,318	14,249	9,742	39,365	299,609
Derivative financial liabilities	233,470	4,388	15,196	10,222	39,917	303,193

FINANCIAL AND CONTINGENT LIABILITIES	31 December 2020					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts due to customers	3,617,782	866,879	1,838,288	875,927	492,500	7,691,376
Amounts due to credit institutions	162,769	191	2,605	19,487	146,915	331,967
Debt securities issued	212,652	4,937	24,312	674,855	733	917,489
Other financial liabilities	56,219	582	7,631	229	-	64,661
Guarantees issued	422,672	-	-	-	-	422,672
Commercial letters of credit	38,306	-	-	-	-	38,306
Commitments to extend credit	45,647	-	-	-	-	45,647
	4,556,047	**872,589**	**1,872,836**	**1,570,498**	**640,148**	**9,512,118**
Derivative financial assets	182,821	15,497	32,583	13,890	38,372	283,163
Derivative financial liabilities	185,299	15,504	28,306	14,827	38,946	282,882

FINANCIAL AND CONTINGENT LIABILITIES	31 December 2019					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts due to customers	3,034,894	385,011	2,083,036	622,705	470,520	6,596,166
Amounts due to credit institutions	167,908	184	1,820	18,117	152,115	340,144
Debt securities issued	14,879	4,937	37,641	764,510	226,401	1,048,368
Other financial liabilities	33,710	1,687	487	3,125	-	39,009
Guarantees issued	408,027	-	-	-	-	408,027
Commercial letters of credit	68,312		-	-	-	68,312
Commitments to extend credit	53,151	-	-	-	-	53,151
	3,780,881	**391,819**	**2,122,984**	**1,408,457**	**849,036**	**8,553,177**
Derivative financial assets	583,536	-	364,096	29,617	-	977,249
Derivative financial liabilities	605,388	-	388,938	31,202	-	1,025,528

Transactions with government agencies and government-controlled companies

In the course of its operations, the Group enters into transactions with the NBRK, the Government of the Republic of Kazakhstan represented by the Ministry of Finance of the Republic of Kazakhstan and government agencies, as well as with state-controlled companies (with an equity stake of 50% or more). The Group provides these customers with banking services, including, but not limited to: placing deposits, providing loans, transactions for the sale and purchase of securities, accepting funds for deposits, etc.

The balances of transactions with government institutions and state-controlled companies that were significant in terms of their carrying value (TOP 10) as at 31 December 2021 and 31 December 2020 are as follows:

Counterparty/ Issuer	31 December 2021				
	Cash and cash equivalents	Loans to customers	Investments in securities	Amounts due to customers/ due to credit institutions	Total
NBRK	1,272,373	-	21,685	94	1,294,152
Government of the Republic of Kazakhstan	-	3,820	2,169,078	40,283	2,213,181
Other government agencies and state-controlled companies from various industries	21	452,023	648,540	1,323,640	2,424,224
Including:					
funds of state programs	-	-	-	140,871	140,871
conditional deposits	-	-	-	68,635	68,635
	1,272,394	**455,843**	**2,839,302**	**1,573,523**	

Counterparty/ Issuer	31 December 2020				
	Cash and cash equivalents	Loans to customers	Investments in securities	Amounts due to customers/ due to credit institutions	Total
NBRK	1,683,012	-	59,709	269	1,742,990
Government of the Republic of Kazakhstan	-	3,786	1,739,880	17,921	1,761,587
Other government agencies and state-controlled companies from various industries	-	365,937	370,736	1,262,732	1,999,405
Including:					
funds of state programs	-	-	-	132,585	132,585
conditional deposits	-	-	-	49,947	49,947
	1,683,012	**369,723**	**2,170,325**	**1,280,922**	

Counterparty/ Issuer	31 December 2019				
	Cash and cash equivalents	Loans to customers	Investments in securities	Amounts due to customers/ due to credit institutions	Total
NBRK	679,418	-	425,687	295	1,105,400
Government of the Republic of Kazakhstan	-	3,588	1,486,285	10,716	1,500,589
Other government agencies and state-controlled companies from various industries	-	347,638	484,648	1,189,375	2,021,661
Including:					
funds of state programs	-	-	-	42,245	42,245
conditional deposits	-	-	-	44,785	44,785
	679,418	**351,226**	**2,396,621**	**1,200,386**	

Cash and cash equivalents include balances on nostro accounts and term deposits with the NBRK in national and foreign currencies.

Loans to customers represent transactions for the financing of state-controlled companies, concluded on the terms of payment, urgency, repayment.

Investments in securities are represented by debt and equity financial instruments denominated in national and foreign currencies, evaluated at fair value or amortized cost, depending on the purpose of acquisition.

Amounts due to credit institutions / due to customers represent liabilities to state-controlled companies in the form of current account balances, term deposits, funds placed under government financing programs small and medium-sized businesses, as well as conditional deposits placed by quasi-state companies as part of subsoil use operations.

In order to manage liquidity risk, including monitoring the concentration of assets and liabilities, the Group sets concentration limits for certain groups of customers, both in terms of claims to customers and liabilities to them (by the largest depositors / borrowers, by currency baskets, by source of funding); on a regular basis monitors the fulfillment of the specified limits, analyzes the dynamics of changes in indicators, and, if necessary, develops action plans to reduce the risk of concentration.

Additionally, on a regular basis, the Group conducts stress testing on the impact of potential changes in various macroeconomic and other indicators on the financial stability of the Group. One of the scenarios that must be considered and analyzed is a stressful outflow of customer funds (withdrawals from current accounts, early termination of term deposits), as well as the conversion of customer funds into foreign currency (from tenge to foreign currency), based on the results of a stress test, if necessary preventive measures are being developed to prevent a negative impact on the Group's operations.

The results of monitoring limits on the concentration of assets and liabilities and the results of stress testing are mandatory submitted for consideration by the authorized collegial bodies to get acquainted with the current level of the main types of risk inherent in the Group's activities and take corrective measures to minimize the risk, if necessary.

Market risk

Market risk is the risk that the Group's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables, such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Group is exposed to market risks, which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimise risk/return, minimise losses in case of adverse events and decrease deviation of factual financial results from expected financial results.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes, the ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review on at least an annual basis and should be monitored continuously.

Interest rate risk

The Group is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decreases, interest expense increases or a negative impact on equity resulting from adverse changes in market interest rates.

The Group determines two types of interest rate risk:

- Interest rate risk related to changes in fair values of securities portfolios, which are reflected through other comprehensive income;
- Interest rate risk resulting from assets and liabilities maturity dates (dates of interest rate repricing) mismatch that are sensitive to interest rate changes (risk of interest rate changes).

The ALMC manages interest rate risks and market risks through the management of the Group's position on interest rates to reach positive interest margins.

The Group manages interest rates by determining the Group's exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Group's exposure to interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities.

Sensitivity analysis of interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The Group assesses the reasonably possible changes in interest rates in tenge and foreign currencies separately, in which financial assets and liabilities are denominated due to the different volatility of interest rates. Particularly, a scenario of interest rate changes in tenge takes into account the dynamics of market interest rates (loans/deposits, NBRK base rate etc.). The change in the possible movement of the interest rate in tenge from 2% to 3.75% in 2021 was associated with the actual and possible increase in the volatility of the base rate of the NBRK. This sensitivity analysis is not reflective of the severe scenarios of internal stress tests of the Group.

The impact on profit before tax is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2021, 2020 and 2019 and the effect of revaluing instruments with fixed rates accounted for at fair value. The management of the Group believes income tax not to have a substantial effect for the purpose of interest rate risk management.

The impact on income before tax based on asset and liability values as at 31 December 2021, 2020 and 2019 is as follows:

	31 December 2021		31 December 2020		31 December 2019	
	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%
FINANCIAL ASSETS:						
Financial assets at fair value through profit or loss	(24,977)	24,567	(3,671)	2,447	(5,592)	5,616
KZT	(28,366)	28,366	(13,691)	13,691	(3,226)	3,226
CCY	3,390	(3,799)	10,020	(11,245)	(2,366)	2,390
Amounts due from credit institutions	1,273	(1,273)	811	(811)	239	(239)
CCY	1,273	(1,273)	811	(811)	239	(239)
Financial assets at fair value through other comprehensive income	601	(601)	(57)	57	(65)	65
KZT	601	(601)	(57)	57	(65)	65
Loans to customers	1,863	(1,863)	1,362	(1,362)	1,217	(1,217)
CCY	1,863	(1,863)	1,362	(1,362)	1,217	(1,217)
FINANCIAL LIABILITIES:						
Amounts due to credit institutions	-	-	-	-	3	(3)
CCY	-	-	-	-	3	(3)
Net impact on income before tax	**(21,240)**	**20,830**	**(1,441)**	**216**	**(4,074)**	**4,098**

The impact on equity is the effect of the assumed changes in interest rates due to changes in retained earnings and the effect of revaluation of financial assets at fair value through other comprehensive income with fixed rates.

The impact on equity based on asset and liability values as at 31 December 2021, 2020 and 2019 is as follows:

	31 December 2021		31 December 2020		31 December 2019	
	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%
FINANCIAL ASSETS:						
Financial assets at fair value through profit or loss	(24,977)	24,567	(10,134)	9,521	(5,592)	5,616
KZT	(28,366)	28,366	(13,691)	13,691	(3,226)	3,226
CCY	3,390	(3,799)	3,558	(4,170)	(2,366)	2,390
Amounts due from credit institutions	1,273	(1,273)	811	(811)	239	(239)
CCY	1,273	(1,273)	811	(811)	239	(239)
Financial assets at fair value through other comprehensive income	(136,113)	136,113	(91,421)	91,421	(61,335)	61,335
KZT	(68,606)	68,606	(34,334)	34,334	(19,534)	19,534
CCY	(67,508)	67,508	(57,087)	57,087	(41,801)	41,801
Loans to customers	1,863	(1,863)	1,362	(1,362)	1,217	(1,217)
CCY	1,863	(1,863)	1,362	(1,362)	1,217	(1,217)
FINANCIAL LIABILITIES:						
Amounts due to credit institutions	-	-	-	-	3	(3)
CCY	-	-	-	-	3	(3)
Net impact on equity	**(157,954)**	**157,545**	**(99,381)**	**98,769**	**(65,409)**	**65,433**

Currency Risk

The Group is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Group.

The ALMC controls currency risk by management of the open currency position based on the estimations of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimise losses from significant currency rate fluctuations of national and foreign currencies.

The treasury department performs daily monitoring of the Group's open currency positions, with the aim to comply with the requirements of the regulatory authority.

The Group is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial positions, results of operations and cash flows, which are monitored daily. The ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority.

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying value of the Group's USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the consolidated statement of financial position and off-balance sheet positions. Currently, the Group's sensitivity to fluctuations in exchange rates is acceptable, due to the fact that the off- balance sheet items significantly neutralise the consolidated statement of financial position.

The Group's exposure to foreign currency exchange rate risk is as follows:

	31 December 2021						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	870,407	37,178	28,701	64,431	1,000,717	437,804	1,438,521
Obligatory reserves	66,380	36,295	783	1,940	105,398	89,533	194,931
Financial assets at fair value through profit or loss	21,247	187	38,021	1,928	61,383	221,950	283,333
Amounts due from credit institutions	546,790	5,299	2	20,696	572,787	29,338	602,125
Financial assets at fair value through other comprehensive income	1,032,406	123,598	14,176	-	1,170,180	701,497	1,871,677
Debt securities at amortised cost, net of allowance for expected credit losses	233,320	-	3,540	6,285	243,145	1,045,033	1,288,178
Loans to customers	999,420	53,050	100,574	82,813	1,235,857	4,636,371	5,872,228
Other financial assets	799	217	3,635	1,943	6,594	64,639	71,233
	3,770,769	**255,824**	**189,432**	**180,036**	**4,396,061**	**7,226,165**	**11,622,226**
FINANCIAL LIABILITIES							
Amounts due to customers	3,770,642	162,153	55,674	107,543	4,096,012	4,377,395	8,473,407
Amounts due to credit institutions	24,206	6,027	303	2,300	32,836	1,038,806	1,071,642
Financial liabilities at fair value through profit or loss	187	197	710	131	1,225	1,051	2,276
Debt securities issued	79,550	-	-	836	80,386	419,426	499,812
Other financial liabilities	1,362	99	3,894	2,215	7,570	101,826	109,396
	3,875,947	**168,476**	**60,581**	**113,025**	**4,218,029**	**5,938,504**	**10,156,533**
Net position – on-balance	**(105,178)**	**87,348**	**128,851**	**67,011**	**178,032**	**1,287,661**	**1,465,693**
Net position – off-balance	**150,410**	**(89,261)**	**(76,048)**	**1,377**	**(13,522)**	**11,697**	
Net position	**45,232**	**(1,913)**	**52,803**	**68,388**	**164,510**	**1,299,358**	

	31 December 2020						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1,175,440	23,729	48,005	30,490	1,277,664	479,813	1,757,477
Obligatory reserves	88,902	7,292	2,017	3,452	101,663	68,465	170,128
Financial assets at fair value through profit or loss	19,804	-	38,728	1,511	60,043	182,283	242,326
Amounts due from credit institutions	564,826	16,218	2	459	581,505	127,805	709,310
Financial assets at fair value through other comprehensive income	646,942	130,942	4,409	-	782,293	473,865	1,256,158
Debt securities at amortised cost, net of allowance for expected credit losses	170,218	-	4,063	10,338	184,619	1,044,920	1,229,539
Loans to customers	831,807	50,489	79,545	55,273	1,017,114	3,429,161	4,446,275
Other financial assets	1,818	304	3,446	1,367	6,935	88,713	95,648
	3,499,757	**228,974**	**180,215**	**102,890**	**4,011,836**	**5,895,025**	**9,906,861**
FINANCIAL LIABILITIES							
Amounts due to customers	3,234,752	136,373	61,075	77,500	3,509,700	3,946,277	7,455,977
Amounts due to credit institutions	14,549	3,825	2,682	5,691	26,747	273,980	300,727
Financial liabilities at fair value through profit or loss	-	-	759	12	771	1,713	2,484
Debt securities issued	362,417	-	-	767	363,184	415,008	778,192
Other financial liabilities	1,593	13	1,671	874	4,151	60,510	64,661
	3,613,311	**140,211**	**66,187**	**84,844**	**3,904,553**	**4,697,488**	**8,602,041**
Net position – on-balance	**(113,554)**	**88,763**	**114,028**	**18,046**	**107,283**	**1,197,537**	**1,304,820**
Net position – off-balance	**163,673**	**(86,310)**	**(60,996)**	**(171)**	**16,196**	**(13,425)**	
Net position	**50,119**	**2,453**	**53,032**	**17,875**	**123,479**	**1,184,112**	

	31 December 2019						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	994,768	122,323	35,923	332,216	1,485,230	179,107	1,664,337
Obligatory reserves	81,791	5,128	1,748	2,677	91,344	49,662	141,006
Financial assets at fair value through profit or loss	35,268	1,923	32	2,409	39,632	145,399	185,031
Amounts due from credit institutions	22,256	8,681	5,479	-	36,416	16,745	53,161
Financial assets at fair value through other comprehensive income	760,141	34,905	4,828	-	799,874	831,047	1,630,921
Debt securities at amortised cost, net of allowance for expected credit losses	154,720	-	4,281	9,078	168,079	1,044,902	1,212,981
Loans to customers	991,248	17,487	27,000	33,551	1,069,286	2,683,159	3,752,445
Other financial assets	3,421	257	46	1,158	4,882	97,542	102,424
	3,043,613	**190,704**	**79,337**	**381,089**	**3,694,743**	**5,047,563**	**8,742,306**
FINANCIAL LIABILITIES							
Amounts due to customers	3,187,135	136,227	56,665	47,624	3,427,651	2,978,762	6,406,413
Amounts due to credit institutions	30,350	1,500	367	2,363	34,580	271,385	305,965
Financial liabilities at fair value through profit or loss	-	-	662	-	662	19,782	20,444
Debt securities issued	422,786	-	-	-	422,786	411,660	834,446
Other financial liabilities	768	218	1,978	790	3,754	35,255	39,009
	3,641,039	**137,945**	**59,672**	**50,777**	**3,889,433**	**3,716,844**	**7,606,277**
Net position – on-balance	**(597,426)**	**52,759**	**19,665**	**330,312**	**(194,690)**	**1,330,719**	**1,136,029**
Net position – off-balance	**627,245**	**(49,550)**	**(17,249)**	**(308,112)**	**252,334**	**(224,606)**	
Net position	**29,819**	**3,209**	**2,416**	**22,200**	**57,644**	**1,106,113**	

Sensitivity analysis of currency risk

The table below indicates the currencies in which the Group had significant exposure at 31 December 2021, 2020 and 2019 and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate, with all other variables held constant on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss, while a positive amount reflects a net potential increase. Sensitivity of currency risk is assessed based on balance sheet and off-balance sheet open currency positions. The management of the Group believes income tax not to have a substantial effect for the purpose of currency risk management.

The impact on income before tax and equity, based on asset values was calculated using the currency rate fluctuation analysis. The change in the possible movement of the exchange rate from 15% to 30% in 2021 was due to the natural and possible volatility of the exchange rate.

The impact on income before tax and equity, based on asset values as at 31 December 2021, 2020 and 2019 was calculated using the annual analysis of the exchange rate volatility based on historical data of the exchange rate dynamics over the last two years; see the details in the following table:

	31 December 2021		31 December 2020		31 December 2019	
	+30% KZT/USD	-30% KZT/USD	+15% KZT/USD	-15% KZT/USD	+15% KZT/USD	-15% KZT/USD
Impact on financial result/equity	13,570	(13,570)	7,518	(7,518)	4,473	(4,473)

	31 December 2021		31 December 2020		31 December 2019	
	+30% KZT/EURO	-30% KZT/EURO	+15% KZT/EURO	-15% KZT/EURO	+15% KZT/EURO	-15% KZT/EURO
Impact on financial result/equity	(574)	574	368	(368)	481	(481)

	31 December 2021		31 December 2020		31 December 2019	
	+30% KZT/RUR	-30% KZT/RUR	+15% KZT/RUR	-15% KZT/RUR	+15% KZT/RUR	-15% KZT/RUR
Impact on financial result/equity	15,841	(15,841)	7,955	(7,955)	362	(362)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption, while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocations and taking other protective actions. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Group is exposed to price risks of its products, which are subject to general and specific market fluctuations.

To limit price risk, the Group determines limits for maximum losses (stop-loss) on securities from the trade portfolio to minimise potential losses of the trade portfolio.

Price risk assessment is also performed on the basis of the Value At Risk ("VaR") method, through the establishment of Expected Shortfall ("ES") limits on the level of expected losses, which the Bank is able to undertake within one day in a situation when factual losses may exceed the level of VaR.

Calculation of VaR is based on the following parameters:

- Reporting period – 252 working days;
- Confidence interval – 99%;
- The method of measurement – historical and parametric simulation.

The Group estimates the price risk at 31 December 2021, 2020 and 2019 to be not material and therefore quantitative information is not disclosed.

34. CAPITAL RISK MANAGEMENT

The Group's capital management objectives, which are a broader concept than the "equity" on the face of the consolidated statement of financial position, are as follows:

- To comply with the capital requirements set by NBRK;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The required level of capital is determined during the annual budgeting process, taking into account the above objectives, and is approved by the Management Board and the Board of Directors. As of the current date the capital adequacy of the Group is calculated according to prudential norms set for banks by the Kazakhstan regulatory authority, applying Basel Committee principles and methods.

Currently, regulatory capital is represented by:

- Tier 1 capital, which is required to maintain the normal operating activity of the Group and absorb losses as they arise. It consists of Common Equity Tier 1 capital ("CET 1 capital") and Additional Tier 1 capital, which includes common shares issued by the Group, share premium, retained earnings, other accrued comprehensive income and disclosed reserves and regulatory adjustments (deductions);
- Tier 2 capital, which is required to absorb losses in case of the Group's liquidation. This part of capital consists of instruments issued by the Group and deductions.

Risk-weighted assets are split into five different groups, based on the risk level of the investment and its possible impairment, and weighted according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments made to reflect the more contingent nature of the potential losses.

The below table summarises the regulatory capital composition and capital adequacy ratios of the Group for the years ended 31 December 2021, 2020, and 2019. During these three years, individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2021	31 December 2020	31 December 2019
Composition of regulatory capital			
CET 1			
Common shares, net of treasury shares	(50,295)	98,000	94,393
Share premium	9,067	5,741	3,867
Retained earnings of prior years	1,039,042	897,775	762,131
Net income for the current year	462,378	352,653	334,511
Accumulated disclosed reserves*	55,186	53,578	53,170
Non-controlling interest	8	7	6
Property and financial assets at fair value through other comprehensive income revaluation reserves	48,177	75,587	44,679
Less: goodwill and intangible assets	(16,632)	(15,293)	(12,806)
Less: cumulative translation reserve	(5,582)	(4,516)	(9,105)
Common Equity Tier 1 (CET 1) Capital	**1,541,349**	**1,463,532**	**1,270,846**
Additional tier 1			
Tier 2			
Subordinated debt	52,171	67,211	81,463
Total qualifying for Tier 2 capital	**52,171**	**67,211**	**81,463**
Total regulatory capital	**1,593,520**	**1,530,743**	**1,352,309**
Risk weighted assets	8,007,464	5,993,301	6,163,775
CET 1 capital adequacy ratio	**19.25%**	**24.42%**	**20.6%**
Tier 1 capital adequacy ratio	**19.25%**	**24.42%**	**20.6%**
Total capital adequacy ratio	**19.90%**	**25.54%**	**21.9%**

* As at 31 December 2021, accumulated disclosed reserves comprised from KZT 55,186 million capital reserve (31 December 2020: 53,578 million capital reserve; 31 December 2019: 53,170 million capital reserve).

Starting from 1 January 2017, prudential norms on the NBRK, which apply certain principles and methods prescribed by Basel III committee, set minimum CET 1 capital, Additional Tier 1 capital and total capital adequacy ratios at 9.5%,10.5% and 12.0%, respectively.

As at 31 December 2021, 2020 and 2019, the Group had complied with NBRK's capital requirements.

35. SEGMENT ANALYSIS

The Group is managed and reported on the basis of four main operating segments – corporate banking, SME banking, retail banking and investment banking. These segments are strategic business units that offer different products and services and are managed separately.

Retail banking represents private banking services to individuals, including private customer current accounts, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, cash and foreign currency related services to individuals.

Corporate banking represents banking services to corporate clients and financial organisations including current accounts and correspondent accounts, deposits, custody, overdrafts, loans and other credit facilities, documentary operations, including guarantees and letters of credit, trade finance products, interbank operations, as well as cash services and foreign exchange transactions.

SME banking represents banking services to SME clients and individual entrepreneurs, including current accounts, deposits, overdrafts, loans and other credit facilities, documentary operations on issued guarantees and letters of credit, as well as settlement and cash services and transactions with foreign currency.

Investment banking represents services on sale and purchase of securities on the market.

Unallocated amounts are account balances and classes of transactions which are not allocated to a particular segment, not initiated by any business function and relate to the current activity of the Group. Unallocated assets include fixed assets, intangible assets, non-current assets held for sale, cash on hand and other unallocated assets. Unallocated liabilities include deferred tax liabilities and other unallocated liabilities. Unallocated income includes other income from main and nonoperating activities and insurance income. Unallocated expenses include the allowances for expected credit losses on accounts receivable, operating overhead expenses, insurance expenses and income tax.

The segment information below is based on financial information used for performance evaluation by the Bank's Chairperson of the Management Board, the Group's chief operating decision maker, in accordance with IFRS 8. The Group's management reviews discrete financial information for each segment, including the evaluation of operating segment results, assets and liabilities. Segment result is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

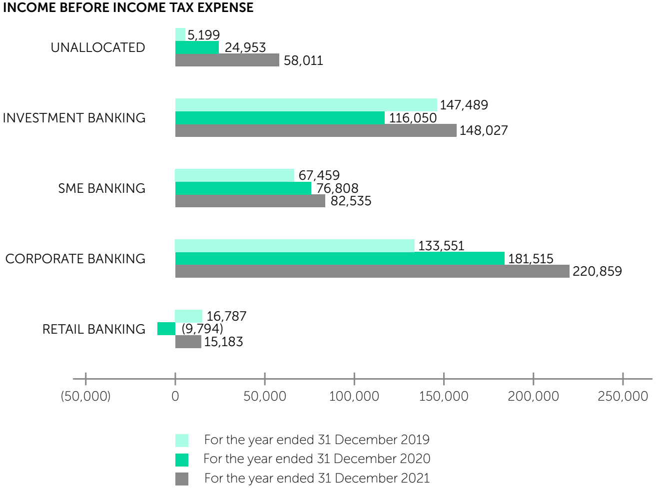
Segment information for the main reportable business segments of the Group as at 31 December 2021, 2020 and 2019 and for the years then ended, is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2021 and for the year then ended						
External revenues	371,810	338,759	137,589	197,270	191,220	1,236,648
Total revenues	**371,810**	**338,759**	**137,589**	**197,270**	**191,220**	**1,236,648**
Total revenues comprise:						
- Interest income	263,709	300,189	99,611	215,702	654	879,865
- Fee and commission income, including:	95,923	14,590	24,922	-	2,954	138,389
Plastic card operations	80,497	75	1,748	-	211	82,531
Bank transfers - settlements	15,887	2,792	6,984	-	83	25,746
Letters of credit and guarantees issued	46	8,610	2,787	-	34	11,477
Cash operations	874	1,566	7,987	-	57	10,484
Servicing customers' pension payments	7,381	-	-	-	-	7,381
Bank transfers – salary projects	4,494	-	-	-	-	4,494
Maintenance of customer accounts	654	352	2,932	-	-	3,938
Other	1,578	1,195	2,484	-	2,569	7,826
Loyalty program	(15,488)	-	-	-	-	(15,488)
- Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	-	13,795	-	(67)	1,343	15,071
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	1,401	-	1,401
- Net foreign exchange gain/(loss)	12,178	12,303	13,056	-	(7,001)	30,536
- Share in profit of associate	-	-	-	-	6,640	6,640
- Insurance underwriting income, income on non-banking activities and other (expense)/ income	-	(2,118)	-	(19,767)	186,631	164,746
Total revenues	**371,810**	**338,759**	**137,589**	**197,269**	**191,221**	**1,236,648**
- Interest expense	(165,144)	(126,825)	(25,020)	(46,021)	(3,782)	(366,792)
- (Credit loss expense)/ recovery of credit loss expense	(23,268)	25,608	(10,576)	773	11,467	4,004
- Fee and commission expense	(66,282)	(3,975)	(699)	(251)	(582)	(71,789)
- Operating expenses	(101,760)	(10,284)	(17,374)	(3,743)	(43,447)	(176,608)
- Other credit loss expense	(173)	(2,424)	(1,385)	-	(20)	(4,002)
- Loss from impairment of non-financial assets	-	-	-	-	(5,829)	(5,829)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(91,017)	(91,017)
Total expenses	**(356,627)**	**(117,900)**	**(55,054)**	**(49,242)**	**(133,210)**	**(712,033)**
Segment result	**15,183**	**220,859**	**82,535**	**148,027**	**58,011**	**524,615**
Income before income tax expense						524,615
Income tax expense					(62,237)	(62,237)
Net income						**462,378**
Total segment assets	1,800,099	5,192,724	952,993	3,359,699	785,855	12,091,370
Total segment liabilities	4,444,837	3,897,115	1,342,718	516,934	316,162	10,517,766
Other segment items:						
Capital expenditures					(24,665)	(24,665)
Depreciation and amortisation					(14,909)	(14,909)
Investment in associate					33,774	33,774

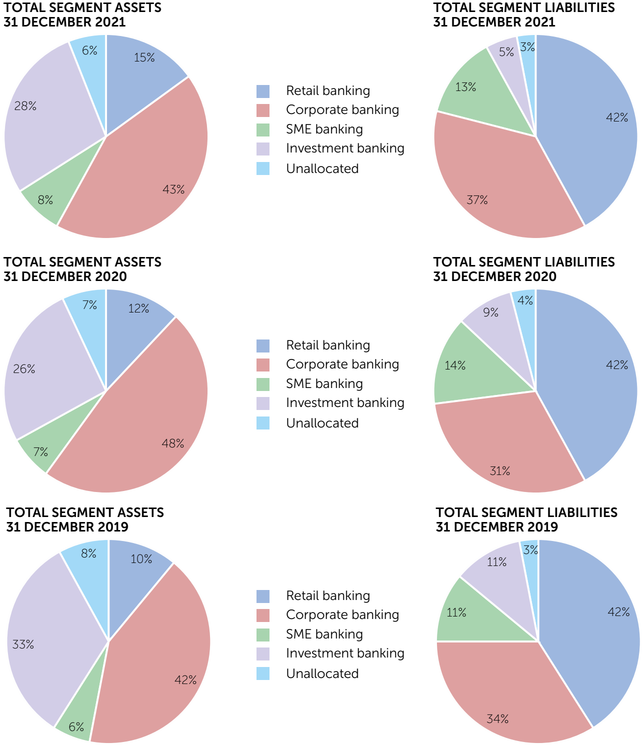
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2020 and for the year then ended						
External revenues	305,752	279,711	114,949	198,406	133,907	1,032,725
Total revenues	**305,752**	**279,711**	**114,949**	**198,406**	**133,907**	**1,032,725**
Total revenues comprise:						
- Interest income	206,938	255,041	75,889	195,366	-	733,234
- Fee and commission income, including:	85,187	13,678	22,354	-	2,902	124,121
Plastic card operations	67,644	73	1,357	-	154	69,228
Bank transfers - settlements	8,121	2,809	7,603	-	92	18,625
Letters of credit and guarantees issued	1,098	1,537	7,692	-	49	10,376
Cash operations	17	7,902	2,183	-	29	10,131
Servicing customers' pension payments	8,599	-	-	-	-	8,599
Bank transfers – salary projects	6,045	-	-	-	-	6,045
Maintenance of customer accounts	306	151	2,672	-	-	3,129
Other	635	1,206	847	-	2,578	5,266
Loyalty program	(7,278)	-	-	-	-	(7,278)
- Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	-	4,018	-	(817)	-	3,201
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	3,424	-	3,424
- Net foreign exchange gain/(loss)	13,627	6,974	16,706	433	3,200	40,940
- Share in profit of associate	-	-	-	-	6,321	6,321
- Insurance underwriting income, income on non-banking activities and other (expense)/ income	-	-	-	-	121,484	121,484
Total revenues	**305,752**	**279,711**	**114,949**	**198,406**	**133,907**	**1,032,725**
- Interest expense	(135,176)	(101,424)	(16,187)	(80,578)	(376)	(333,741)
- (Credit loss expense)/ recovery of credit loss expense	(33,542)	18,772	(7,436)	(600)	(4,112)	(26,918)
- Fee and commission expense	(57,939)	(3,955)	(557)	(203)	(530)	(63,184)
- Operating expenses	(88,901)	(6,667)	(13,931)	(975)	(35,340)	(145,814)
- Other credit loss expense	12	(4,922)	(30)	-	(85)	(5,025)
- Loss from impairment of non-financial assets	-	-	-	-	(5,145)	(5,145)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(63,366)	(63,366)
Total expenses	**(315,546)**	**(98,196)**	**(38,141)**	**(82,356)**	**(108,954)**	**(643,193)**
Segment result	**(9,794)**	**181,515**	**76,808**	**116,050**	**24,953**	**389,532**
Income before income tax expense						389,532
Income tax expense					(36,878)	(36,878)
Net income						**352,654**
Total segment assets	1,223,143	4,958,055	739,910	2,721,756	744,968	10,387,832
Total segment liabilities	3,733,588	2,773,618	1,271,071	784,346	331,941	8,894,564
Other segment items:						
Capital expenditures					(31,703)	(31,703)
Depreciation and amortisation					(13,027)	(13,027)
Investment in associate					32,797	32,797

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2019 and for the year then ended						
External revenues	273,171	276,271	108,966	221,252	139,572	1,019,232
Total revenues	**273,171**	**276,271**	**108,966**	**221,252**	**139,572**	**1,019,232**
Total revenues comprise:						
- Interest income	182,640	244,006	70,561	213,076	21	710,304
- Fee and commission income, including:	81,882	14,169	24,059	-	533	120,643
Plastic card operations	61,896	118	973	-	160	63,147
Bank transfers - settlements	5,264	3,272	7,279	-	63	15,878
Cash operations	1,503	1,666	8,137		29	11,335
Letters of credit and guarantees issued	3	7,831	1,845	-	39	9,718
Servicing customers' pension payments	8,128	-	3	-	-	8,131
Bank transfers – salary projects	6,925	-	-	-	-	6,925
Maintenance of customer accounts	337	132	2,841	-	-	3,310
Other	439	1,150	2,981	-	242	4,812
Loyalty program	(2,613)	-	-	-	-	(2,613)
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	8,138	-	8,138
- Net foreign exchange gain	8,649	18,096	14,346	38	4,250	45,379
- Share in profit of associate	-	-	-	-	5,742	5,742
- Insurance underwriting income, income on non-banking activities and other (expense)/ income	-	-	-	-	129,026	129,026
Total revenues	**273,171**	**276,271**	**108,966**	**221,252**	**139,572**	**1,019,232**
- Interest expense	(132,067)	(78,111)	(19,062)	(82,800)	(286)	(312,326)
- Recovery of credit loss expense /(credit loss expense)	3,480	(25,171)	(7,436)	159	(1,086)	(30,054)
- Fee and commission expense	(48,538)	(3,290)	(560)	(165)	(2,093)	(54,646)
- Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	-	(28,575)	-	9,841	-	(18,734)
- Operating expenses	(79,214)	(6,056)	(14,294)	(798)	(34,963)	(135,325)
- (Other credit loss expense)/recoveries of other credit loss expense	(45)	(1,517)	(155)	-	409	(1,308)
- Loss from impairment of non-financial assets	-	-	-	-	(7,429)	(7,429)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(88,925)	(88,925)
Total expenses	**(256,384)**	**(142,720)**	**(41,507)**	**(73,763)**	**(134,373)**	**(648,747)**
Segment result	**16,787**	**133,551**	**67,459**	**147,489**	**5,199**	**370,485**
Income before income tax expense						370,485
Income tax expense					(35,974)	(35,974)
Net income						**334,511**
Total segment assets	966,284	3,912,525	595,918	3,021,001	739,030	9,234,758
Total segment liabilities	3,295,854	2,689,734	874,569	834,881	232,497	7,927,535
Other segment items:						
Capital expenditures					(16,887)	(16,887)
Depreciation and amortisation					(11,596)	(11,596)
Investment in associate					26,732	26,732

Income before income tax expense by segments were as follows:



Share of segment assets and liabilities as at 31 December 2021, 2020 and 2019 presented as follows:



Geographical information

Information for the main geographical areas of the Group is set out below as at 31 December 2021, 2020 and 2019 and for the years then ended.

	Kazakhstan	OECD	Non-OECD	Total
2021				
Total assets	10,930,303	514,600	646,467	12,091,370
External revenues	1,176,834	16,881	42,933	1,236,648
Capital expenditure	(24,665)	-	-	(24,665)
2020				
Total assets	9,416,469	447,932	523,431	10,387,832
External revenues	980,591	13,897	38,237	1,032,725
Capital expenditure	(31,703)	-	-	(31,703)
2019				
Total assets	7,730,579	1,268,411	235,768	9,234,758
External revenues	944,372	46,035	28,825	1,019,232
Capital expenditure	(16,887)	-	-	(16,887)

External revenues, assets and credit related commitments have generally been allocated based on the domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

36. FAIR VALUES OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

The fair values of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related profit or loss reported on the consolidated statement of profit or loss, could be material.

The table below summarises the Group's financial assets and liabilities held at fair value by valuation methodology at 31 December 2021, 2020 and 2019:

Financial Assets/ Liabilities	Fair value			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2021	31 December 2020	31 December 2019				
Non-derivative financial assets at fair value through profit or loss (Note 7)	111,333	54,291	98,337	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 7)	166,357	184,363	81,462	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 7)	-	-	144	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 7)	10	-	-	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	-	22	11	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	5,633	3,650	730	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	-	-	4,347	Level 3	Future cash flows in USD discounted using the LIBOR rate obtained from available sources. Future cash flows in KZT discounted using the internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to nil at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
Total financial assets at fair value through profit or loss	**283,333**	**242,326**	**185,031**				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 7)	-	12	25	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 7)	2,276	2,472	20,419	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year).	Not applicable	Not applicable
Total financial liabilities at fair value through profit or loss	**2,276**	**2,484**	**20,444**				
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	1,271,299	822,112	804,075	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 9)	599,628	433,983	826,846	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 9)	750	63	-	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Financial assets at fair value through other comprehensive income	**1,871,677**	**1,256,158**	**1,630,921**				

There were no transfers between Levels 1 and 2, nor between Levels 2 and 3, during the years ended 31 December 2021, 2020 and 2019.

	Derivative financial assets at fair value through profit or loss (Level 3)	Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Level 3)	Non-derivative financial assets at fair value through profit or loss (Level 3)
31 December 2018	**95,271**	**53**	**-**
Loss to profit or loss	(8,403)	-	-
Settlements*	(82,521)	-	-
31 December 2019	**4,347**	**53**	**-**
Gain to profit or loss	1,348	10	-
Settlements*	(5,695)	-	-
31 December 2020	**-**	**63**	**-**
Gain to profit or loss	-	687	10
Settlements*	-	-	-
31 December 2021	**-**	**750**	**10**

* As at 31 December 2021, 2020 and 2019, the settlements include interest and repayment of NBRK swaps.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

Amounts due to and from credit institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of the estimated future cash flows, discounted at the appropriate year-end market rates.

Loans to customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Amounts due to customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows, discounted at the year-end market rates.

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 December 2021		31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Amounts due from credit institutions	602,125	591,059	709,310	700,406	53,161	55,495
Loans to customers	5,872,228	5,694,415	4,446,275	4,488,611	3,752,445	3,725,629
Debt securities at amortised cost, net of allowance for expected credit losses	1,288,178	1,207,816	1,229,539	1,206,654	1,212,981	1,218,432
Financial liabilities						
Amounts due to customers	8,473,407	8,663,179	7,455,977	7,392,606	6,406,413	6,177,010
Amounts due to credit institutions	1,071,642	1,075,090	300,727	308,574	305,965	315,415
Debt securities issued	499,812	492,293	778,192	778,825	834,446	831,153

	31 December 2021			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Amounts due from credit institutions	-	591,059	-	591,059
Loans to customers	-	-	5,694,415	5,694,415
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,207,816	-	1,207,816
Financial liabilities				
Amounts due to customers	-	8,663,179	-	8,663,179
Amounts due to credit institutions	-	1,075,090	-	1,075,090
Debt securities issued	-	492,293	-	492,293

	31 December 2020			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Amounts due from credit institutions	-	700,406	-	700,406
Loans to customers	-	-	4,448,611	4,448,611
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,206,654	-	1,206,654
Financial liabilities				
Amounts due to customers	-	7,392,606	-	7,392,606
Amounts due to credit institutions	-	308,574	-	308,574
Debt securities issued	-	778,825	-	778,825

	31 December 2019			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Amounts due from credit institutions	-	55,495	-	55,495
Loans to customers	-	-	3,725,629	3,725,629
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,218,432	-	1,218,432
Financial liabilities				
Amounts due to customers	-	6,177,010	-	6,177,010
Amounts due to credit institutions	-	315,415	-	315,415
Debt securities issued	-	831,153	-	831,153

The carrying amounts of cash and cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

37. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties.

During 2021, 2020 and 2019, the Group entered into arm-length transactions with entities where the Group's shareholders were one of the participants. Management believes that any control of these entities is with unrelated parties through the level of holding control or trust management arrangements, which are in compliance with Kazakhstan legislation and International financial reporting standards. As such, these transactions are not disclosed as being with related parties.

As at 31 December 2021, 2020 and 2019, the Group had the following transactions outstanding with related parties:

	31 December 2021		31 December 2020		31 December 2019	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for expected credit losses	35,164	6,250,260	1,431	4,824,316	21	4,161,163
- entities with joint control or significant influence over the entity	35,163		1,418		-	
- key management personnel of the entity and its parent	-		1		6	
- other related parties	1		12		15	
Allowance for expected credit losses	(179)	(378,032)	(1)	(378,041)	(2)	(408,718)
- entities with joint control or significant influence over the entity	(179)		-		-	
- key management personnel of the entity and its parent	-		-		(1)	
- other related parties	-		(1)		(1)	
Investments in associates	33,774	33,774	32,797	32,797	26,732	26,732
Amounts due to customers	415,111	8,473,407	263,125	7,455,977	377,204	6,406,413
- the parent	341,847		194,582		230,663	
- entities with joint control or significant influence over the entity	31,895		15,329		4,469	
- key management personnel of the entity or its parent	12,417		11,299		9,871	
- other related parties	28,952		41,915		132,201	

Included in the consolidated statement of profit or loss for the years ended 31 December 2021, 2020 and 2019, are the following amounts which arose due to transactions with related parties:

	31 December 2021		31 December 2020		31 December 2019	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income calculated using effective interest method	3,964	858,243	104	717,688	53	701,350
- entities with joint control or significant influence over the entity	3,964		101		51	
- key management personnel of the entity or its parent	-		-		-	
- other related parties	-		3		2	
Interest expense	(5,158)	(366,792)	(2,726)	(333,741)	(4,226)	(312,326)
- the parent	(3,865)		(1,240)		(1,694)	
- entities with joint control or significant influence over the entity	(404)		(510)		(144)	
- key management personnel of the entity or its parent	(160)		(225)		(115)	
- other related parties	(729)		(751)		(2,273)	
Share in profit of associate	6,641	6,640	6,321	6,321	5,742	5,742
Operating expenses	2,000	176,608	2,010	153,092	1,387	137,938
- entities with joint control or significant influence over the entity	2,000		2,010		1,387	

	31 December 2021		31 December 2020		31 December 2019	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:	3,544	105,410	3,065	85,286	2,496	79,231
- Salaries and other employee benefits	3,544		3,065		2,496	

38. SUBSEQUENT EVENTS

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

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

As at the date of issuance of the consolidated financial statements, damages to the Bank's property from the actions of marauders amounted to KZT 730 million. Some of the Group's corporate clients also received damages. For the majority of the Group's customers, the Group does not expect related damages to adversely affect the ability of such customers to meet their obligations to the Group in a timely manner and in full.

Affected customers of SME business and corporate business were granted deferrals of no more than 6 months for servicing loans. The total amount of loans for which a deferment was provided is KZT 80 billion. The total volume of corporate loans, for which a delay of more than 6 months was presented, is KZT 11.5 billion.

During the period of the state of emergency, the Group's internet banking and ATM services continued to operate with limited disruptions.

At the date these financial statements were signed, the Bank's credit ratings were as following: S&P Global Ratings - "BB+/B" (outlook "stable"), Moody's - "Baa2" (outlook "ratings under review") and Fitch Ratings - "BBB-"(outlook "stable").

On 19 January 2022, the Group redeemed local unsubordinated bonds denominated in KZT with a coupon rate of 8.75% and maturity in 2022 in amount of KZT 93,632 million. The repayment was made from the Group's own funds.

In February 2022, tenge depreciated significantly against major foreign currencies amid the external geopolitical situation. To reduce the negative impact of external factors on the Kazakhstani economy, the NBKR raised the base rate from 10.25% to 13.5% per annum with a corridor of +/- 1.0 p.p., and interventions on the currency market were performed to support tenge exchange rate against foreign currencies. However, there is uncertainty related to the future developments of this geopolitical situation and its impact on the economy of the Republic of Kazakhstan and countries where the Group operates.

The Group has no exposure to Ukraine and limited exposure to Russian Federation mostly via its subsidiary – JSC CB Moskommertsbank, which represents 1.0% of the Group's total assets as of 31 December 2021 and 0.6% of the Group's net income for 2021 year. JSC CB Moskommertsbank has an exposure mainly in the retail and SME segment. The Group has exposure to a couple Russian retailers with combined net exposure of KZT 11.7 billion, representing 0.2% of the net credit portfolio of the Group.

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

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INFORMATION FOR SHAREHOLDERS

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