



Alтын Bank

Дочерний Банк China CITIC Bank Corporation Limited

**JSC “Alтын Bank”
(SB of China CITIC Bank Corporation Ltd.)**

**Financial Statements in accordance with International
Financial Reporting Standards and
Independent Auditor’s Report**

31 December 2021

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JSC "Altyn Bank" (SB of China CITIC Bank Corporation Ltd.)

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

The management of JSC Altyn Bank Co.,Ltd.(SB China CITIC Bank Corporation Limited) ("the Bank") is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2021, the results of its operations, cash flows and changes in equity for the year ended that date, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and reliable system internal controls of the Bank;
- Maintaining adequate records that are sufficient to show and explain the Bank's transactions and disclose with accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Accounting in accordance with the laws of the Republic of Kazakhstan;
- Taking such steps as are reasonably practicable to protect the Bank's assets; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2021 were approved by the members of the Management Committee of the Bank on 23 February 2022.

On behalf of the Management Board of the Bank:


Almenov M.B.
Chairman of the Management Board

23 February 2022
Almaty, Kazakhstan




Karzhaubekov A.
Chief Accountant

23 February 2022
Almaty, Kazakhstan





Independent Auditor's Report

To the Shareholders and Board of Directors of Altyn Bank JSC (SB of China Citic Bank Corporation Ltd)

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Altyn Bank JSC (SB of China Citic Bank Corporation Ltd (the "Bank") as at 31 December 2021, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

Our audit approach

Overview

Materiality	<ul style="list-style-type: none"> Overall materiality: Kazakhstani Tenge 843,000 thousand, which represents 5% of profit before income tax for the year ended 31 December 2021.
Key audit matter	<ul style="list-style-type: none"> Assessment of expected credit losses allowance for loans and advances to customers made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9).

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

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

Materiality

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

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

Overall materiality	Kazakhstani Tenge 843,000 thousand
How we determined it	5% of profit before income tax for the year ended 31 December 2021.
Rationale for the materiality benchmark applied	Profit before tax is the benchmark against which the performance of the Bank is most commonly measured by users as is demonstrates the Bank's financial performance in current economic environment. We choose 5%, which, in our experience, is within the range of acceptable quantitative materiality thresholds commonly used for this benchmark.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Assessment of expected credit losses (ECL) provision for loans to customers made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9).</i></p> <p>We focused on this area due to the size of loans to customers balance and because IFRS 9 is a complex financial reporting standard, which requires significant judgment to determine the ECL provision.</p> <p>The Bank performed ECL assessment:</p> <ul style="list-style-type: none"> • on an individual basis; • on a portfolio basis: internal ratings were estimated on an individual basis but the same credit risk parameters (e.g. probability of default, loss given default) were applied during the process of ECL calculations for the same credit risk ratings of the loan portfolio; and • based on external ratings. <p>Key areas of judgement included:</p> <ul style="list-style-type: none"> • Allocation of loans to stages in accordance with IFRS 9; • Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default; • Completeness and accuracy of data used to calculate the ECL; • Accuracy and adequacy of the financial statement disclosures. <p>Refer to the Notes 2, 7, and 30 of the accompanying financial statements that provide information on significant accounting policies, critical accounting estimates and judgements and risk assessment related to ECL provision and disclosures on loans and advances to customers.</p>	<p>In assessing ECL provision we have performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> • We assessed the methodologies and models for ECL provision assessment developed by the Bank in order to evaluate their compliance with IFRS 9 requirements. We focused our procedures on: default definition, factors for determining a “significant increase in credit risk”, allocation of the loans to stages, and estimation of key risk parameters. • On a sample basis we performed an individual assessment of the ECL provision levels to determine if they were appropriate considering the risk profile, credit risk and the macroeconomic environment. We considered trends in the economy and industries to which the Bank’s borrowers are exposed. • We assessed the design and tested operating effectiveness of key controls across the processes relevant to the ECL. This included the allocation of loans into stages, calculation of key risk parameters (probability of default, loss given default, exposure at default), data accuracy and completeness. • On a sample basis we tested segmentation and allocation to stages; • To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data, i.e. loan portfolios, loan agreements, collateral agreements and etc.; • On overall basis we checked the Bank’s assessment of effect of forward looking information on the ECL level, in particular, we assessed whether forecasted macroeconomic variables were appropriate (such as inflation level, unemployment rate, base rate, oil price, exchange rates and GDP), traced input data to the external sources and checked appropriateness of the model used; • We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.



Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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



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

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

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

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP.

23 February 2022
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova


Dana Inkarbekova

Managing Director of
PricewaterhouseCoopers LLP
(General State License of the Ministry of
Finance of the Republic of Kazakhstan
№00000005 dated 21 October 1999)

Signed by:

Aigul Akhmetova


Aigul Akhmetova

Audit Assurance Partner
Auditor in Charge
(Qualified Auditor's Certificate №000000083
dated 27 August 2012; Special Power of Attorney
#28/1-19 dated 1 July 2019)

JSC "Altyn Bank" (SB of China CITIC Bank Corporation Ltd.)
Statement of Financial Position - as at 31 December 2021

<i>In Thousands of Kazakhstani Tenge</i>	Notes	31 December 2021	31 December 2020
ASSETS:			
Cash and cash equivalents	5, 30	97,774,235	126,284,019
Mandatory cash balances with NBRK		10,934,808	9,728,280
Due from other financial institutions	9	8,256,515	22,279,927
Financial assets at fair value through profit or loss	6	29,046	52,039
Loans and advances to customers	7, 31	253,948,951	244,427,841
Documentary settlements		2,361,376	1,172,262
<i>Investments in debt securities:</i>			
Debt securities at fair value through other comprehensive income	8	168,505,792	93,951,247
Debt securities at amortised cost	8	89,746,616	86,554,359
Current income tax assets	24	770,055	752,808
Deferred income tax assets	24	418,325	534,336
Property, plant and equipment	10	7,717,476	7,776,586
Intangible assets	11	1,604,101	1,435,944
Other assets	12, 31	1,116,533	1,293,687
TOTAL ASSETS		643,183,829	596,243,335
LIABILITIES:			
Financial liabilities at fair value through profit or loss	6	23,465	39,850
Due to other financial institutions	13	421,102	12,228,228
Current accounts and deposits from customers	15, 31	508,051,935	440,919,385
Repurchase agreements	14	49,313,421	66,916,809
Provision for credit related commitments		424,826	263,453
Other liabilities	16	10,589,876	3,956,380
TOTAL LIABILITIES		568,824,625	524,324,105
EQUITY:			
Share capital	17	7,050,000	7,050,000
Additional paid-in capital	17	220,973	220,973
Revaluation reserve for financial assets at fair value through other comprehensive income		(906,253)	281,343
Retained earnings and other reserves		67,994,484	64,366,914
TOTAL EQUITY		74,359,204	71,919,230
TOTAL LIABILITIES AND EQUITY		643,183,829	596,243,335

On behalf of the Management Board of the Bank:

Almenov M.B.
Chairman of the Management Board
23 February 2022
Almaty, Kazakhstan



Shahabekov A.Z.
Chief Accountant
23 February 2022
Almaty, Kazakhstan



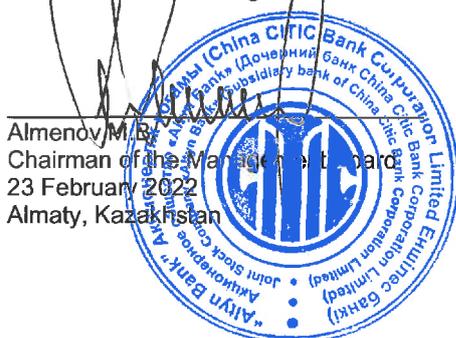
JSC "Alyyn Bank" (SB of China CITIC Bank Corporation Ltd.)

Statement of Profit or Loss and Other Comprehensive Income - for the Year Ended 31 December 2021

<i>In Thousands of Kazakhstani Tenge</i>	Notes	31 December 2021	31 December 2020
Interest income calculated using the effective interest rate method	18, 31	47,299,725	41,735,205
Interest and similar expenses	18, 31	(22,070,736)	(20,087,887)
Net margin on interest and similar income	18	25,228,989	21,647,318
Credit loss allowance	7	(2,061,112)	(2,442,836)
Net interest income		23,167,877	19,204,482
Fee and commission income	20, 31	2,503,340	2,338,250
Fee and commission expense	20, 31	(2,127,938)	(1,962,544)
Commission income, net		375,402	375,706
Net losses on financial assets and liabilities at fair value through profit or loss	19, 31	(226,971)	(1,217,290)
Net gains from financial assets at fair value through other comprehensive income		162,605	1,181,221
Gains less losses from trading in foreign currencies	21, 31	3,528,999	5,143,689
Other income		140,289	135,186
Other non-interest income		3,604,922	5,242,806
Operating expenses	22, 31	(10,128,761)	(8,371,479)
Reversal of other reserves		(158,808)	(82,009)
Non-interest expenses		(10,287,569)	(8,453,488)
Profit before income tax		16,860,632	16,369,506
Income tax expense	24	(260,109)	(567,011)
Net profit for the year		16,600,523	15,802,495
Basic and diluted earnings per share (tenge)	23	235,468	224,149
Net profit for the year		16,600,523	15,802,495
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Net gains on fair value adjustments on financial assets at fair value through other comprehensive income		(1,024,991)	540,717
Gain from revaluation of fixed assets		27,047	-
Losses less gains reclassified to profit or loss upon disposal or impairment of financial assets at fair value through other comprehensive income		(162,605)	(1,181,221)
Other comprehensive (loss)/income		(1,160,549)	(640,504)
Total comprehensive income		15,439,974	15,161,991

On behalf of the Management Board of the Bank:

Almenov M.B.
Chairman of the Management Board
23 February 2022
Almaty, Kazakhstan



Parzhaubekov A.Z.
Chief Accountant
23 February 2022
Almaty, Kazakhstan



The notes set out on pages from 6 to 92 form an integral part of these financial statements.

JSC "Altyn Bank" (SB of China CITIC Bank Corporation Ltd.)
Statement of Changes in Equity - for the Year Ended 31 December 2021

<i>In Thousands of Kazakhstani Tenge</i>	Share capital	Additional paid-in capital	Revaluation of financial assets at fair value through other comprehensive income	Reserve for revalua- tion of fixed assets	Retained earnings	Total equity
31 December 2019	7,050,000	220,973	921,847	6,275	48,558,144	56,757,239
Net income for the year	-	-	-	-	15,802,495	15,802,495
Other comprehensive income	-	-	(640,504)	-	-	(640,504)
31 December 2020	7,050,000	220,973	281,343	6,275	64,360,639	71,919,230
Net income for the year	-	-	-	-	16,600,523	16,600,523
Other comprehensive income	-	-	(1,187,596)	27,047	-	(1,160,549)
Dividends Payment	-	-	-	-	(13,000,000)	(13,000,000)
31 December 2021	7,050,000	220,973	(906,253)	33,322	67,961,162	74,359,204

Detailed information is provided in Note 17.

On behalf of the Management Board of the Bank:

Almenov M.B.
 Chairman of the Management Board
 23 February 2022
 Almaty, Kazakhstan



Khazhaubekov A.Z.
 Chief Accountant
 February 2022
 Almaty, Kazakhstan



JSC "Altyn Bank" (SB of China CITIC Bank Corporation Ltd.)
Statement of Cash Flows - for the Year Ended 31 December 2021

<i>In Thousands of Kazakhstani Tenge</i>	Notes	31 December 2021	31 December 2020
Cash flows from operating activities			
Interest income received		39,498,289	34,694,728
Interest income received from Cash and cash equivalents and Due from other financial institutions		1,060,659	952,210
Interest income received from Debt securities at fair value through other comprehensive income		4,190,909	4,360,408
Interest income received from Debt securities at amortized cost		5,382,828	3,630,014
Interest income received from Loans and advances to customers		28,863,893	25,752,096
Interest expenses paid		(21,997,144)	(20,124,166)
Interest expenses paid on Current accounts and deposits from customers		(15,594,516)	(13,530,813)
Interest paid on Due to other financial institutions		(6,402,628)	(6,593,353)
Fees and commissions received		2,500,669	2,336,621
Fees and commissions paid		(2,127,938)	(1,983,289)
Repayments from operations with financial instruments at fair value through profit or loss		(201,548)	(1,246,274)
Proceeds from operations with foreign currencies		3,297,569	4,465,082
Proceeds from other income		140,289	135,186
Operating expenses paid		(8,644,977)	(7,180,257)
Income tax paid		(198,350)	(926,981)
Cash flows from operating activities before changes in operating assets and liabilities		12,266,859	10,170,650
Changes in operating assets and liabilities			
Net decrease in mandatory cash balances with NBRK		(1,206,528)	(303,483)
Net increase/(decrease) in due from other financial institutions		14,284,462	(9,316,273)
Net decrease in financial instruments at fair value through profit or loss		(2,430)	(17,503)
Net decrease in loans and advances to customers		(10,616,203)	(35,961,593)
Net (decrease)/increase in documentary settlements		(1,166,450)	247,122
Net increase/(decrease) in other assets		318,207	(186,656)
Net decrease in due to other financial institutions		(11,793,960)	(1,136,778)
Net (decrease)/increase in repurchase agreements		(17,603,388)	14,891,918
Net increase in current accounts and deposits from customers		67,277,222	32,292,960
Net increase/(decrease) in other liabilities		6,633,496	1,193,798
Net (decrease)/increase in financial liabilities at fair value through profit or loss		(16,385)	17,315
Net cash from operating activities		58,374,902	11,891,477

The notes set out on pages from 6 to 92 form an integral part of these financial statements.

JSC "Altyn Bank" (SB of China CITIC Bank Corporation Ltd.)
Statement of Cash Flows - for the Year Ended 31 December 2021

	Notes	31 December 2021	31 December 2020
Cash flows from investing activities			
Disposal and redemption of debt securities at fair value through other comprehensive income		959,593,884	584,047,527
Acquisition of debt securities at fair value through other comprehensive income		(1,030,142,817)	(539,540,685)
Acquisition of property and equipment		(851,419)	(1,484,954)
Proceeds from disposal of property and equipment		-	25,459
Acquisition of intangible assets		(564,628)	(1,013,363)
Proceeds from redemption of debt securities at amortised cost		20,838,000	16,369,300
Acquisition of financial assets at amortised cost		(22,290,935)	(40,463,849)
Net cash received/(used in) investing activities		(73,417,915)	17,939,435
Cash flow from financing activities			
Repayment of finance lease liabilities		(619,889)	(398,992)
Payment of dividends		(13,000,000)	
Net cash used in financing activities		(13,619,889)	(398,992)
Effect of exchange rate changes on cash and cash equivalents		153,118	(600,376)
Net increase in cash and cash equivalents		(28,509,784)	28,831,544
Cash and cash equivalents, beginning of the year		126,284,019	97,452,475
Cash and cash equivalents, end of the year	5	97,774,235	126,284,019

On behalf of the Management Board of the Bank:

Almenov M.B.
 Chairman of the Management Board
 23 February 2022
 Almaty, Kazakhstan



Karshaubekova Z.
 Chief accountant
 23 February 2022
 Almaty, Kazakhstan

1 Organization

JSC Altyn Bank (SB of JSC Halyk Bank) ("the Bank") was incorporated in the Republic of Kazakhstan (the "RK") in 1998 as JSC HSBC Bank Kazakhstan. Due to the change of the sole shareholder of the Bank in November 2014, it was decided to rename the Bank from JSC HSBC Bank Kazakhstan to JSC Altyn Bank (SB of JSC Halyk Bank). On 24 April 2018 China Citic Bank Corporation Ltd and China Shuangwei Investment Co., Ltd. purchased jointly 60% of the Bank's share capital. After completion of the transaction, the Bank was renamed to JSC Altyn Bank (SB China Citic Bank Corporation Limited).

As at 31 December 2021 and 31 December 2020 Bank shareholders are China Citic Bank Corporation Limited (50.1% stake in share capital), JSC Halyk Bank of Kazakhstan (40.0% stake in share capital) and China Shuangwei Investment Co. Ltd. (9.9% stake in share capital).

As at 31 December 2021 and 31 December 2020 ultimate controlling party of the Bank is China Citic Bank Corporation Limited. Bank is China Citic Bank Corporation Limited is a Chinese Bank and a subsidiary of the state-owned conglomerate CITIC Limited.

In 2015, the state authorities registered the Bank's declared shares and the total amount of declared ordinary shares was 220,500. In 2021 and 2020 new shares were not issued.

The Bank has operated under General license issued by the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (hereinafter - "Regulatory Agency") number 1.2.23/194/33 dated 3 February 2020. The Bank's principal business activity is lending, issuing of guarantees and letters of credit, attraction of customer accounts, payment services, investment securities operations, currency dealing and operations with derivative financial instruments. Bank's operations are regulated by the National Bank of the Republic of Kazakhstan (hereinafter - "NBRK") and Regulatory Agency.

The Bank is a member of the mandatory deposit insurance system provided by JSC Kazakhstan Deposit Insurance Fund.

The headquarters of the Bank is registered at 109 B, Abay ave., Almaty, Republic of Kazakhstan, A05A1B9.

As at 31 December 2021 the Bank has six branches (31 December 2020: six branches) in Almaty, Nur-Sultan, Atyrau, Aktau, Shymkent and a branch in the Astana International Financial Center.

The economic environment in which the bank operates

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas prices and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. Ongoing political tension in the region and volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free-floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at 31 December 2021 the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 431.8 per US Dollar 1 compared to Tenge 420.91 per US Dollar 1 as at 31 December 2021. Therefore, uncertainty remains in relation to the exchange rate of Tenge and future actions of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

1 Organization (continued)

In September 2021 S&P Global Ratings, international rating agency affirmed the sovereign credit rating of Kazakhstan of "BBB-". The outlook on sovereign credit rating is stable. The stable outlook is supported by the government's strong balance sheet, built on past budgetary surpluses accumulated in the National Fund of the Republic of Kazakhstan, low government debt, total volume of which will not exceed the external liquid assets of the state within two years, as well as measures implemented by the Government of the Republic of Kazakhstan aimed at controlling the negative consequences of the pandemic on the economy.

Low oil prices, decrease in its production due to the OPEC agreement and the impact of COVID-19 containment measures have adversely affected the economy of Kazakhstan in 2020. However, a recovery in the oil sector amid easing of production restrictions by OPEC+ and expansion of production at the Tengiz field, stable dynamics in the manufacturing sector, increased investment activity, easing of restrictions related to the pandemic, and a recovery in foreign trade will support economic growth in 2022. According to the analysts' forecasts, the growth rate of the national economy in 2021-2024 will amount, on average, to about 3.6%.

Additionally, financial sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Bank's control.

2 Significant accounting policies

Statement of compliance

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

These financial statements are presented in thousands of Kazakhstani Tenge (hereinafter – "KZT thousand"), unless otherwise indicated.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises and equipment, financial instruments categorized at fair value through profit or loss and at fair value through other comprehensive income.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 4). 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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not enough to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

In addition, for financial reporting purposes, fair value measurements are categorized 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 entity 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.

2 Significant accounting policies (continued)

Presentation of statement of financial position in order of liquidity

The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity in Note 30.

Functional currency

Items included in the financial statements are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The functional currency of the Bank is the Kazakhstani Tenge. The presentational currency of the financial statements of the Bank is the KZT. All values are rounded to the nearest thousand Kazakhstani Tenge, unless otherwise indicated.

Offsetting

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

Income and expense are not offset in the 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 Bank.

Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. (Note 32).

The principal accounting policies are set out below.

Revenue recognition

Recognition of interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or Bank of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

2 Significant accounting policies (continued)

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

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

Recognition of income on repurchase and reverse repurchase agreements

Gain/loss on the sale of the above instruments is recognized as interest income or expense in the statement of profit or loss based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse repo/repo is fulfilled on its original terms, the effective yield/interest between the sales and repurchase price negotiated under the original contract is recognized using the effective interest method.

Recognition of fee and commission income

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Loan commitment fees of non-revolving credit lines are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Loan commitment fees of revolving credit lines are recognized 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 recognized in profit or loss on expiry.

Other fee and commission income are recognized at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received, or receivable represents the transaction price for the services identified as distinct performance obligations.

Recognition of dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

Sales and purchases of foreign currencies and currency conversion

The Bank sells and purchases foreign currencies in the cash offices and through the bank accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Bank, which are different from the official spot exchange rates at the dates. The differences between the official rates and Bank's rates are recognized as gains less losses from trading in foreign currencies at a point in time when a performance obligation is satisfied.

Earnings per share

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

Staff costs and related contributions

Wages, salaries, contributions to the Kazakhstan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

2 Significant accounting policies (continued)

Financial instruments

The Bank recognizes financial assets and liabilities in its 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 recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 recognized immediately in profit or loss.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not enough to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs

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

Amortized cost

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

Effective interest rate method

The effective interest rate method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

2 Significant accounting policies (continued)

Classification and subsequent measurement of financial assets:

Financial assets are classified into the following categories: financial assets at fair value through profit or loss ("FVTPL"); measured at amortized cost ("AC"); measured at fair value through other comprehensive income ("FVTPL").

The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

When evaluating the business model, the Bank is guided by the following determining factors:

- the business model is determined at a level that reflects the procedure for joint management of groups of financial assets (not based on specific instruments, but at a higher level of aggregation);
- no scenarios are used, such as the most unfavorable scenario or stress scenario, the implementation of which the Bank has reasonable grounds not to expect;
- how is the performance of the business model (and financial assets held under this business model) evaluated and how relevant information is provided to the Bank's management team;
- what are the risks that affect the performance of the business model (and the financial assets held in the framework of this business model), and how these risks are managed;
- what are the indicators of remuneration for business managers, is this remuneration determined on the basis of the fair value of financial assets under their management, or on the basis of cash flows received from financial assets;
- what is the frequency, volume and timing of sales in past periods, the reasons for such sales, as well as expectations regarding the future level of sales. This information is not considered in isolation from other data, but as part of a single holistic analysis.

In accordance with abovementioned factors and IFRS 9 recommendations the Bank defined the following business models for financial assets management:

- to hold assets to collect contractual cash flows.

This business model assumes that financial assets are managed in order to realize cash flows by receiving payments of principal and interest over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, however, early sale is not prohibited. The cases of the sale of a financial asset that are not inconsistent with the "retention of an asset to receive cash flows stipulated by the contract" business model is:

- the sale is caused by an increase in the credit risk of the financial asset;
- sales (even if they are significant) are not frequent, or they are individually and in aggregate insignificant (even if they are frequent);
- sales are made close to the maturity of the respective financial asset, and the proceeds from the sale are approximately equal to the receipt of the remaining part of the contractual cash flows;
- hold to collect and sell.

This business model assumes that the management of financial assets is aimed at both collection of 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 "to hold assets to collect contractual cash flows" business model.

The implementation of financial assets within the framework of this business model may be aimed at:

- liquidity management;
- reinvesting in more profitable assets in order to maximize income;
- compliance with regulatory requirements.
- hold for other purposes.

2 Significant accounting policies (continued)

Within the framework of this business model, financial assets can be managed for the following purposes:

- management aimed at cash flows on a 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 represented by derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

Financial assets – classification and subsequent measurement – cash flow characteristics

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

If the terms of the contract provide for exposure to risk or volatility that do not meet the terms of the underlying loan agreement, the related financial asset is classified and measured at fair value through profit or loss. The test for payments exclusively against the principal amount of the debt and interest is carried out at the initial recognition of the asset, and subsequent revaluation is not carried out.

Financial assets – reclassification

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

Financial assets impairment – credit loss allowance for expected credit losses

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

Debt instruments measured at amortized cost are presented in the statement of financial position net of the allowance for expected credit losses. For loan commitments and financial guarantees, a separate provision for expected credit losses is recognized as a liability in the statement of financial position. For debt instruments at fair value through other comprehensive income, changes in amortized cost, net of allowance for expected credit losses, are recognized in profit or loss and other changes in carrying value are recognized in other comprehensive income as gains less losses on debt instruments at fair value through other comprehensive income.

The Bank applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their expected credit losses measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months expected credit losses"). If the Bank identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its expected credit losses is measured based on expected credit losses on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime expected credit losses"). Refer to Note 30 for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its expected credit losses is measured as a lifetime expected credit losses. The Bank's definition of credit impaired assets and definition of default is explained in Note 30. For financial assets that are purchased or originated credit-impaired, the expected credit losses are always measured as a Lifetime expected credit losses. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring expected credit losses, including an explanation of how the bank incorporates forward-looking information in the expected credit losses models.

2 Significant accounting policies (continued)

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Bank measures expected credit losses over the period that the Bank is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

Modification of financial assets, including loan restructuring

The Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: [any new contractual terms that substantially affect the risk profile of the asset, e. g. profit share or equity-based return, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognizes the original financial asset and recognizes a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognizes a modification gain or loss in profit or loss.

A bank may recognize changes in contractual terms as "market" if (a) there was no significant increase in the credit risk of the asset, (b) the borrower has a contractual right to repay the loan ahead of schedule and has the practical ability to refinance the loan without significant costs, (c) change in the effective rate. The interest was generated due to changes in market financing conditions. If the above criteria are met, the effect of a change in conditions is not recognized as income/loss from modification and is accounted for on a prospective basis.

Write-off of financial assets

Financial assets are written-off against the allowance for impairment losses when deemed uncollectible.

Financial assets are written-off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral. Subsequent recoveries of amounts previously written-off are reflected as income from recovery of previously recognized impairment of financial assets in the statement of profit or loss statement of profit or loss and other comprehensive income in the period of recovery.

The Bank considers the following signs of absence of reasonable expectations regarding the collection of financial assets: the number of days overdue for payment of more than 180 days, liquidation process, bankruptcy proceedings, the fair value of collateral is lower than the collection costs.

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2 Significant accounting policies (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Categories for assessing financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, except for: (i) financial liabilities at fair value through profit or loss: this classification applies to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by the acquirer in a business combination, and other financial liabilities designated as such at initial recognition; and (ii) financial guarantee contracts and loan commitments.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments issued by a Bank entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Compound financial instruments

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss (FVTPL)' or 'other financial liabilities'.

Financial liabilities at FVTPL

The Bank may determine some liabilities as measured at fair value through profit or loss at initial recognition. Gains and losses on such liabilities are presented in profit or loss, except for the amount of changes in fair value, which is associated with changes in credit risk for this liability (defined as the amount that does not relate to changes in market conditions that result in market risk), which is recognized in other comprehensive income and is not subsequently reclassified to profit or loss. This is possible if such a representation does not create or exacerbate the accounting mismatch. In this case, gains and losses relating to changes in the credit risk of the liability are also recognized in profit or loss.

Financial liabilities at amortized cost

Other financial liabilities (including deposits by banks and customers, repurchase agreements, and other financial liabilities) are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

2 Significant accounting policies (continued)

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognized at their fair value, which is normally evidenced by the amount of fees received. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortized balance of the amount at initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

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

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognized in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Derivative financial instruments

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honored. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

2 Significant accounting policies (continued)

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

The Bank 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 (Refer to Note 30)

Derivatives are initially recognised at fair value at the date the derivative contracts are entered and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Accounting for lease agreements in which the Bank acts as a tenant

As part of its activities, the Bank leases seven office premises (2020: seven). Leases are recognized as assets in the form of a right of use, with a corresponding liability at the date of receipt by the Bank for use of the corresponding asset that is the subject of the lease. Each rental payment is allocated between the liability and financing costs. Financing costs are recognized in profit or loss over the lease term to ensure a constant interest rate on the balance of the liability for each period. An asset in the form of a right of use, that is recognised at historical cost, is amortised on a straight-line basis over the asset's useful life or lease term, whichever is the earliest to end.

Liabilities arising from a lease are initially measured at their present value. Lease obligations include the net present value of the following lease payments:

- fixed payments (including essentially fixed payments) minus incentive payments receivable;
- variable lease payments based on an index or rate;
- the amount receivable by the lessee under the terms of the residual value guarantee.

Lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be determined, then an incremental rate on borrowed capital is used, since this is the interest rate, that the tenant would have to pay in order to raise the funds necessary to obtain an asset of a similar value in a similar economic environment under similar conditions.

Assets in the form of rights of use are measured at cost, considering:

- the amount of the initial measurement of the lease obligation;
- all rental payments made at or before the start of the lease, minus incentive rent payments;
- all initial direct costs;
- the cost of restoration work.

In determining the lease term, the Bank's management considers all the facts and circumstances that form the economic basis for extending the lease.

Potential future cash outflows were not included in the assessment of lease liabilities, as there is insufficient assurance that the lease will be extended or terminated.

The valuation is subject to review in the event of a significant event or a significant change in circumstances that affects the valuation and is under the control of the lessee.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on corresponded and term deposits with the NBRK with original maturity of less or equal to three months and amounts due from credit institutions with original maturities of less or equal to three months and are free from contractual encumbrances. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows.

2 Significant accounting policies (continued)

Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest, and (ii) they are not designated at fair value through profit or loss.

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

Mandatory cash balances with the NBRK

Mandatory reserves are carried at amortized cost and represent cash on correspondent accounts with the NBRK and cash on hand which are not available to finance the Bank's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Due from other financial institutions

Amounts due from other banks are recorded when the Bank advances money to counterparty banks. Amounts due from other banks are carried at amortized cost when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent solely payments of principal and interest, and (ii) they are not designated at fair value through profit or loss.

Investments in debt securities

Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at amortized cost, fair value through other comprehensive income or fair value through profit or loss. Debt securities are carried at amortized cost if they are held for collection of contractual cash flows and where those cash flows represent solely payments of principal and interest, and if they are not voluntarily designated at fair value through profit or loss in order to significantly reduce an accounting mismatch.

Debt securities are carried at fair value through other comprehensive income if they are held for collection of contractual cash flows and for selling, where those cash flows represent solely payments of principal and interest, and if they are not designated at fair value through profit or loss. Interest income from these assets is calculated using the effective interest method and recognized in profit or loss. An impairment allowance estimated using the expected credit loss model is recognized in profit or loss for the year. All other changes in the carrying value are recognized in other comprehensive income. When the debt security is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Investments in debt securities are carried at fair value through profit or loss if they do not meet the criteria for amortized cost or fair value through other comprehensive income. The Bank may also irrevocably designate investments in debt securities at fair value through profit or loss on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognized or measured on different accounting bases.

Loans and advances to customers

Loans and advances to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) amortized cost: loans that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest and loans that are not voluntarily designated at fair value through profit or loss, and (ii) fair value through profit or loss: loans that do not meet the solely payments of principal and interest test or other criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Impairment allowances are determined based on the forward-looking expected credit loss models. Notes 3 and 7 provides information about inputs, assumptions and estimation techniques used in measuring expected credit losses, including an explanation of how the Bank incorporates forward-looking information in the expected credit losses models.

2 Significant accounting policies (continued)

Repurchase and repurchase agreements for securities and securities lending transactions

In the course of its business, the Bank enters into agreements for the sale and repurchase (hereinafter referred to as "repo agreements"), as well as agreements for the acquisition and resale of financial assets (hereinafter referred to as "reverse repo agreements"). Repos and reverse repos are utilized by the Bank as a means of managing liquidity.

Repo transactions are agreements on the transfer of a financial asset to another party in exchange for a monetary or other consideration with a simultaneous obligation to re-acquire financial assets in the future for an amount equivalent to the received monetary or other interest, plus the accrued interest. Transactions under repo agreements are recognised as financing transactions. Financial assets sold under repo agreements are recorded in the financial statements and funds received under such agreements are recorded as received deposits.

Assets purchased under repo agreements are recognised in the financial statements as a loan received, collateralized by securities or other assets, and are classified in part as cash and cash equivalents.

The Bank enters into securities repo agreements and securities loan transactions with which it receives or transfers collateral in accordance with normal market practice. In accordance with the standard terms of repurchase operations in the Republic of Kazakhstan, the recipient of the security is not entitled to sell or repledge the security provided that equivalent securities are returned in the settlement of the transaction.

The transfer of securities to counterparties is only reflected in the statement of financial position when the risks and rewards of ownership are also transferred.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are carried in the statement of financial position at their revalued amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with enough regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and is accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Furniture, fixtures and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives are at the following annual rates:

Buildings and other real estate	1-5%
Leasehold improvements	10-20%
Computer equipment	20-33.3%
Vehicles	20%
Office Furniture and other equipment	15-33.3%
Intangible assets	6.67-33.3%

An item of property and equipment is derecognized 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 recognized in profit or loss.

2 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Internally-generated intangible assets – research and development expenditure. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Derecognition of intangible assets

An intangible asset is derecognized 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, are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Bank of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Non-current assets held for sale

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

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets held for sale are not depreciated or amortized.

2 Significant accounting policies (continued)

Due to other financial institutions

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

Customer accounts

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortized cost.

Other borrowed funds

As at 31 December 2021 and 31 December 2020, other borrowed funds include finance lease obligations.

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Bank does not apply hedge accounting.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit before tax differs from net profit before tax as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that enough taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

2 Significant accounting policies (continued)

Operating taxes

The Republic of Kazakhstan also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the statement of profit or loss.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Trade and other payables

Accounts payable are accrued when the counterparty has performed its obligations and are carried at amortized cost.

Contingent liabilities

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Fiduciary activities

The Bank provided trustee services to its customers. The Bank also provided 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 Bank's financial statements. The Bank accepted the operational risk on these activities, but the Bank's customers beared the credit and market risks associated with such operations. Revenue for provision of trustee services was recognized as services are provided.

Foreign currencies

In preparing the financial statements of the Bank, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions for hedging purposes of certain foreign currency risks.

The exchange rates used by the Bank in the preparation of the financial statements as at year-end are as follows:

<i>In Kazakhstani Tenge</i>	31 December 2021	31 December 2020
KZT/1 US Dollar	431.80	420.91
KZT/1 Euro	489.10	516.79

2 Significant accounting policies (continued)

Collateral

The Bank 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 Bank a claim on these assets for both existing and future customer liabilities.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Bank's statement of financial position include:

- financial assets at fair value through other comprehensive income reserve is comprised of changes in fair value of financial assets at fair value through other comprehensive income;
- other reserves established in accordance with requirement of the National Bank of Kazakhstan.

Dividends

Dividends are recognized in equity in the period in which they are declared. Information on all dividends declared after the end of the reporting period, but before the financial statements have been approved for issue, is disclosed in the Note "Events after the end of the reporting period". Distribution of profit and its other expenses are carried out on the basis of financial statements prepared in accordance with the requirements of IFRS. In accordance with the requirements of the legislation, profit distribution is based on the net profit of the current year according to the financial statements prepared in accordance with the requirements of IFRS.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

In the application of the Bank's accounting policies the Bank management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Bank management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Expected credit loss measurement

Measurement of expected credit losses is a significant estimate that involves determination of methodology, models and data inputs. Details of expected credit losses measurement methodology are disclosed in Note 30. The following components have a major impact on credit loss allowance: definition of default, a significant increase in credit risk, probability of default, exposure at default, and loss given default.

Credit exposure on revolving credit facilities (credit cards, overdrafts)

For certain loan facilities, the Bank's exposure to credit losses may extend beyond the maximum contractual period of the facility. This exception applies to certain revolving credit facilities, which include both a loan and an undrawn commitment component and where the Bank's contractual ability to demand repayment and cancel the undrawn component in practice does not limit its exposure to credit losses.

3 Critical accounting estimates, and judgements in applying accounting policies (continued)

For such facilities, the Bank measures expected credit losses over the period that the Bank is exposed to credit risk and expected credit losses are not mitigated by credit risk management actions. Application of this exception requires judgement. Management applied its judgement in identifying the facilities, both retail and commercial, to which this exception applies. The Bank applied this exception to facilities with the following characteristics: (a) there is no fixed term or repayment structure, (b) the contractual ability to cancel the contract is not in practice enforced as a result of day-to-day management of the credit exposure and the contract may only be cancelled when the Bank becomes aware of an increase in credit risk at the level of an individual facility, and (c) the exposures are managed on a collective basis. Further, the Bank applied judgement in determining a period for measuring the expected credit losses, including the starting point and the expected end point of the exposures.

The Bank considered historical information and experience about: (a) the period over which the Bank is exposed to credit risk on similar facilities, including when the last significant modification of the facility occurred and that therefore determines the starting point for assessing significant increase in credit risk, (b) the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk and (c) the credit risk management actions (the reduction or removal of undrawn limits), prepayment rates and other factors that drive expected maturity. In applying these factors, the Bank segments the portfolios of revolving facilities into sub-Banks and applies the factors that are most relevant based on historical data and experience as well as forward-looking information.

Significant increase in credit risk

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

The bank conducted the following sensitivity analysis of the amount of provisions: 1) transfer of all loans to the Stage 2 from the Stage 1 at once, 2) the effect of collateral on impaired loans. Provided that all the loans would move at once from the Stage 1 to the Stage 2, Bank provisions would increase by Tenge 10,896,233 thousand (Tenge 9,897,624 thousand in 2020). If the Bank would have no collateral for impaired loans, provisions would increase by Tenge 458,740 thousand (Tenge 599,312 thousand in 2020) for mortgage loans. For corporate loans, the Bank does not have loans in Stage 3. In case of all loans would simultaneously move from the first stage to the third stage, the Bank's provisions would increase by Tenge 155,797,710 thousand (Tenge 136,273,322 thousand in 2020). If loans remain at the current stage and LGD will be 100%, the Bank's provisions would increase by Tenge 2,016,483 thousand (Tenge 3,172,764 thousand in 2020).

Assessment whether cash flows are solely payments of principal and interest ("SPPI")

Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The solely payments of principal and interest criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet solely payments of principal and interest: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual paramount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition. The Bank assessed whether cash flows are solely payments of principal and interest (SPPI) and the result does not require application of critical judgements.

3 Critical accounting estimates, and judgements in applying accounting policies (continued)

Property, plant and equipment carried at revalued amounts

Buildings and constructions are measured at revalued amounts. Land and the building of the Bank were purchased at market price in December 2016. Revaluation of this group of assets is performed once in two years. Details of the valuation methods used are set out in Note 10.

The Bank revalued the building and the land in October 2021. The valuation was conducted by an independent appraisal – PKF Property Valuation LLP. The comparative market approach is used in determining the market value of fixed assets.

For determination of fair value of fixed assets of the Bank Level 3 classification was used, since the initial data for the assessment was the quoted prices from publicly available Internet resources, adjusted for specifics of the premises.

Due to the revaluation of real estate by the Bank, the value of land increased by 27.361 million Tenge and the value of house increased by 79.163 million Tenge. As of 31 December 2022 the book value and fair value does not have significant differences.

Determination of the lease term

The Bank leases office buildings from third parties under contracts which do not have contractual maturity dates and are automatically renewed unless either party submits a termination notice of 12 months. The Bank determines non-cancellable lease period for such leases, taking into consideration penalties that would be incurred upon termination, including economic disincentives such as leasehold improvements, cost of relocating or the importance of the premises to the Bank's operations. As a result, the lease term for most significant office buildings has been determined as a period of 4-5 years.

Valuation of financial instruments

As described in Note 6, for particular types of financial instruments the Bank uses valuation techniques that relate to the second level of fair value hierarchy. The statement provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The Bank management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Recoverability of deferred tax assets

The Bank's management is confident that there is no need to create a reserve for deferred tax assets at the reporting date, since deferred tax assets will be fully realized with more than 50% probability. As at 31 December 2021 and 2020, the carrying amount of deferred tax assets was 418,325 thousand Tenge and 534,336 thousand Tenge, respectively.

4 Adoption of new or revised standards and interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Bank:

Amendments to the Conceptual framework for financial reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)

The revised Conceptual framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of material – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)

The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ("IBORs"). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

In response to the decision of global regulators to phase out interbank offered rates and replace them with alternative base rates, the Bank launched a project to revise all contracts that may be affected by this reform.

The implementation of the project is the responsibility of senior managers representing various divisions of the Bank, including the Treasury Department, Risk-Management Department, Legal Department, Financial Department and Operational Department.

The results of the project with a transition plan for the IBOR reform will be submitted to the Bank's senior management for review by the end of the year 2022.

The Bank considers the following indicative interest rates as alternative base rates:

- SOFR, Secured Overnight Financing Rate for US dollars;
- SONIA, Sterling Overnight Index Average, for British Pounds;
- €STR, Euro Short-Term Rate, for Euro;
- SARON – Swiss Average Rate Overnight, for Swiss Francs;
- TONAR – Tokyo Overnight Average Rate, for Japanese Yen.

At the same time, the Bank is considering switching to an alternative base funding rate SOFR (Secured Overnight Refinancing Rate) as a preferred alternative to the dollar LIBOR - a "reference" interest rate in the money market in US dollars, which is the weighted average median rate for the volume of transactions three different types of overnight repos secured by US Treasury government securities.

4 Adoption of new or revised standards and interpretations (continued)

The following table shows the amounts of financial assets for which interest is calculated at LIBOR as at 31 December 2021 and which are to be converted to alternative interest base rates:

<i>In Thousands of Kazakhstani Tenge</i>	LIBOR is USD	Total amount	Effect from transalction
Loans to customers	1.0125%-2.0913%	14,249,400	39,404
Total		14,249,400	39,404

The Bank is not exposed to the risk that the liquidity of the above funds would decline, since the volume and income from operations based on LIBOR rates are insignificant.

COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020)

The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Bank has not early adopted.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023)

IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognizing the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognizing the loss immediately. The Bank expects to apply the standard to performance guarantees that it issues and is currently assessing the impact of the new standard on its financial statements. Potential impact on insurance products embedded in loans and similar instruments is also under consideration.

4 Adoption of new or revised standards and interpretations (continued)

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- **Effective date:** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- **Expected recovery of insurance acquisition cash flows:** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognize those costs as an asset until the entity recognizes the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- **Contractual service margin attributable to investment services:** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- **Reinsurance contracts held – recovery of losses:** When an entity recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognize a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognized on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognized before or at the same time as the loss is recognized on the underlying insurance contracts.
- **Other amendments:** Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The Bank is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Bank is currently assessing the impact of the amendments on its financial statements.

4 Adoption of new or revised standards and interpretations (continued)

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the COVID-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Bank is currently assessing the impact of the amendments on its financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognized in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognized some liabilities in a business combination that it would not recognize under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognize contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Bank is currently assessing the impact of the amendments on its financial statements.

5 Cash and cash equivalents

Cash and cash equivalents comprise of the following amounts:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Cash balances with the NBRK	74,906,092	109,903,030
Correspondent accounts and overnight placements with other banks with original maturities up to 30 days	21,298,772	14,221,151
Cash on hand	1,569,371	1,409,692
Reverse repurchase agreements	-	750,146
Total cash and cash equivalents	97,774,235	126,284,019

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2021. Refer to Note 30 for the description of the Bank's credit risk grading system.

<i>In Thousands of Kazakhstani Tenge</i>	Cash balances with the NBRK, including mandatory reserves	Correspondent accounts and overnight placements with other banks with original maturities up to 30 days	Reverse repurchase agreements	Total
31 December 2021				
Excellent	-	7,573,933	-	7,573,933
Good	74,906,092	13,724,839	-	88,630,931
Total cash and cash equivalents, excluding cash on hand	74,906,092	21,298,772	-	96,204,864

5 Cash and cash equivalents (continued)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2020. Refer to Note 30 for the description of the Bank's credit risk grading system.

<i>In Thousands of Kazakhstani Tenge</i>	Cash balances with the NBRK, including mandatory reserves	Correspondent accounts and overnight placements with other banks with original maturities up to 30 days	Reverse repurchase agreements	Total
31 December 2020				
Excellent	-	8,120,221	-	8,120,221
Good	109,903,030	6,100,930	750,146	116,754,106
Total cash and cash equivalents, excluding cash on hand	109,903,030	14,221,151	750,146	124,874,327

For the purpose of expected credit losses measurement cash and cash equivalent balances are included in Stage 1 as at 1 January and 31 December 2021. Expected credit losses measurement approach is disclosed in Note 30.

As at 31 December 2021, the aggregate amount of cash and cash equivalents of the three largest counterparty banks, excluding the NBRK, amounted to 16,426,598 thousand Tenge (31 December 2020: Tenge 11,722,712 thousand) or 17% percent of cash and cash equivalents (31 December 2020: 9%).

With the exception of reverse repurchase agreements, cash and cash equivalents are not collateralized.

The extent to which collateral mitigates credit risk is presented by disclosing collateral values separately for those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (over-collateralized assets).

5 Cash and cash equivalents (continued)

As at 31 December 2021, there were no purchase and resale transactions ("reverse REPO") with other banks with a maturity of less than three months.

The degree of credit risk reduction provided by collateral is presented by separately disclosing the value of collateral for assets where collateral and other credit enhancements equal or exceed the asset's carrying amount ("overcollateralized assets").

As at 31 December 2020, Purchase and sale agreements ("reverse REPO") with other banks with a maturity of less than three months are provided in the table below:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2020 Over-collateralised assets	
	Carrying value of the assets	Fair value of collateral
Reverse repurchase agreements with other banks with original maturities of less than three months	750,146	757,686

Interest rate analysis of cash and cash equivalents is disclosed in Note 30. Information on related party balances is disclosed in Note 31.

6 Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss comprise:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Derivative financial instruments	29,046	52,039
Total financial assets at fair value through profit or loss	29,046	52,039

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6 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

In Thousands of Kazakhstani Tenge	31 December 2021		31 December 2020	
	Average contract rate, %	Notional amount	Fair value Assets	Fair value Liability
Derivative financial instruments measured at fair value through profit or loss				
Foreign currency				
Forward contracts				
Sell USD buy KZT	-	-	-	(29,183)
Buy USD Sell KZT	-	-	43,069	-
Spots				
Buy RUB Sell USD	-	-	-	(1,859)
Buy EUR Sell USD	-	-	-	-
Sell USD Buy KZT	432.4	6,053,660	8,460	346
Buy USD Sell KZT	431.8	8,636,000	660	108
				(1,740)
SWAP				
Buy/Sell USD vs. KZT	433.59	21,989,503	-	(22,845)
Buy/Sell EUR vs. USD	489.1	5,380,100	8,076	-
Buy/Sell KZT vs. USD	442.250	400,000	1,039	-
Buy/Sell USD vs. GNY	-	-	-	-
Buy/Sell GBP vs. EUR	-	-	-	-
Buy/Sell RUB vs. EUR	-	-	-	-
Sell/Buy USD vs. EUR	-	-	-	-
Total derivative financial instruments measured at fair value through profit or loss		42,459,263	18,235	(23,465)
			52,039	(39,850)

Derivatives often involve only mutual exchange of promises at their inception with little or no transfer of consideration. However, these instruments often imply a high degree of leverage and are very volatile.

6 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Financial liabilities at fair value through profit or loss comprise:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	23,465	39,850
Total financial liabilities at fair value through profit or loss	23,465	39,850

7 Loans to Customers

Loans to customers are presented as follows:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Loans to legal entities		
Small and medium-sized enterprises	76,900,840	77,563,128
Corporations	74,465,378	69,365,449
Total loans to legal entities	151,366,218	146,928,577
Loans to individuals		
Consumer loans	78,616,090	76,698,953
Mortgage loans	28,601,942	24,592,280
Credit Cards	1,402,781	1,333,617
Total loans to individuals	108,620,813	102,624,850
Total loans to customers	259,987,031	249,553,427
Less: credit loss allowance	(6,038,080)	(5,125,586)
Total loans to customers	253,948,951	244,427,841

The Bank uses the following classification of loans by classes:

Loans to legal entities:

- Corporations – loans issued to clients with annual revenue more than 3,000,000 minimum calculated indicators or average annual quantity of employees more than 250;
- Small and medium-sized enterprises (SME) – loans issued to clients with annual revenue less than 3,000,000 minimum calculated indicators or average annual quantity of employees less than 250.

As at 31 December 2021, the established minimum calculated indicator of RK was 2,917 Tenge (31 December 2020: 2,778 tenge).

7 Loans to Customers (continued)

Loans provided to individuals:

- Mortgage loans;
- Consumer loans;
- Credit Cards.

Loans to customers comprise:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021			31 December 2020		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Loans to legal entities						
Small and medium-sized enterprises	76,900,840	(535,367)	76,365,473	77,563,128	(293,958)	77,269,170
Corporations	74,465,378	(384,412)	74,080,966	69,365,449	(420,886)	68,944,563
Loans to individuals						
Consumer loans	78,616,090	(4,711,901)	73,904,189	76,698,953	(4,100,393)	72,598,560
Mortgage loans	28,601,942	(344,016)	28,257,926	24,592,280	(252,183)	24,340,097
Credit Cards	1,402,781	(62,384)	1,340,397	1,333,617	(58,166)	1,275,451
Total loans and advances to customers at amortized cost	259,987,031	(6,038,080)	253,948,951	249,553,427	(5,125,586)	244,427,841

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7 Loans to Customers (continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortized cost between the beginning and the end of the 2020 and 2021 reporting period:

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In Thousands of Kazakhstani Tenge</i>							
Small and medium-sized enterprises							
At 1 January 2021	(293,958)	-	-	75,020,471	2,542,657	-	77,563,128
Movements with impact on credit loss allowance charge for the period:							
Transfer:							
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	2,141,947	(2,141,947)	-	-
New originated or purchased	(516,966)	-	-	64,307,664	-	-	64,307,664
Derecognized during the period	248,507	-	-	(52,512,006)	-	-	(52,512,006)
Changes due to partial repayment	19,173	-	-	(4,185,992)	(400,709)	-	(4,586,701)
Write-offs	-	-	-	-	-	-	-
FX and other movements	7,878	-	-	(7,871,244)	-	-	(7,871,244)
At 31 December 2021	(535,366)	-	-	76,900,841	-	-	76,900,841
Small and medium-sized enterprises							
At 1 January 2020	(878,704)	-	-	94,355,497	-	-	94,355,497
Movements with impact on credit loss allowance charge for the period:							
Transfer:							
- to lifetime expected credit losses (from Stage 1 to Stage 2)	-	-	-	(2,615,983)	2,542,658	-	(73,325)
New originated or purchased	(221,446)	-	-	56,073,509	-	-	56,073,509
Derecognized during the period	751,295	-	-	(62,887,207)	-	-	(62,887,207)
Changes due to partial repayment	50,780	-	-	(9,416,884)	-	-	(9,416,884)
Write-offs	-	-	-	-	-	-	-
FX and other movements	4,119	-	-	(488,462)	-	-	(488,462)
At 31 December 2020	(293,956)	-	-	75,020,470	2,542,658	-	77,563,128

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7 Loans to Customers (continued)

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In Thousands of Kazakhstani Tenge</i>							
Corporations							
At 1 January 2021	(391,369)	(29,517)	-	62,987,236	6,378,214	-	69,365,450
Movements with impact on credit loss allowance charge for the period:							
- to lifetime expected credit losses (from Stage 1 to Stage 2)	(277,597)	-	-	54,941,070	-	-	54,941,070
New originated or purchased	368,682	29,517	-	(49,214,176)	(6,378,214)	-	(55,592,390)
Derecognized during the period	(76,250)	-	-	(4,261,943)	-	-	(4,261,943)
Changes due to partial repayment	(7,878)	-	-	10,013,191	-	-	10,013,191
FX and other movements	-	-	-	-	-	-	-
At 31 December 2021	(384,412)	(29,517)	-	74,465,378	-	-	74,465,378
Corporations							
At 1 January 2020	(62,178)	-	-	20,855,709	-	-	20,855,709
Movements with impact on credit loss allowance charge for the period:							
- to lifetime expected credit losses (from Stage 1 to Stage 2)	(391,369)	(29,517)	-	(2,153,991)	1,049,064	-	(1,104,927)
New originated or purchased	61,987	-	-	62,592,277	5,329,150	-	67,921,427
Derecognized during the period	4,310	-	-	(18,665,033)	-	-	(18,665,033)
Changes due to partial repayment	(4,119)	-	-	(130,188)	-	-	(130,188)
FX and other movements	-	-	-	488,462	-	-	488,462
At 31 December 2020	(391,369)	(29,517)	-	62,987,236	6,378,214	-	69,365,450

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7 Loans to Customers (continued)

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In Thousands of Kazakhstani Tenge</i>							
Consumer loans							
At 1 January 2021	(1,228,197)	(62,224)	(2,809,970)	72,706,278	391,041	3,601,634	76,698,953
Movements with impact on credit loss allowance charge for the period:							
Transfer:							
- to lifetime expected credit losses (from Stage 1 to Stage 2)	4,944	(18,236)	-	(136,311)	104,992	-	(31,319)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	26,547	10,889	(634,546)	(723,679)	(68,052)	694,899	(96,842)
- to 12-months expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(2,006)	6,135	41,553	64,396	(41,377)	(53,273)	(30,254)
from Stage 3 to 2	-	(458)	2,448	-	2,412	(3,138)	(726)
New originated or purchased	(1,425,310)	(57,170)	(1,406,596)	56,642,643	330,628	1,553,978	58,527,249
Derecognized during the period	374,178	4,256	218,529	(22,954,342)	(25,753)	(280,165)	(23,260,260)
Changes due to partial repayment	347,936	16,937	615,291	(30,331,350)	(109,512)	(909,548)	(31,350,410)
Write-offs	4,864	20,721	1,237,584	(126,699)	(126,966)	(1,586,646)	(1,840,311)
At 31 December 2021	(1,897,044)	(79,150)	(2,735,707)	75,140,937	457,413	3,017,740	78,616,090

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7 Loans to Customers (continued)

	Credit loss allowance			Gross carrying amount				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In Thousands of Kazakhstani Tenge</i>								
Consumer loans								
At 1 January 2020	(1,557,361)	(195,745)	(899,495)	(2,652,601)	65,899,499	552,156	1,037,660	67,489,315
Movements with impact on credit loss allowance charge for the period:								
Transfer:								
- to lifetime expected credit losses (from Stage 1 to Stage 2)	8,921	(41,556)	-	(32,635)	(292,100)	261,168	-	(30,932)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	76,924	33,763	(1,934,367)	(1,823,680)	(2,452,810)	(99,161)	2,479,578	(72,394)
- to 12-months expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(6,518)	30,294	166,338	190,114	220,446	(88,546)	(195,003)	(63,102)
from Stage 3 to Stage 2	-	(432)	2,712	2,280	-	2,677	(3,179)	(502)
New originated or purchased	(570,329)	(18,956)	(809,806)	(1,399,091)	34,850,690	119,122	1,038,213	36,008,026
Derecognized during the period	294,166	29,588	105,616	429,370	(12,586,545)	(84,630)	(123,723)	(12,794,898)
Changes due to partial repayment	506,782	2,634	10,971	520,387	(12,691,028)	(2,621)	(5,812)	(12,699,461)
Write-offs	19,218	98,186	548,061	665,465	(241,873)	(269,124)	(626,101)	(1,137,098)
At 31 December 2020	(1,228,197)	(62,224)	(2,809,970)	(4,100,391)	72,706,279	391,041	3,601,633	76,698,953

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7 Loans to Customers (continued)

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In Thousands of Kazakhstani Tenge</i>							
Mortgage loans							
At 1 January 2021	(33,913)	(636)	(217,634)	23,669,407	105,925	816,948	24,592,280
Movements with impact on credit loss allowance charge for the period:							
Transfer:							
- to lifetime expected credit losses (from Stage 1 to Stage 2)	150	(494)	-	(74,061)	67,508	-	(6,533)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	398	524	(104,375)	(223,974)	(84,595)	268,221	(40,348)
- to 12-months expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(50)	-	5,643	21,640	-	(22,547)	(906)
New originated or purchased	(40,156)	-	(4,342)	17,285,409	-	11,917	17,297,326
Derecognized during the period	12,003	111	74,434	(8,537,268)	(21,332)	(261,243)	(8,819,843)
Changes due to partial repayment	(3,758)	-	(31,921)	(4,343,654)	-	(76,359)	(4,420,013)
At 31 December 2021	(65,326)	(495)	(278,195)	27,797,498	67,506	736,937	28,601,942

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7 Loans to Customers (continued)

In Thousands of Kazakhstani Tenge	Credit loss allowance			Gross carrying amount			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 ECL for (lifetime ECL for credit impaired)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 ECL for (lifetime ECL for credit impaired)	
Mortgage loans							
At 1 January 2020	(33,674)	(922)	(47,732)	24,662,069	118,115	105,516	24,885,700
Movements with impact on credit loss allowance charge for the period:							
Transfer:							
- to lifetime expected credit losses (from Stage 1 to Stage 2)	116	(567)	-	(89,344)	94,944	-	5,600
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,124	349	(157,595)	(652,674)	(43,604)	629,624	(66,654)
- to 12-months expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(171)	337	10,457	90,105	(45,396)	(47,233)	(2,524)
New originated or purchased	(8,230)	(68)	(42,496)	5,878,217	10,982	169,779	6,058,978
Derecognized during the period	5,510	235	19,094	(3,883,923)	(29,116)	(40,100)	(3,953,139)
Changes due to partial repayment	1,412	-	638	(2,335,043)	-	(638)	(2,335,681)
At 31 December 2020	(33,913)	(636)	(217,634)	23,669,407	105,925	816,948	24,592,280

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7 Loans to Customers (continued)

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In Thousands of Kazakhstani Tenge</i>							
Credit cards							
At 1 January 2021	(15,700)	(368)	(42,099)	1,264,068	7,529	62,020	1,333,617
Movements with impact on credit loss allowance charge for the period:							
Transfer:							
- to lifetime expected credit losses (from Stage 1 to Stage 2)	59	(119)	-	(1,855)	2,073	-	218
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	241	(30)	1,067	(13,325)	(1,143)	16,051	1,583
to 12-months expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(88)	208	1,739	2,491	(4,307)	(2,684)	(4,500)
New originated or purchased	(3,563)	(20)	(311)	293,185	264	462	293,911
Derecognized during the period	2,773	58	1,189	(224,056)	(1,120)	(1,836)	(227,012)
Changes due to partial repayment	(392)	(13)	(4,905)	11,460	(31)	5,582	17,011
Write-offs	-	19	8,628	(7)	(401)	(10,388)	(10,796)
At 31 December 2021	(16,670)	(210)	(45,504)	1,331,961	3,259	67,561	1,402,781

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7 Loans to Customers (continued)

	Credit loss allowance			Gross carrying amount				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In Thousands of Kazakhstani Tenge</i>								
Credit cards								
At 1 January 2020	(20,041)	(379)	(43,463)	(63,883)	1,602,738	16,413	62,675	1,681,826
Movements with impact on credit loss allowance charge for the period:								
Transfer:								
- to lifetime expected credit losses (from Stage 1 to Stage 2)	99	(325)	-	(226)	(7,778)	6,711	-	(1,067)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	434	29	(24,296)	(23,833)	(27,923)	(1,275)	35,007	5,809
from Stage 3 to 2	-	(21)	520	499	-	373	(755)	(382)
to 12-months expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(220)	218	10,061	10,059	13,557	(9,416)	(14,435)	(10,294)
New originated or purchased	(1,122)	(19)	(295)	(1,436)	95,160	387	455	96,002
Derecognized during the period	3,184	64	3,779	7,027	(244,673)	(2,790)	(5,482)	(252,946)
Changes due to partial repayment	1,845	-	(893)	952	(160,458)	(59)	2,452	(158,065)
Write-offs	121	65	12,489	12,675	(6,555)	(2,815)	(17,897)	(27,267)
At 31 December 2020	(15,700)	(368)	(42,098)	(58,166)	1,264,068	7,529	62,020	1,333,617

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7 Loans to Customers (continued)

The following is an analysis of the credit quality of corporate, small and medium-sized enterprises, measured at amortized cost, as of 31 December 2020 and 31 December 2021. The Bank's credit risk classification system is described in Note 30.

In Thousands of Kazakhstani Tenge	Corporations			31 December 2021 Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	
- Excellent	-	-	-	-
- Good	74,465,378	-	-	74,465,378
- Satisfactory	-	-	-	-
Gross carrying amount	74,465,378	-	-	74,465,378
Credit loss allowance	(384,412)	-	-	(384,412)
Carrying amount	74,080,966	-	-	74,080,966

In Thousands of Kazakhstani Tenge	Corporations			31 December 2020 Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	
- Excellent	10,311,130	-	-	10,311,130
- Good	47,766,387	6,378,214	-	54,144,601
- Satisfactory	4,909,718	-	-	4,909,718
Gross carrying amount	62,987,235	6,378,214	-	69,365,449
Credit loss allowance	(391,369)	(29,517)	-	(420,886)
Carrying amount	62,595,866	6,348,797	-	68,944,663

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7 Loans to Customers (continued)

In Thousands of Kazakhstani Tenge	Small and medium-sized enterprises			31 December 2021 Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	
- Excellent	70,441,294	-	-	70,441,294
- Good	4,611,464	-	-	4,611,464
- Satisfactory	1,848,082	-	-	1,848,082
Gross carrying amount	76,900,840	-	-	76,900,840
Credit loss allowance	(535,367)	-	-	(535,367)
Carrying amount	76,365,473	-	-	76,365,473
In Thousands of Kazakhstani Tenge	Small and medium-sized enterprises			31 December 2020 Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	
- Good	69,638,063	2,542,657	-	72,180,720
- Satisfactory	5,382,408	-	-	5,382,408
Gross carrying amount	75,020,471	2,542,657	-	77,563,128
Credit loss allowance	(293,958)	-	-	(293,958)
Carrying amount	74,726,513	2,542,657	-	77,269,170

7 Loans to Customers (continued)

Concentrations of loans by economic sectors is presented in the table below:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Analysis by economic sectors:		
Individuals	108,620,813	102,624,850
Trade	72,532,047	72,960,087
Finance	28,886,607	15,410,288
Production	22,015,421	22,427,318
Transport	7,704,764	3,979,676
Services	6,188,427	9,004,412
Mining industry	5,305,823	-
Energetics	2,257,279	2,786,695
Repair and maintenance	2,141,947	2,542,657
Real estate operations	1,927,408	1,878,148
Activities of holding companies	1,068,972	4,024,892
Agriculture	-	10,904,104
Construction	-	1,010,300
Other	1,337,523	-
Total loans to customers before credit loss allowance deduction	259,987,031	249,553,427
Less: credit loss allowance	(6,038,080)	(5,125,586)
Total loans to customers	253,948,951	244,427,841

Description of collateral held for loans to corporates and individuals carried at amortized cost as at 31 December 2021 is as follows:

<i>In Thousands of Kazakhstani Tenge</i>	Loans to corporations	Loans to SME	Mortgage loans
Carrying amount	12,430,512	9,743,749	28,409,444
Cash deposits	209,150	2,060,309	7,103
Real estate	23,834,381	38,635,305	76,394,295
Plant and equipment	9,401,198	1,435,931	-
Inventory	31,374,486	9,543,741	-
Transport	6,047,602	27,912,978	-
Total	70,866,817	79,588,264	76,401,398

Description of collateral held for loans to corporates and individuals carried at amortized cost as at 31 December 2020 is as follows:

<i>In Thousands of Kazakhstani Tenge</i>	Loans to corporations	Loans to SME	Mortgage loans
Carrying amount	26,177,587	22,187,180	24,340,097
Cash deposits	209,150	2,510,184	16,420
Real estate	25,983,455	45,792,111	70,195,063
Plant and equipment	5,241,889	1,106,553	-
Inventory	26,422,994	9,985,812	-
Transport	15,864,619	20,158,838	-
Total	73,722,107	79,553,498	70,211,483

7 Loans to Customers (continued)

The degree of credit risk reduction associated with impaired financial assets measured at amortized cost, provided by collateral and other mechanisms to improve the quality of a loan, is presented by separately disclosing the value of collateral for (i) assets whose collateral and other mechanisms for improving the quality of credit are equal to the asset's carrying amount or exceed it ("assets with excess collateral") and (ii) assets whose collateral and other mechanisms for improving the quality of credit is less than the carrying amount of the asset ("assets with insufficient collateral"). The table below shows the effect of collateral on impaired assets as of 31 December 2021:

<i>In Thousands of Kazakhstani Tenge</i>	Assets with excessive collateral		Assets with insufficient collateral	
	The carrying amount of assets	Collateral value	The carrying amount of assets	Collateral value
Impairment Assets:				
<i>Loans to individuals measured at amortized cost</i>				
Mortgage loans	458,740	2,400,243	-	-
Consumer loans	-	-	282,034	-
Credit cards	-	-	22,051	-

The table below shows the effect of collateral on impaired assets as of 31 December 2020:

<i>In Thousands of Kazakhstani Tenge</i>	Assets with excessive collateral		Assets with insufficient collateral	
	The carrying amount of assets	Collateral value	The carrying amount of assets	Collateral value
Impairment Assets:				
<i>Loans to individuals measured at amortized cost</i>				
Mortgage loans	599,313	2,371,245	-	-
Consumer loans	-	-	791,662	-
Credit cards	-	-	19,921	-

8 Investments in debt securities

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Debt securities at fair value through other comprehensive income	168,505,792	93,951,247
Debt securities at amortized cost	89,746,616	86,554,359
Total investments in debt securities	258,252,408	180,505,606

The table below discloses investments in debt securities measured at fair value through other comprehensive income, net of allowance for expected credit losses:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021		
	Gross carrying amount	Credit loss allowance	Carrying amount
Bonds of the Ministry of Finance of the Republic of Kazakhstan	60,802,750	(25,128)	60,777,622
Discount notes of the NBRK	107,728,170	-	107,728,170
Corporate bonds	-	-	-
Total debt securities measured at fair value through other comprehensive income	168,530,920	(25,128)	168,505,792

8 Investments in debt securities (continued)

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2020		
	Gross carrying amount	Credit loss allowance	Carrying amount
Bonds of the Ministry of Finance of the Republic of Kazakhstan	53,517,965	(11,664)	53,506,301
Discount notes of the NBRK	33,795,873	-	33,795,873
Corporate bonds	6,656,968	(7,895)	6,649,073
Total debt securities measured at fair value through other comprehensive income	93,970,806	(19,559)	93,951,247

The table below discloses an analysis of the credit quality of debt securities measured at fair value through other comprehensive income. The Bank's credit risk classification system is described in Note 30.

<i>In Thousands of Kazakhstani Tenge</i>	Discount notes of the NBRK	Bonds of the Ministry of Finance of the Republic of Kazakhstan	Total
31 December 2021			
- Good	107,728,170	60,802,750	168,530,920
Total gross carrying amount	107,728,170	60,802,750	168,530,920
Less credit loss allowance	-	(25,128)	(25,128)
Total carrying value	107,728,170	60,777,622	168,505,792

<i>In Thousands of Kazakhstani Tenge</i>	Discount notes of the NBRK	Bonds of the Ministry of Finance of the Republic of Kazakhstan	Corporate bonds	Total
31 December 2020				
- Good	33,795,873	53,517,965	6,656,968	93,970,806
Total gross carrying amount	33,795,873	53,517,965	6,656,968	93,970,806
Less credit loss allowance	-	(11,664)	(7,895)	(19,559)
Total carrying value	33,795,873	53,506,301	6,649,073	93,951,247

Debt securities at fair value through other comprehensive income are unsecured.

The table below discloses investments in debt securities measured at amortized cost, less allowance for expected credit losses:

<i>In Thousands of Kazakhstani Tenge</i>	Gross carrying amount	Credit loss allowance	Carrying amount
31 December 2021			
Corporate bonds	49,400,668	-	49,400,668
Bonds of the Ministry of Finance of the Republic of Kazakhstan	40,385,280	(39,332)	40,345,948
Total debt securities measured at amortized cost	89,785,948	(39,332)	89,746,616

8 Investments in debt securities (continued)

<i>In Thousands of Kazakhstani Tenge</i>	Gross carrying amount	Credit loss allowance	Carrying amount
31 December 2020			
Corporate bonds	46,884,382	-	46,884,382
Bonds of the Ministry of Finance of the Republic of Kazakhstan	39,708,650	(38,673)	39,669,977
Total debt securities measured at amortized cost	86,593,032	(38,673)	86,554,359

Investments in debt securities measured at amortized cost, less provisions for expected credit losses as at 1 January 2021 and 31 December 2021, are rated by international rating agencies as "BBB" (quality level is good).

For the purpose of estimating expected credit losses, the balance of investments in debt securities is included in Phase 1 as at 1 January and 31 December 2021. Information on the interest risk of investing in debt securities is disclosed in Note 30.

Information on related party transactions is disclosed in Note 31.

9 Due from other financial institutions

Amounts due from other banks are presented as follows:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Loans to credit institutions	7,150,173	10,310,467
Deposit pledged as collateral	1,443,642	1,264,392
Term deposits	-	11,302,333
Credit loss allowance	(337,300)	(597,265)
Total amounts due	8,256,515	22,279,927

As of December 31, 2021, the Bank placed funds in foreign banks in the form of a long-term syndicated loan in Euro and US Dollar up to 2 years for the equivalent of 7,135,950 thousands Tenge at an interest rate of 2.57% per annum.

As at 31 December 2021, the aggregate amount of funds in the three largest banks amounted to Tenge 7,150,173 thousand (31 December 2020: Tenge 10,310,467 thousand) or 87% of the cash and cash equivalents (31 December 2020: 46%).

For the purpose of assessing expected credit losses, balances due from credit institutions are included in the Stage 1. In the table below, the carrying value of balances with other banks as of 31 December 2021 and 31 December 2020 also reflects the Bank's maximum exposure to credit risk for these assets. The Bank's credit risk classification system is described in Note 30.

<i>In Thousands of Kazakhstani Tenge</i>	Term deposits	Deposit pledged as collateral	Loans to credit institutions	Total
31 December 2021				
- Excellent	-	181,368	-	181,368
- Good	-	1,262,274	7,150,173	8,412,447
Total	-	1,443,642	7,150,173	8,593,815

9 Due from other financial institutions (continued)

<i>In Thousands of Kazakhstani Tenge</i>	Term deposits	Deposit pledged as collateral	Loans to credit institutions	Total
31 December 2020				
- Excellent	-	176,808	-	176,808
- Good	11,302,333	1,087,584	2,586,126	14,976,043
- Satisfactory	-	-	7,724,341	7,724,341
Total	11,302,333	1,264,392	10,310,467	22,877,192

At 31 December 2021 and 31 December 2020 amounts due from other banks are not collateralized.

Refer to Note 27 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 30. Information on related party balances is disclosed in Note 31.

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10 Property, plant and equipment

Property, plant and equipment of the Bank is presented as follows:

<i>In Thousands of Kazakhstani Tenge</i>	Capital expenditures	Land	Fixed assets under construction (installation)	Buildings and constructions	Leasehold improvements	Computer equipment	Vehicles	Office furniture and other equipment	Total
At fair value/cost									
1 January 2020	1,149,689	216,172	-	4,684,775	504,865	1,014,409	248,029	726,374	8,544,313
Additions	256,783	10,371	-	209,612	101,534	762,882	926	342,022	1,684,130
Transfer	-	-	-	-	-	-	-	-	-
Disposals	(89,491)	-	-	-	(52,187)	(44,202)	(1,140)	(26,096)	(213,116)
31 December 2020	1,316,981	226,543	2,728	4,894,387	554,212	1,733,089	247,815	1,042,300	10,015,327
Additions	-	-	2,728	-	-	697,368	1,583	34,313	735,992
Revaluation	-	27,361	-	83,744	-	-	-	-	111,105
Write-off	-	-	-	(110,028)	-	-	-	-	(110,028)
Disposals	-	-	-	-	(3,837)	(17,789)	(351)	(33,744)	(55,721)
31 December 2021	1,316,981	253,904	2,728	4,868,103	550,375	2,412,668	249,047	1,042,869	10,696,675
Accumulated depreciation									
1 January 2020	192,423	-	-	5,479	308,812	612,668	91,338	414,697	1,625,417
Depreciation charge	243,993	-	-	51,064	91,236	221,233	45,135	108,939	781,600
Transfer	-	-	-	-	-	-	-	-	-
Disposals	(25,356)	-	-	-	(52,187)	(44,173)	(610)	(25,950)	(148,276)
31 December 2020	411,060	-	-	56,543	347,861	789,728	135,863	497,686	2,238,741
Depreciation charge	257,903	-	-	53,485	79,211	309,275	36,764	153,554	890,192
Transfer	-	-	-	-	-	-	-	-	(10,028)
Disposals	-	-	-	(110,028)	(3,837)	(17,120)	(238)	(18,511)	(39,706)
31 December 2021	668,963	-	-	-	423,235	1,081,883	172,389	632,729	2,979,199
Carrying amount									
As at 31 December 2021	648,018	253,904	2,728	4,868,103	127,140	1,330,785	76,658	410,140	7,717,476
As at 31 December 2020	905,921	226,543	-	4,837,844	206,351	943,361	111,952	544,614	7,776,586

Interest expense on lease obligations amounted to 94,037 thousand Tenge in 2021 (2020: 108,945 thousand Tenge).

11 Intangible assets

<i>In Thousands of Kazakhstani Tenge</i>	Created (developed) intangible assets	License Agreement for the right to use software	Computer Software	Trademark	Total
Cost					
1 January 2020	-	477,495	2,427,531	155	2,905,181
Additions	-	844,528	168,835	-	1,013,363
Disposals	-	(3,733)	(3,985)	-	(7,718)
31 December 2020	-	1,318,290	2,592,381	155	3,910,826
Additions	147,290	317,699	99,639	-	564,628
Reclassification	-	-	-	-	-
Disposals	-	-	-	-	-
31 December 2021	147,290	1,635,989	2,692,020	155	4,475,454
Accumulated depreciation					
1 January 2020	-	268,541	1,783,765	-	2,052,306
Depreciation charge	-	155,961	273,669	-	429,630
Disposals	-	(7,054)	-	-	(7,054)
31 December 2020	-	417,448	2,057,434	-	2,474,882
Depreciation charge	-	322,373	105,479	-	427,852
Disposals	-	(4,010)	(27,371)	-	(31,381)
31 December 2021	-	735,811	2,135,542	-	2,871,353
Carrying amount					
31 December 2021	147,290	900,178	556,478	155	1,604,101
31 December 2020	-	900,841	534,948	155	1,435,944

At 31 December 2021 and 2020 included in intangible assets were fully depreciated intangible assets worth 1,544,928 thousand Tenge and 1,097,790 thousand Tenge, respectively.

12 Other assets

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Other financial assets		
Receivables related to card transactions	200,013	507,685
Other investments	63,174	70,149
Receivables related to agency services	39,312	98,600
Choco Travel customer receivables	13,766	15,827
Accrued commission income	7,635	4,964
Kazakhstan Stock Exchange debts	3,687	3,739
Accounts receivable under assignment agreements	-	45,620
Others	49,917	34,503
Total other financial assets	377,504	781,087
Less provision for impairment	(24,675)	(17,814)
Total other financial assets	352,829	763,273
Other non-financial assets		
Prepayments	448,335	371,469
Inventory	139,390	23,966
Receivables related to capital expenditures	109,079	111,959
Others	66,900	37,696
Total other non-financial assets	763,704	545,090
Less provision for impairment	-	(14,676)
Total other assets	1,116,533	1,293,687

For the purpose of estimating expected credit losses, other assets are included in Stage 1 as of 1 January and 31 December 2021.

<i>In Thousands of Kazakhstani Tenge</i>	Receivables related to card transactions	Other financial assets	Total
31 December 2021			
Excellent	200,313	-	200,313
Good	-	152,516	152,516
Total	200,313	152,516	352,829

For the purpose of estimating expected credit losses, other assets are included in Stage 1 as of 1 January and 31 December 2020. As at 31 December 2021, accounts receivable include mutual settlements on card transactions with Master Card, VISA and Halyk Bank of Kazakhstan JSC.

<i>In Thousands of Kazakhstani Tenge</i>	Receivables related to card transactions	Other financial assets	Total
31 December 2020			
Excellent	507,685	-	507,685
Good	-	255,588	255,588
Total	507,685	255,588	763,273

13 Due to other financial institutions

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Correspondent accounts of other banks	421,102	308,462
Term deposits	-	11,919,766
Total due to other financial institutions	421,102	12,228,228

As at 31 December 2021, there are no term deposits. As at 31 December 2020, term deposits include short-term (up to one year) interbank deposits of Euro 25 million at 3.3% per annum and CNY 160 million at 3.25% per annum. In December 2021, these deposits matured.

Cash on correspondent accounts is used in the framework of the Bank's operations.

14 Repurchase agreements

The table below discloses the fair value of assets transferred as collateral and the carrying value of liabilities under repurchase agreements as at 31 December 2021 and 31 December 2020:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021		31 December 2020	
	Carrying value	Fair value of collateral	Carrying value	Fair value of collateral
Accounts payable under repurchase agreements	49,313,421	51,897,157	66,916,809	67,218,413
Total repurchase agreements	49,313,421	51,897,157	66,916,809	67,218,413

The loans under repurchase agreements are used by the Bank for further loan financing, as well as to ensure the cash flow in national currency as part of the Bank's operating activities. The Bank regularly uses this type of financial instruments and plans to continue to raise funds through loans under repurchase agreements, if necessary.

15 Current accounts and deposits from customers

Current accounts and deposits from customers are represented as follows:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Legal entities		
- Current/settlement accounts	170,287,224	162,058,771
- Term deposits	155,290,375	134,941,927
Individuals		
- Term deposits	136,566,206	108,707,944
- Current/settlement accounts	45,908,130	35,210,743
Total current accounts and deposits from customers	508,051,935	440,919,385

As at 31 December 2021 and 2020, current accounts and deposits from customers in the amount of 25,437,923 thousand Tenge and 5,401,705 thousand tenge respectively, were collateral for letters of credit, loans, guarantees and other contingent liabilities of the Bank.

As at 31 December 2021, the Bank had 13 customers (2020: 12 customers) with balances of over 5,000,000 thousand tenge. The total balance of such customers amounted to 154,670,800 thousand Tenge (2020: 130,961,230 thousand Tenge), or 30% (2020: 30%) of the total amount of customer funds.

15 Current accounts and deposits from customers (continued)

Information about the fair value measurements of each category of customer accounts is disclosed in Note 27. An analysis of the interest rates of customer accounts is disclosed in Note 30. Information on transactions with related parties is disclosed in Note 31.

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Analysis by economic sector/customer type:		
Individuals	182,474,336	143,918,687
Trade	50,953,302	53,258,628
Financial sector	50,691,818	69,346,004
Consulting services	38,222,919	3,796,014
Insurance (reinsurance) and the activities of pension funds	29,329,211	31,002,005
Energy	27,067,584	12,201,659
Communication	24,557,486	19,601,484
Transportation	21,045,771	21,613,328
Mining and metallurgy	16,928,637	21,764,469
Oil and Gas	14,335,454	11,124,713
Architecture and engineering	12,009,362	12,773,851
Food	7,578,988	8,130,303
Construction	7,409,601	3,877,008
Chemical industry	6,742,740	1,792,266
Scientific research and development	5,799,844	7,521,903
Human resources	2,275,224	4,381,221
Mechanical engineering	2,128,554	2,193,138
Activities of international organizations	1,176,515	2,500,681
Real estate	1,742,908	1,142,029
Education	226,306	897,404
Agriculture	203,830	390,825
Computer programming and manufacture	66,728	2,988,640
Other	5,084,817	4,703,125
Total current accounts and deposits from customers	508,051,935	440,919,385

16 Other liabilities

Other liabilities are represented as follows:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Other financial liabilities:		
Commitments from continuing involvement	6,170,428	
Finance lease liabilities	737,330	920,242
Settlements with employees	272,946	199,493
Accounts payable	248,815	153,657
Accrued expenses	59,360	40,276
Other	328,703	54,233
Total other financial liabilities	7,817,582	1,367,901
Other non-financial liabilities:		
Accrued payroll expense	2,466,770	2,302,004
Accrued tax expenses, excl. corporate income tax	246,326	200,545
Deferred income	59,198	85,930
Total other non-financial liabilities	2,772,294	2,588,479
Total other liabilities	10,589,876	3,956,380

16 Other liabilities (continued)

Commitments from continuing involvement represent liabilities to Kazakhstan Sustainability Fund JSC ("KFU") related to the state mortgage program "7-20-25" and other programs. In accordance with the terms of this program, the Bank provides mortgage loans to borrowers and transfers the rights of claim on loans to the KFU program. In accordance with the program and trust management agreement, the Bank carries out trust management of transferred mortgage loans if there is a delay in the principal debt and interest on loans for more than 90 calendar days. Repurchase is carried out at the nominal value of the loan at the date of purchase. Bank has retained substantially all the risks and rewards of ownership and control of the transferred asset. The Bank continues to recognize the transferred asset to the extent of its continuing involvement in the asset.

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

<i>In Thousands of Kazakhstani Tenge</i>	2021	2020
Balance on 1 January	920,242	967,442
Cash payment	(619,889)	(398,992)
Other changes not related to cash flows	436,977	351,792
Balance on 31 December	737,330	920,242

17 Share capital

As at 31 December 2021 and 31 December 2020 the total authorized number of ordinary shares was 70,500 shares with a par value of 100 thousand tenge per share. On 19 August 2015, the Bank registered its declared additional emission of shares and the total amount of declared ordinary shares was 220,500. New shares were not issued.

The holders of ordinary shares are entitled to receive dividends which the Bank may declare from time to time, and have the right to vote at annual and general meetings of the shareholders. Dividends payable are limited to the Bank's retained earnings in accordance with the legislation of the Republic of Kazakhstan. In 2020 and 2019, dividends on ordinary shares were not paid. On March 25, 2021, the General Meeting of Shareholders of the Bank decided to pay dividends on ordinary shares in the amount of 13,000,000 thousand Tenge, the payment was made on 7 April 2021.

The revaluation reserve for financial assets at fair value through other comprehensive income at 31 December 2021 and 2020 is the cumulative change in fair value of securities at fair value through other comprehensive income until disposal.

18 Net interest income

<i>In Thousands of Kazakhstani Tenge</i>	Year ended 31 December 2021	Year ended 31 December 2020
Interest income calculated using the effective interest method		
Loans and advances to customers at amortized cost	30,034,000	27,708,713
Debt securities at fair value through other comprehensive income	9,949,285	9,079,254
Debt securities at amortized cost	6,213,249	3,992,168
Repurchase agreements – debt securities at amortized cost	506,613	58,848
Due from other banks at amortized cost	326,636	479,323
Cash and cash equivalents	269,942	416,899
Total interest income calculated using the effective interest method	47,299,725	41,735,205
Interest and other similar expense		
Current accounts and deposits from customers	(15,362,812)	(13,375,108)
Repurchase agreements accounts payable	(6,078,729)	(6,202,347)
Correspondent accounts of other banks	(441,443)	(401,487)
Rental expenses	(94,037)	(108,945)
KFU (7-20-25/Besana-hit) non-modular	(93,715)	
Total interest and other similar expense	(22,070,736)	(20,087,887)
Net interest income	25,228,989	21,647,318

19 Net loss on financial assets and liabilities measured at fair value through profit or loss

Net loss on financial assets and liabilities measured at fair value through profit or loss comprises:

<i>In Thousands of Kazakhstani Tenge</i>	Year, ended 31 December 2021	Year, ended 31 December 2020
Net loss on operations with financial assets and liabilities classified as held for trading comprises:		
Dealing, net	(201,548)	(1,246,274)
Change in fair value	(25,423)	28,984
Total net loss on financial assets and liabilities at fair value classified as held for trading	(226,971)	(1,217,290)

The Bank enters into derivative financial instruments to manage currency and liquidity risks as well as gain on favorable market movements and such financial instruments are held primarily for economic hedging purposes.

20 Fee and commission income and expenses

The table below discloses an analysis of fee and commission income for each operating segment of the Bank for the year ended 31 December 2021:

<i>In Thousands of Kazakhstani Tenge</i>	Retail business	Corporate Business	Total
Fee and commission income:			
Cash operations	595,428	586,665	1,182,093
Accounts maintenance	584,918	85,772	670,690
Guarantee issuance	-	286,487	286,487
Letter of credit issuance	-	215,272	215,272
Trust management	-	4,114	4,114
Other	9,995	134,689	144,684
Total fee and commission income	1,190,341	1,312,999	2,503,340

The table below discloses an analysis of fee and commission income for each operating segment of the Bank for the year ended 31 December 2020:

<i>In Thousands of Kazakhstani Tenge</i>	Retail business	Corporate Business	Total
Fee and commission income:			
Agency services	230,933	898,567	1,129,500
Cash operations	420,343	90,296	510,639
Accounts maintenance	-	344,591	344,591
Guarantee issuance	-	140,776	140,776
Letter of credit issuance	39,944	-	39,944
Trust management	-	6,846	6,846
Other	162,042	3,912	165,954
Total fee and commission income	853,262	1,484,988	2,338,250

The table below discloses an analysis of fee and commission expenses for each operating segment of the Bank for the year ended 31 December 2021:

<i>In Thousands of Kazakhstani Tenge</i>	Retail business	Corporate Business	Total
Fee and commission expenses:			
Transfer services	446,886	291,715	738,601
Individual deposit insurance	461,886	-	461,886
Commissions received from Master Card and Visa	278,757	-	278,757
Customer loyalty program	296,148	-	296,148
FCB and Pension fund expenses	140,896	-	140,896
Transactions with securities	-	77,764	77,764
Processing services	24,971	-	24,971
Other	10,587	98,328	108,915
Total fee and commission expenses	1,660,131	467,807	2,127,938

20 Fee and commission income and expense (continued)

The table below disclosures an analysis of fee and commission expenses for each operating segment of the Bank for the year ended 31 December 2020:

<i>In Thousands of Kazakhstani Tenge</i>	Retail business	Corporate Business	Total
Fee and commission expenses:			
Commissions received from Master Card and Visa	932,420	-	932,420
Individual deposit insurance	410,932	-	410,932
Transfer services	116,488	164,048	280,536
Processing services	90,299	-	90,299
Transactions with securities	-	55,166	55,166
Customer loyalty program	54,749	-	54,749
FCB and Pension fund expenses	42,324	-	42,324
Other	81,094	15,024	96,118
Total fee and commission expenses	1,728,306	234,238	1,962,544

21 Net gain on foreign exchange operations

<i>In Thousands of Kazakhstani Tenge</i>	Year ended 31 December 2021	Year ended 31 December 2020
Dealing gain, net	3,297,569	4,465,082
Net gain on foreign currency revaluation with financial assets and liabilities	231,430	678,607
Net gain on foreign exchange operations	3,528,999	5,143,689

22 Operating expenses

<i>In Thousands of Kazakhstani Tenge</i>	Year ended 31 December 2021	Year ended 31 December 2020
Payroll costs	5,702,674	4,659,896
Social tax	442,785	465,067
Staff costs	6,145,459	5,124,963
Depreciation and amortization	1,318,032	1,191,222
IT charges	1,061,091	776,539
Taxes, other than income tax	560,927	325,006
Utilities	189,655	52,936
Advertising expenses	155,869	113,027
Communications	120,496	157,351
Security expenses	104,475	103,454
Professional services	68,521	67,750
Property and equipment maintenance	67,936	57,653
Insurance	29,027	25,694
Operating leases	18,936	85,078
Transportation	17,646	10,442
Business trip expenses	7,053	13,745
Representation expenses	6,787	2,691
Other expenses	256,851	263,928
Total operating expenses	10,128,761	8,371,479

In 2020 and 2021 the Bank paid 354,039 thousand Tenge and 317,183 thousand Tenge on obligatory pension contributions.

23 Earnings per share

The earnings and weighted average number of ordinary shares used in calculation of basic and diluted earnings per share are as follows:

<i>In Thousands of Kazakhstani Tenge</i>	Year ended 31 December 2021	Year ended 31 December 2020
Net profit for the year attributable to shareholders of the Bank	16,600,523	15,802,495
Weighted average number of ordinary shares for the purpose of basic earnings per share	70,500	70,500
Total basic and diluted earnings per share (tenge)	235,468	224,149

24 Income taxes

The Bank makes calculations for income tax for the current period on the basis of tax accounting data carried out in accordance with the requirements of the tax legislation of the Republic of Kazakhstan, which may differ from IFRS.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the Republic of Kazakhstan on taxable profits (as defined) under tax law in that jurisdiction.

Income tax expense recognized in profit or loss for the year includes the following components:

<i>In Thousands of Kazakhstani Tenge</i>	2021	2020
Current income tax expense	144,098	470,002
Deferred taxation	116,011	97,009
Income tax expense for the year	260,109	567,011

The effective tax rate reconciliation for the years ended 31 December 2021 and 2020 is as follows:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Profit before tax	16,860,630	16,372,013
Tax at the statutory tax rate (20%)	3,372,126	3,273,901
Tax effect of permanent differences:		
State and other securities	(3,285,650)	(2,816,633)
Non-deductible expenses	186,310	84,398
Current tax adjustment not recognized in prior years	(12,677)	25,345
Income tax expense	260,109	567,011

Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2021 and 2020 mostly relate to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2020	Recovery/(charge) to profit or loss	31 December 2021
Deferred tax assets/(liabilities) relating to:			
Tax losses on realized derivative financial instruments carried forward	300,294	(60,544)	239,750
Other liabilities	684,347	11,062	695,409
Property, plant and equipment and intangible assets	(442,649)	(69,781)	(512,430)
Other assets	(3,437)	148	(3,289)
Unrealized revaluation of financial liabilities at fair value through profit or loss	(4,219)	3,104	(1,115)
Net deferred tax assets	534,336	(116,011)	418,325

24 Income taxes (continued)

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2019	Recovery/(charge) to profit or loss	31 December 2020
Deferred tax assets/(liabilities) relating to:			
Tax losses on realized derivative financial instruments carried forward	312,142	(11,848)	300,294
Other liabilities	653,610	30,737	684,347
Property, plant and equipment and Intangible assets	(333,426)	(109,223)	(442,649)
Other assets	(2,690)	(747)	(3,437)
Unrealized revaluation of financial liabilities at fair value through profit or loss	1,709	(5,928)	(4,219)
Net deferred tax assets	631,345	(97,009)	534,336

In accordance with the article 300, paragraph 12 of the Tax Code of Republic of Kazakhstan, losses on derivative financial instruments are compensated from income on derivative financial instruments. Where those losses may not be compensated in the period in which they were incurred, they may be carried forward for the next ten years inclusively and offset by income from derivative financial instruments.

25 Contingencies and commitments

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 December 2021 and 2020 contingencies are represented as follows:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Contingent liabilities and credit commitments		
Commitments on loans and unused credit lines	72,950,166	82,994,997
Letters of credit and other transaction related contingent obligations	28,935,766	3,836,335
Guarantees issued and similar commitments	15,135,157	19,735,494
Total contingent liabilities and credit commitments	117,021,089	106,566,826

The Bank makes a decision on granting of loans to customers on each customer within the credit limits and depends on financial position of the customer, their credit history and other factors. The amount of unused credit lines comprises 72,950,166 thousand Tenge and 82,994,997 thousand Tenge as at 31 December 2021 and 2020, respectively.

The Bank does not create reserves of expected credit losses on unused credit lines, as the Bank's loan agreements either do not have obligations to automatically provide cash, or such loans are made on the basis of individual analysis of a client's request. Whenever the Bank receives client's request for a new loan tranche under unused credit lines, it is considered on an individual and independent basis each time. The procedure for issuing new tranches includes checking the current financial situation of the client and approval by the Bank's credit risk management unit. Since the Bank has the right to refuse the application for new tranches without justifying the reasons for the refusal, the Bank considers that the issue of new tranches for loans as part of its obligations is debatable, and takes into account expected credit losses only after the funds are transferred to the borrower.

The above process does not apply to credit card lines. This product has a completely different nature. A credit card limit approved by the Bank can be used by a client at any time. In this regard, the Bank calculates the level of possible development of the unused portion of credit lines on credit cards, based on available historical data, and calculates the reserve of expected credit losses on this portion of unused credit lines on credit cards.

25 Contingencies and commitments (continued)

The following table illustrates an analysis of the quality of contingent liabilities related to letters of credit and guarantees:

<i>In Thousands of Kazakhstani Tenge</i>	Corporate clients			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit im-paired)	
as of 31 December 2021				
- Good	34,441,673	5,178	-	34,446,851
- Satisfactory	5,650,678	-	-	5,650,678
- Special monitoring	632,139	-	-	632,139
Gross carrying amount	40,724,490	5,178	-	40,729,668
Credit loss allowance	(373,699)	(207)	-	(373,906)
Carrying amount	40,350,791	4,971	-	40,355,762
<i>In Thousands of Kazakhstani Tenge</i>	Corporate clients			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit im-paired)	
as of 31 December 2020				
- Good	21,313,859	-	-	21,313,859
- Satisfactory	896,381	-	-	896,381
Gross carrying amount	22,210,240	-	-	22,210,240
Credit loss allowance	(218,041)	-	-	(218,041)
Carrying amount	21,992,199	-	-	21,992,199
<i>In Thousands of Kazakhstani Tenge</i>	Small and medium-sized enterprises			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	
as of 31 December 2021				
- Good	1,987,868	-	-	1,987,868
- Satisfactory	489,900	-	-	489,899
- Special monitoring	-	-	-	-
- Default	-	-	200,000	200,000
Gross carrying amount	2,477,768	-	200,000	2,677,768
Credit loss allowance	(36,063)	-	-	(36,063)
Carrying amount	2,441,705	-	200,000	2,641,705

25 Contingencies and commitments (continued)

<i>In Thousands of Kazakhstani Tenge</i>	Small and medium-sized enterprises			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit im-paired)	
as of 31 December 2020				
- Good	619,300	-	-	619,300
- Special monitoring	203,262	-	-	203,262
Gross carrying amount	822,562	-	-	822,562
Credit loss allowance	(31,883)	-	-	(31,883)
Carrying amount	790,679	-	-	790,679

Legal proceedings

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

Taxation

Kazakhstan laws and regulations affecting business continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Bank may be challenged by the relevant regional and republic authorities. Tax authorities are taking a more assertive position in their interpretation of the legislation and as a result, transactions and activities that have not been challenged in the past may be challenged in future tax audits.

Fiscal periods remain open to tax audit by the authorities in respect of taxes for the five calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued for all taxes that are applicable based on its interpretations of the tax legislation. However, the tax authorities may have differing interpretations, and the effects could be significant.

Operating environment

Management of the Bank is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Bank's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Bank might be significant.

Regulatory reviews

In 2019, the National Bank of the Republic of Kazakhstan assessed the assets quality review (AQR) of the 14 largest banks that were selected in terms of their economic significance for the banking system of Kazakhstan. Asset Quality Review (AQR) is an approach based on international standards of financial reporting and prudential regulation, while reflecting the prudential view of the financial regulator on the current practice of financial accounting and risk assessment. The purpose of the audit was to ensure an objective and fair view of banking assets, as well as a reliable and fair assessment of the capital adequacy of the banks in question.

According to the Final Report based on the results of assets quality review of second-tier banks of the Republic of Kazakhstan, published by the National Bank of the Republic of Kazakhstan, the Bank has an adequate capital reserve k1.

26 Debt securities issued

As of 31 December 2021 and 2020, no placement of bonds among investors identified.

27 Fair value of financial instruments

Fair value is the estimated price at which an asset can be sold or a liability settled in an orderly transaction between market participants at the settlement date. The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. Fair value of financial instruments traded in an active market is measured as the amount obtained by multiplying the quoted price by an individual asset or liability by their amount held by the entity. This is the case even if the usual daily market turnover is insufficient to absorb the amount of assets and liabilities that the entity has, and placing orders to sell positions in a separate transaction may affect the quoted price.

Determining the fair value of financial assets and liabilities for which there are no observable market quotes requires the use of valuation techniques specified in the accounting policies. The fair value of financial assets that are rarely traded and do not have price transparency is less objective and requires the use of different judgments depending on liquidity, concentration, market uncertainty, pricing assumptions and other risks affecting a particular instrument.

Fair value measurements are analyzed by level in the fair value hierarchy as follows:

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

Valuation methods include net present value, discounted cash flow models, and comparisons with similar instruments for which observable market prices exist. Assumptions and input used in valuation methods include risk-free and benchmark interest rates, credit spreads and other premiums used to estimate discount rates, bond and security rates, and exchange rates. The objective of the valuation methods is to determine the fair value, which reflects the value of the financial instrument at the reporting date, which could be determined by market participants who carried out the transaction on the basis of independence.

The Bank uses widely recognized valuation models to determine the fair value of common and simpler financial instruments, such as interest rate and currency swaps, for which only observable market data are used and no significant judgments or estimates are required. Observable prices and input data for models typically exist on the market in respect of quoted debt and equity securities, exchangeable quoted derivatives and simple over-the-counter derivatives, such as interest rate swaps. The presence of observable market prices and baseline data for the model reduces the need for management's judgments and estimates, and also reduces the uncertainty associated with determining fair value. The presence of observable market prices and inputs varies depending on products and markets, and varies based on certain events and the overall state of financial markets.

Fair value of the Bank's financial assets and financial liabilities measured at fair value on a recurring basis.

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each reporting period. 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.

JSC "Altyn Bank" (SB of China CITIC Bank Corporation Ltd.)
Notes to the Financial Statements

27 Fair value of financial instruments (continued)

In Thousands of Kazakhstani Tenge	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2021	31 December 2020				
Financial assets/financial liabilities						
Derivative financial assets at fair value through profit or loss (see Note 6)	29,046	52,039	Level 2	Future cash flows are estimated based on contractual forward exchange rates.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income (see Note 8)	168,505,792	93,951,247	Level 2	Quoted prices of the buyer in the observed market at the reporting date.	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss (see Note 6)	23,465	39,850	Level 2	Future cash flows are estimated based on contractual forward exchange rates.	Not applicable	Not applicable

The carrying amount of cash and cash equivalents, mandatory reserve requirements in the NBRK, due from other financial institutions, accounts and deposits of banks, debtors for documentary settlements, assets held for sale, repurchase agreement accounts payable, other financial assets and liabilities approximate their fair value due to the short-term nature of such financial instruments and the absence of significant changes in market interest rates.

27 Fair value of financial instruments (continued)

Except as detailed in the following table, the Management of the Bank considers that the carrying amount of financial assets and financial liabilities recognized in the financial statements approximate their fair values:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Loans to customers	253,948,950	243,691,165	244,427,841	270,246,443

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Deposits to customers	508,051,935	509,636,200	440,919,385	440,734,699

Loans and deposits from customers are measured at amortized cost. The fair value of instruments with floating interest rates is usually equal to their carrying amount. The estimated fair value of instruments with a fixed interest rate is based on expected future cash flows calculated at current interest rates for new instruments with similar credit risk and maturity. Loans and customer deposits are reflected in level 2 of the fair value hierarchy.

28 Presentation of financial instruments by measurement category

In accordance with IFRS 9 «Financial Instruments» Bank classifies financial assets into the following categories: (a) financial assets at fair value through profit or loss; (b) financial assets at fair value through other comprehensive income, and (c) financial assets at amortized cost.

All of the Bank's financial liabilities except for derivatives were measured at amortized cost. Derivative financial instruments were classified as at fair value through profit or loss.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2021 and 2020:

<i>In Thousands of Kazakhstani Tenge</i>	Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Measured at amortized cost	Total
31 December 2021				
Assets:				
Cash and cash equivalents	-	-	108,709,043	108,709,043
Due from other financial institutions	-	-	8,256,515	8,256,515
Financial assets at fair value through profit or loss	29,046	-	-	29,046
Loans to customers	-	-	253,948,951	253,948,951
Documentary settlements	-	-	2,361,376	2,361,376
Financial assets at fair value through other comprehensive income	-	168,505,792	-	168,505,792
Debt securities at amortized cost, net of allowance for expected credit losses	-	-	89,746,616	89,746,616
Other financial assets	-	-	352,829	352,829
Total Assets	29,046	168,505,792	463,375,330	631,910,168

28 Presentation of financial instruments by measurement category (continued)

<i>In Thousands of Kazakhstani Tenge</i>	Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Measured at amortized cost	Total
31 December 2020				
Assets:				
Cash and cash equivalents	-	-	136,012,299	136,012,299
Due from other financial institutions	-	-	22,279,927	22,279,927
Financial assets at fair value through profit or loss	52,039	-	-	52,039
Loans to customers	-	-	244,427,841	244,427,841
Documentary settlements	-	-	1,172,262	1,172,262
Financial assets at fair value through other comprehensive income	-	93,951,247	-	93,951,247
Debt securities at amortized cost, net of allowance for expected credit losses	-	-	86,554,359	86,554,359
Other financial assets	-	-	763,273	763,273
Total Assets	52,039	93,951,247	491,209,961	585,213,247

29 Capital risk management

The NBRK and the Regulatory Agency set and monitor capital adequacy requirements for the Bank. The Bank is directly controlled by local regulatory authorities.

The Bank determines as a capital those articles, that were determined in accordance with the legislation of the Republic of Kazakhstan, that contributed the capital of the banks and the capital structure consists of:

- Tier 1 capital, which is comprised of share capital and additional paid-in capital. Share capital includes placed ordinary shares, current and prior periods' retained earnings, additional paid-in capital, created regulatory reserves and revaluation reserves of fixed assets and the value of financial assets at fair value through other comprehensive income less intangible assets, losses of previous years and the current year, deferred tax asset minus deferred tax liabilities, excluding part of deferred tax liabilities tax assets recognized for deductible temporary differences, treasury shares, other revaluation reserves, adjustments to be deducted from the additional capital, investments, but due its insufficient level deductible from the share capital, the Bank's investments and sales revenue associated with transactions for asset securitization. Additional paid-in capital includes perpetual financial instruments and paid preference shares, net of the Bank's own shares, certain investments and regulatory adjustments.
- Tier 2 capital is required for the purpose of calculating total capital and is comprised of subordinated debt minus own repurchased debt and certain bank investments.
- Equity, which is the sum of Tier 1 capital and Tier 2 capital less the following positive differences: between provisions (reserves) calculated in accordance with the Guidelines for the creation of provisions (reserves) for impairment of bank assets in the form of loans and receivables from previously issued banking loans and provisions (reserves), formed and reflected in the accounting records of the bank in accordance with international financial reporting standards and the requirements of the legislation of the Republic of Kazakhstan on accounting and financial statements, subject to a deduction from equity.

Under the current capital adequacy requirements of NBRK, the bank has to maintain:

- a ratio of share capital to the sum of credit and risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k1);
- a ratio of tier 1 capital less investments to the sum of credit and market risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k1.2);
- a ratio of total capital to the sum of credit and market risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k2).

29 Capital risk management (continued)

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

- k1 – 7.5%
- k1.2 – 8.5%
- k2 – 10%.

As at 31 December 2020, the minimum level of ratios as applicable to the Bank were as follows:

- k1 – 7.5%
- k1.2 – 8.5%
- k2 – 10%.

The Bank's policy is directed to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Bank recognizes the impact of the norms of earnings on capital, and recognizes the need to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The following table analyses bank's regulatory capital resources for capital adequacy purposes in accordance with the principles established by the Basel agreement:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Composition of regulatory capital:		
Tier 1 capital:		
Share capital	7,050,000	7,050,000
Additional paid-in capital	220,973	220,973
Retained earnings for previous periods	51,360,639	48,558,144
Revaluation reserves for property, plant and equipment, financial assets at fair value through other comprehensive income	(898,059)	268,059
Net income	16,600,523	15,802,495
Deferred tax asset less deferred tax liabilities except deferred tax assets, recognized in regard of non-deductible temporary differences	(930,754)	(976,985)
Intangible assets	(1,604,101)	(1,435,944)
Total regulatory capital	71,799,221	69,486,742
Capital Ratios:		
Capital adequacy ratio (k1)	20.1%	19.9%
Capital adequacy ratio (k1-2)	20.1%	19.9%
Capital adequacy ratio (k2)	20.1%	19.9%
Total regulatory capital	71,799,221	69,486,742

As at 31 December 2021 and 2020, the Bank complies with prudential standards.

30 Risk management policies

The Bank's risk management is carried out in respect of financial transactions. Financial risks include market risk (consisting of currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The main goal of financial risk management is to determine the acceptable level of risk, establish limits and further ensure compliance with the established limits. Operational risk management ensures the proper functioning of internal policies and procedures in order to minimize these risks.

Credit risk

The Bank exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

30 Risk management policies (continued)

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Bank established a number of credit committees that are responsible for approving credit limits for borrowers for retail and corporate business:

- The retail credit committee reviews and approves limits for borrowers in the retail business;
- The corporate credit committee reviews and approves limits on corporate business borrowers.

Loan applications originating with the relevant client relationship managers are passed on to the relevant credit committee for the approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees. In order to monitor exposure to credit risk, regular reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant interaction with customers with deteriorating creditworthiness are reported to and reviewed by them.

Credit risk grading system

For measuring credit risk and grading financial instruments by the amount of credit risk, the Bank applies two approaches – a rating system based on the Bloomberg model or risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding internal ratings	Corresponding ratings of external international rating agencies	Corresponding probability of default interval
Excellent	IG1 – IG7	AAA - A-	0,00% - 0,096%;
Good	IG8 – HY4	BBB+ - B+	0,096% - 4%;
Satisfactory	HY4 – HY6	B - B-	4% - 10%;
Special monitoring	DS1-DS4	CCC+ - CCC-	10% - 50%;
Default	DS5	D	50% - 100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- IG1 – IG7 – strong credit quality with low expected credit risk.
- IG8 – HY4 – adequate credit quality with a moderate credit risk.
- HY4 – HY6 – moderate credit quality with a satisfactory credit risk.
- DS1 – DS4 – facilities that require closer monitoring and remedial management.
- Default (DS5) – facilities in which a default has occurred.

The internal rating system is a development of Bloomberg. The Bank applies the internal rating system to assess the credit risk on financial assets provided to corporate clients for which there are no external credit ratings from international rating agencies.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default are applied for the following financial instruments: interbank deposits, government loans and investments in debt securities.

30 Risk management policies (continued)

Expected credit loss (ECL) measurement

Expected credit loss is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An expected credit loss measurement is unbiased and is determined by evaluating a range of possible outcomes. Expected credit losses measurement is based on four components used by the Bank: probability of default, amount of credit claim at risk of default, loss in case of default and discount rate.

Exposure at default (EAD) - is an estimate of exposure at a future default date, considering expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities.

The probability of default (PD) is an estimate of the likelihood of default to occur over a given time period.

Loss given default (LGD) - is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the exposure at default.

The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. As a matter of exception from determining the lifetime exposure based on contractual maturity, for credit cards issued to individuals, the lifetime exposure is measured over a period that is based on expected life of the credit card contracts, based on internal statistics.

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

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

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

- the borrower is more than 90 days past due on its contractual payments;
- the bank has sold the borrower's debt or its portion at a loss due to credit deterioration;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikelihood-to-pay criteria listed below:
 - the borrower is deceased;
 - the borrower is insolvent;
 - the borrower is in breach of financial covenant(s);
 - it is becoming likely that the borrower will enter bankruptcy; and
 - the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

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

30 Risk management policies (continued)

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For loans issued to corporate entities, interbank loans and debt securities at amortized cost or at fair value through other comprehensive income, significant increase in credit risk is assessed on an individual basis by monitoring the triggers stated below. For loans issued to individuals and other financial assets, significant increase in credit risk is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify a significant increase in credit risk are monitored and reviewed periodically for appropriateness by the Bank's Risk Management Department.

The bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

- the presence of overdue payments (overdue debts of the borrower on the principal debt and/or remuneration and/or penalties as of the Bank's valuation date) for a period of 30 (thirty) calendar days or more, or, during the previous twelve months, the payments to the Bank were delayed a term of thirty or more calendar days;
- actual or expected (based on reasonable and corroborated information) increase in the probability of default on a borrower/group of borrowers, associated with a downgrade of the rating by 5 notches or assignment of a rating corresponding to the default since the issuance of the loan;
- significant changes in the value of the collateral (more than 80%) of the obligation or the quality of guarantees or mechanisms that provide an economic incentive for the borrower to make the planned payments stipulated by the contract that are expected to reduce the economic incentive for the borrower to make the planned payments stipulated by the contract or otherwise affect the likelihood of default. The significance of such changes in general or in each specific case is determined jointly by the respective business units, risk management units and other units of the bank (whose competence includes monitoring the loan);
- the borrower requests debt restructuring to the Bank;
- more than twenty-five percent of the amount of a current loan provided by the Bank was used for purposes other than its intended purpose;
- failure of the borrower to provide information on its financial and business activities and/or a decrease in the degree of confidence in it, due to the presence of unreasonable significant (twenty five percent or more) changes in the key items of the borrower's financial statements (fifteen percent or more) from total assets/liabilities or income from sales at the reporting date); significant (over ten percent) discrepancies between the financial statements/transcripts to its articles (presence of errors); repeated changes in historical financial statements/transcripts to its articles;
- not agreed with the Bank, violation of financial covenants established in the loan agreement or/and other significant lending terms, which, in the Bank's opinion, may lead to non-performance by the borrower of its obligations to the Bank/loss of the Bank or are indicators of such an outcome.

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

If there is evidence that the significant increase in credit risk criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the bank monitors whether that indicator continues to exist or has changed.

The Bank has three approaches to assessing expected credit losses: (i) assessment on an individual basis using internal ratings; (ii) assessment on a portfolio basis; (iii) assessment based on external ratings. The Bank conducts an assessment on an individual basis using internal ratings for corporate clients that do not have external ratings. The Bank conducts portfolio valuation for loans to individuals. This approach involves portfolio aggregation into homogeneous segments based on specific information about borrowers and / or a financial instrument, for example, a loan product, a loan program.

30 Risk management policies (continued)

The bank performs assessments based on external ratings for interbank loans, debt securities issued by the banks and certain blue chip corporate customers, and loans issued to sovereigns.

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

When assessment is performed on a portfolio basis, the bank determines the staging of the exposures and measures the loss allowance on a collective basis. The bank analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of product, lending program. Homogeneous loans include loans to individuals for which the amount of debt is equal to or less than 0.2% of the Bank's equity on the date of the reserves calculation.

In general, expected credit loss is the sum of the multiplications of the following credit risk parameters: exposure at default, probability of default and loss given default, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The expected credit loss is determined by predicting credit risk parameters (exposure at default, probability of default and loss given default) for each future month/year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an expected credit loss for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the expected credit losses calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters

The exposures at default are determined based on the expected payment profile, that varies by product type. Exposure at default is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortizing products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the exposure at default is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilization and other borrower-specific behavioral characteristics.

Two types of probabilities of default are used for calculating expected credit losses: 12-month and lifetime probability of default. An assessment of a 12-month probability of default is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime probabilities at default represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months probabilities of default over the life of the instrument. The bank uses different statistical approaches depending on the segment and product type to calculate lifetime probabilities of default, such as the extrapolation of 12-month probabilities of default based on migration matrixes, developing lifetime probability of default curves based on the historical default data, hazard rate approach or other.

Loss given default represents the bank's expectation of the extent of loss on a defaulted exposure. Loss given default varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime loss given default are determined based on the factors that impact the expected recoveries after a default event.

The Bank calculates loss given default based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. Loss given default is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

Expected credit losses measurement for financial guarantees and loan commitments

The expected credit losses measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to exposure at default calculation. The exposure at default is a product of credit conversion factor ("CCF") and amount of the commitment. Credit conversion factor for undrawn credit lines of corporate customers, credit cards issued to individuals and for financial guarantees is defined based on statistical analysis of past exposures at default.

30 Risk management policies (continued)

The Bank does not create reserves of expected credit losses on unused credit lines, as the Bank's loan agreements either do not have obligations to automatically provide cash, or such loans are made as an individual analysis of a client's request. Whenever the Bank receives a client's request for a new loan tranche under unused credit lines, it is considered on an individual and independent basis each time. The procedure for issuing new tranches includes checking the current financial situation of the client and approval by the Bank's credit risk management unit. Since the Bank has the right to refuse to apply for new tranches without justifying the reasons for the refusal, the Bank considers that the issue of new tranches on loans as part of its obligations is debatable, and considers expected credit losses only after the funds are transferred to the borrower.

The above process does not apply to credit card lines of credit. This product has a completely different nature. A credit card limit approved by the Bank can be used by a client at any time. In this regard, the Bank calculates the level of possible development of the unused portion of credit lines on credit cards, based on available historical data, and calculates the reserve of expected credit losses on this portion of unused credit lines on credit cards.

Principles of assessment based on external ratings

Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters "probability of default" and "loss given default" from the default and recovery statistics published by the respective rating agencies. This approach is applied to government and large corporate clients, as well as interbank loans and deposits.

Market risk

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

Currency risk

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

The Bank has an Asset and Liability Management Committee, which, on a regular basis, receives information from the risk management division on market risks, on meeting the established limits.

Risk assessment is carried out using the VAR (Value at Risk) method, which allows to estimate the maximum possible (with a specified confidence interval) negative impact on the financial result of changes in the value of currency positions. VAR-assessment is carried out by the method of historical modelling, the depth of the two years (500 business days), a time horizon of one business day and a confidence interval of 99%. Expected Shortfall (ES) is derived from the VAR model. Unlike VAR, it gives an estimate of the expected scale of losses in critical scenarios, since allows you to estimate the possible losses in excess of the predicted value of VAR.

In Thousands of Kazakhstani Tenge

31 December 2021 31 December 2020

Evaluation of the maximum possible losses

VAR for currency position	2,589	13,533
ES for currency position	2,788	30,005

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in currency exchange rates. The financial position and cash flows of the Bank are subject to fluctuations in foreign currency exchange rates.

JSC "Altyn Bank" (SB of China CITIC Bank Corporation Ltd.)
Notes to the Financial Statements

30 Risk management policies (continued)

The tables below present a general analysis of currency risk at the end of the reporting period on 31 December 2021 and 2020.

	In Thousands of Kazakhstani Tenge				31 December 2021	
	Tenge	US Dollar 1 dollar = 431.8 KZT	Euro 1 euro = 489.1 KZT	Other currency	Total	
Non-derivative financial assets						
Cash and cash equivalents	2,828,210	64,568,751	16,666,131	13,711,143	97,774,235	
Mandatory cash balances with the NBRK	10,934,808	-	-	-	10,934,808	
Debt securities at fair value through other comprehensive income	142,705,308	14,892,635	10,907,849	-	168,505,792	
Due from other financial institutions	1,262,276	1,631,406	5,362,833	-	8,256,515	
Loans to customers	187,238,197	66,710,754	-	-	253,948,951	
Debtors on documentary settlements	2,053,443	307,933	-	-	2,361,376	
Debt securities measured at amortized cost less reserves for expected credit losses	45,043,764	42,510,999	2,191,853	-	89,746,616	
Other financial assets	298,880	44,780	9,169	-	352,829	
Total non-derivative financial assets	392,364,886	190,667,258	35,137,835	13,711,143	631,881,122	
Non-derivative financial liabilities						
Accounts and deposits of other banks	419,571	608	721	202	421,102	
Accounts payable on repo transactions	49,313,421	-	-	-	49,313,421	
Current accounts and customer deposits	238,434,054	215,490,346	40,515,249	13,612,286	508,051,935	
Other financial liabilities	7,565,507	242,241	9,326	508	7,817,582	
Total non-derivative financial liabilities	295,732,553	215,733,195	40,525,296	13,612,996	565,604,040	
Open balance position	96,632,333	(25,065,937)	(5,387,461)	98,147	66,277,082	
Derivative financial instruments						
- Foreign exchange spot contracts	(423,300)	431,800	-	-	8,500	
Inflows	6,053,660	6,477,000	-	-	12,530,660	
Outflows	(6,476,960)	(6,045,200)	-	-	(12,522,160)	
With gross calculations						
- Foreign exchange forward contracts	-	-	-	-	-	
Inflows	-	-	-	-	-	
Outflows	(21,612,348)	16,218,518	5,380,100	-	(13,730)	
- Currency swap contracts	400,000	21,989,503	5,380,100	-	27,769,603	
Inflows	(22,012,348)	(5,770,985)	-	-	(27,783,333)	
Outflows						
Open position on derivative financial instruments	(22,035,648)	16,650,318	5,380,100	-	(5,230)	
Open position	74,596,685	(8,415,619)	(7,361)	98,147	66,271,852	

JSC "Atlym Bank" (SB of China CITIC Bank Corporation Ltd.)
Notes to the Financial Statements

30 Risk management policies (continued)

	Tenge	US Dollar 1 dollar = 420.91 KZT	Euro 1 euro = 516.79 KZT	Other currency	31 December 2020 Total
<i>In Thousands of Kazakhstan Tenge</i>					
Non-derivative financial assets					
Cash and cash equivalents	2,264,219	117,034,413	1,903,163	5,082,223	126,284,018
Mandatory cash balances with the NBRK	9,728,280	-	-	-	9,728,280
Debt securities at fair value through other comprehensive income	77,079,893	4,895,142	11,976,212	-	93,951,247
Due from other financial institutions	12,389,917	2,342,701	7,547,309	-	22,279,927
Loans to customers	190,378,274	42,703,439	-	11,346,128	244,427,841
Debtors on documentary settlements	422,000	-	-	750,262	1,172,262
Debt securities measured at amortized cost less reserves for expected credit losses	42,637,387	41,598,521	2,318,451	-	86,554,359
Other financial assets	730,770	5,517	26,986	-	763,273
Total non-derivative financial assets	335,630,740	208,579,733	23,772,121	17,178,613	585,161,207
Non-derivative financial liabilities					
Accounts and deposits of other banks	286,286	22,176	-	11,919,766	12,228,228
Accounts payable on repo transactions	66,916,809	-	-	-	66,916,809
Current accounts and customer deposits	202,816,179	213,724,688	17,728,241	6,650,276	440,919,384
Other financial liabilities	1,313,370	45,225	8,426	881	1,367,902
Total non-derivative financial liabilities	271,332,644	213,792,089	17,736,667	18,570,923	521,432,323
Open balance position	64,298,095	(5,212,355)	6,035,454	(1,392,309)	63,728,885
Derivative financial instruments					
- Foreign exchange spot contracts	(671,448)	1,213,277	(775,185)	233,850	494
Inflows	2,529,100	3,974,447	-	233,850	6,737,397
Outflows	(3,200,548)	(2,761,170)	(775,185)	-	(6,736,903)
With gross calculations					
- Foreign exchange forward contracts	13,886	-	-	-	13,886
Inflows	1,105,636	1,062,566	-	-	2,168,202
Outflows	(1,091,750)	(1,062,566)	-	-	(2,154,316)
- Currency swap contracts	(1,000,000)	4,982,419	(5,220,101)	1,235,490	(2,192)
Inflows	-	4,982,419	-	1,235,490	6,217,909
Outflows	(1,000,000)	-	(5,220,101)	-	(6,220,101)
Open position on derivative financial instruments	(1,657,562)	6,195,697	(5,995,286)	1,469,341	12,189
Open position	62,640,533	983,342	40,168	77,032	63,741,074

30 Risk management policies (continued)

Currency risk sensitivity analysis

The table below presents data on the Bank's sensitivity to an increase or decrease in the tenge rate by 10% in relation to the respective currencies. The sensitivity analysis of positions expressed in foreign currency adjusts the recalculation of balances at the reporting date, subject to a 10% change in exchange rates. The positive amount indicated below reflects the increase in profits when the tenge appreciates against the corresponding currency by 10%. A 10% weakening of the tenge against the corresponding currency will have a comparable impact on profits, with the amounts indicated below being negative.

<i>In Thousands of Kazakhstani Tenge</i>	U.S. dollar		Euro	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Profit before tax	10% 841,562	10% 98,334	10% 736	10% 4,017

Foreign exchange forward contracts

Part of the Bank's policy is the conclusion of forward foreign exchange contracts to manage the risks of customer transactions.

Limitations of sensitivity analysis

The above tables show the effect of a change based on the main assumption with other assumptions unchanged. In fact, there is a relationship between assumptions and other factors. It should also be noted that the sensitivity is non-linear, therefore no interpolation or extrapolation of the results should be performed.

The sensitivity analysis does not consider that the Bank actively manages its assets and liabilities. In addition, the financial position of the Bank may be subject to change depending on changes occurring in the market. For example, the Bank's financial risk management strategy focuses on managing market volatility risk. In the event of sharp negative price fluctuations in the securities market, management may turn to such methods as selling investments, changing the composition of the investment portfolio, as well as other methods of protection. Consequently, a change in the assumptions may not have an impact on liabilities and significantly affect assets recorded at market price in the statement of financial position. In this situation, different methods of valuing assets and liabilities can lead to significant fluctuations in the value of equity.

Other limitations in the above sensitivity analysis include the use of hypothetical movements in the market in order to disclose potential risks, which represent only the Bank's forecast of upcoming market changes that cannot be predicted with any degree of certainty. Also a limitation is the assumption that all interest rates vary in an identical way.

Interest risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a regular basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

30 Risk management policies (continued)

<i>In Thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2021					
Total financial assets	225,699,445	79,842,202	58,587,830	265,829,443	629,958,920
Total financial liabilities	151,440,270	71,440,480	43,008,966	77,952,657	343,842,373
Net interest rate gap on 31 December 2021	74,259,175	8,401,722	15,578,864	187,876,786	286,116,547
31 December 2020					
Total financial assets	156,370,263	96,121,637	63,426,536	244,951,610	560,870,046
Total financial liabilities	145,370,156	56,469,055	59,448,075	61,507,620	322,794,906
Net interest rate gap on 31 December 2020	11,000,107	39,652,582	3,978,461	183,443,990	238,075,140

For analysis of the Bank's portfolio sensitivity to interest rate risk, DVBP (Dollar Value of Basis Point) is used - change in the value of the portfolio with a parallel change in the interest rate by + 0.01% or one basis point. This method of sensitivity analysis is one of the most common methods in market risk management, since it rather transparently shows the effect on portfolio returns (through calculating changes in the present value of a portfolio) from a slight movement of interest rates. Securities valued at fair value through other comprehensive income fall into the calculation of DVBP Bank.

If rates had changed by 0.01% or one basis point, while maintaining all other variables at the same level, then the value of securities valued at fair value through other comprehensive income would have changed by 16,871 thousand tenge (2020: 15,200 thousand tenge).

The table below shows the average interest rates:

<i>In Thousands of Kazakhstani Tenge</i>	2021		2020	
	Tenge	Foreign currency	Tenge	Foreign currency
Assets:				
Cash and cash equivalents	0.00%	6.00%	0.26%	0.16%
Due from other financial institutions	0.00%	2.60%	0.00%	3.09%
Loans to customers	14.4%	3.30%	13.90%	3.74%
Financial assets at fair value through other comprehensive income	7.19%	3.69%	8.25%	2.88%
Debt securities measured at amortized cost less reserves for expected credit losses	9.01%	4.02%	8.62%	4.03%
Liabilities:				
Due to other financial institutions	0.00%	0.00%	0.00%	3.17%
Repurchase agreements accounts payable	10.55%	0.00%	8.44%	0.00%
Current accounts and customer deposits	9.15%	0.80%	9.74%	0.47%

Foreign currency includes US dollars, Euros, Chinese yuan and Russian rubles.

Geographic concentration

The Assets and Liabilities Management Committee ("ALMC") controls the risk associated with changes in the economic situation of other countries. This approach allows the Bank to minimise potential losses from investments in foreign assets.

30 Risk management policies (continued)

The geographical concentration of the Bank's financial assets and liabilities is set out below:

<i>In Thousands of Kazakhstani Tenge</i>	Kazakhstan	Other countries	Total
31 December 2021			
Non-derivative financial assets			
Cash and cash equivalents	76,396,532	21,377,703	97,774,235
Mandatory cash balances with the National Bank of the Republic of Kazakhstan	10,934,808	-	10,934,808
Due from other banks	1,262,276	6,994,239	8,256,515
Loans to customers	232,836,424	21,112,527	253,948,951
Documentary settlements	2,361,376	-	2,361,376
Financial assets at fair value through other comprehensive income	168,505,792	-	168,505,792
Financial assets at amortized cost	89,746,616	-	89,746,616
Other financial assets	310,684	42,146	352,830
Total non-derivative financial assets	582,354,508	49,526,615	631,881,123
Non-derivative financial liabilities			
Deposits and balances of other banks	1,434	419,668	421,102
Repurchase agreements	49,313,421	-	49,313,421
Current accounts and customer deposits	485,415,103	22,636,832	508,051,935
Other financial liabilities	7,659,199	158,383	7,817,582
Total non-derivative financial liabilities	542,389,157	23,214,883	565,604,040
Net position for non-derivative financial instruments	39,965,351	26,311,732	66,277,083
With gross calculations			
- Foreign exchange spot contracts	(22,348)	8,618	(13,730)
Inflows	21,590,000	6,179,603	27,769,603
Outflows	(21,612,348)	(6,170,985)	(27,783,333)
- Currency swap contracts	40	8,460	8,500
Inflows	6,477,000	6,053,660	12,530,660
Outflows	(6,476,960)	(6,045,200)	(12,522,160)
Net position for derivative financial instruments	(22,308)	17,078	(5,230)
Net position	39,943,043	26,328,810	66,271,853

30 Risk management policies (continued)

<i>In Thousands of Kazakhstani Tenge</i>	Kazakhstan	Other countries	Total
31 december 2020			
Non-derivative financial assets			
Cash and cash equivalents	113,164,073	13,119,946	126,284,019
Mandatory cash balances with the National Bank of the Republic of Kazakhstan	9,728,280	-	9,728,280
Due from other banks	12,389,917	9,890,010	22,279,927
Loans to customers	223,508,660	20,919,181	244,427,841
Documentary settlements	1,172,262	-	1,172,262
Financial assets at fair value through other comprehensive income	93,951,247	-	93,951,247
Financial assets at amortized cost	86,554,359	-	86,554,359
Other financial assets	119,726	643,547	763,273
Total non-derivative financial assets	540,588,524	44,572,684	585,161,208
Non-derivative financial liabilities			
Deposits and balances of other banks	1,631,247	10,596,981	12,228,228
Repurchase agreements	66,916,809	-	66,916,809
Current accounts and customer deposits	421,203,653	19,715,732	440,919,385
Other financial liabilities	1,316,995	50,906	1,367,901
Total non-derivative financial liabilities	491,068,704	30,363,619	521,432,323
Net position for non-derivative financial instruments	49,519,820	14,209,065	63,728,886
With gross calculations			
- Foreign exchange forward contracts	43,070	(29,184)	13,886
Inflows	1,105,636	1,062,566	2,168,202
Outflows	(1,062,566)	(1,091,750)	(2,154,316)
- Currency swap contracts	-	(2,192)	(2,192)
Inflows	-	6,217,910	6,217,910
Outflows	-	(6,220,101)	(6,220,101)
- Foreign exchange spot contracts	3,748	(3,253)	495
Inflows	3,202,556	3,534,841	6,737,397
Outflows	(3,198,808)	(3,538,095)	(6,736,903)
Net position for derivative financial instruments	46,818	(34,629)	12,189
Net position	49,566,638	14,174,436	63,741,074

Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises when the maturities of assets and liabilities do not match. Coincidence and/or controlled discrepancy in terms of maturity and interest rates of assets and liabilities is fundamental to liquidity risk management. Due to the diversity of operations and associated uncertainty, a full match in maturity of assets and liabilities is not common practice for financial institutions, which makes it possible to increase the profitability of operations, however, and increases the risk of losses.

The Bank maintains the necessary level of liquidity in order to ensure the continuous availability of funds necessary to fulfil all obligations as they mature. The Bank's liquidity management policy is reviewed and approved by the Management Board, ALMC and Board of Directors.

The Bank seeks to actively maintain a diversified and stable structure of sources of financing consisting of issued debt securities, short-term deposits of banks, deposits of major corporate customers and individuals, as well as a diversified portfolio of highly liquid assets so that the Bank is able to react quickly and without sharp fluctuations to unforeseen liquidity requirements.

30 Risk management policies (continued)

The Bank's liquidity management policy consists of:

- forecasting cash flows by major currencies and calculations related to these cash flows of the required level of liquid assets;
- maintaining a diversified structure of sources of financing;
- management of the concentration and structure of borrowed funds;
- developing plans for raising funds from borrowed funds;
- maintaining a portfolio of highly liquid assets that can be freely implemented as a protective measure in case of a lack of liquidity;
- developing reserve plans to maintain liquidity and a given level of funding;
- monitoring compliance of the Bank's liquidity indicators with statutory ratios.

The Treasury Department monitors liquidity positions on a daily basis, and the Financial Risk and Portfolio Analysis Department conducts stress tests on a regular basis, taking into account various possible market scenarios, both in normal and in unfavourable conditions. Under normal market conditions, liquidity reports are provided to senior management on a monthly basis. Decisions on the liquidity management policy are made by the ALMC and executed by the relevant business and/or auxiliary departments, and monitored by the ALMC.

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30 Risk management policies (continued)

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Bank expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

<i>In Thousands of Kazakhstani Tenge</i>	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	Repayment period not set	Total
Financial liabilities							
Deposits and balances of other banks	-	-	-	-	-	421,102	421,102
Repurchase agreements	49,415,578	-	-	-	-	-	49,415,578
Current accounts and deposits from customers	99,669,628	38,096,088	77,649,398	93,007,866	229,239	219,200,879	527,853,098
Rental liabilities	34,787	50,182	254,899	491,305	-	-	831,173
Other financial liabilities	-	-	-	-	6,170,128	-	6,170,128
Unused credit lines	-	99,877	15,737,853	55,230,013	1,882,423	1,647,154	7,817,282
Guarantees issued	1,039,323	2,623,674	7,740,335	3,731,824	-	-	72,950,166
Letters of credit and other transactions related to contingent obligations	2,379,514	438,962	4,196,232	1,056,183	-	-	15,135,156
Derivative financial instruments	22,968	497	-	-	-	-	8,070,891
							23,465
Total financial liabilities	152,561,798	41,309,280	105,578,717	153,517,191	8,281,790	221,269,135	682,517,911

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30 Risk management policies (continued)

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity:

<i>In Thousands of Kazakhstani Tenge</i>	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years	Repayment period not set	Total
Financial liabilities							
Deposits and balances of other banks	1,614,404	-	10,636,920	-	-	-	12,251,324
Repurchase agreements	66,994,179	-	-	-	-	-	66,994,179
Current accounts and deposits from customers	79,363,021	35,161,993	73,396,460	72,101,633	220,546	194,873,201	455,116,854
Rental liabilities	34,786	59,877	251,048	831,188	-	-	1,176,899
Other financial liabilities	447,659	-	-	-	-	-	447,659
Unused credit lines	-	18,534	20,462,628	62,314,090	199,745	-	82,994,997
Guarantees issued	4,107,418	2,267,566	4,091,460	8,885,614	383,436	-	19,735,494
Letters of credit and other transactions related to contingent obligations	68,898	353,565	3,413,872	-	-	-	3,836,335
Derivative financial instruments	10,667	29,183	-	-	-	-	39,850
Total financial liabilities	152,641,032	37,890,718	112,252,388	144,132,525	803,727	194,873,201	642,593,591

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. The Bank also expects mandatory liquidity ratios on a daily basis in accordance with the requirements of the National Bank of Kazakhstan. Liquidity standards of the Bank complied with the level established by law as at 31 December 2021 and 2020.

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30 Risk management policies (continued)

<i>In Thousands of Kazakhstani Tenge</i>	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Repayment period not set	31 December 2021 Total
Non-derivative financial assets							
<i>Interest assets:</i>							
Cash and cash equivalents	46,233,344	-	-	-	-	49,971,520	96,204,864
Mandatory reserve requirements in the NBRK	2,515,307	1,439,566	2,858,006	-	-	10,934,808	10,934,808
Due from other financial institutions	-	-	26,501,963	61,052,800	2,191,853	1,443,636	8,256,515
Investments at amortized cost	-	-	67,265,687	127,136,650	26,187,796	-	89,746,616
Loans to customers	4,725,046	28,633,772	1,925,677	-	-	-	253,948,951
Debtors on documentary settlements	62,625	373,074	-	-	-	-	2,361,376
Financial assets at fair value through other comprehensive income	109,813,158	3,439,654	5,992,635	38,188,421	11,071,924	-	168,505,792
Total interest-bearing financial assets	163,349,480	33,886,066	104,543,968	226,377,871	39,451,573	62,349,964	629,958,922
<i>Non-interest financial assets:</i>							
Cash and cash equivalents	-	-	-	-	-	1,569,371	1,569,371
Mandatory cash balances with the NBRK	-	-	-	-	-	-	-
Deposits and balances of other banks	134	1,295	72	1,153	3,443	346,734	352,831
Other financial assets	-	-	-	-	-	-	-
Total non-interest financial assets	134	1,295	72	1,153	3,443	1,916,105	1,922,202
Total non-derivative financial assets	163,349,614	33,887,361	104,544,040	226,379,024	39,455,016	64,266,069	631,881,124

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30 Risk management policies (continued)

In Thousands of Kazakhstani Tenge	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Repayment period not set	31 December 2021 Total
Non-derivative financial liabilities							
<i>Fixed interest rate financial liabilities:</i>							
Due from other banks	-	-	-	-	-	421,102	421,102
Repurchase agreements accounts payable	49,313,421	-	-	-	-	-	49,313,421
Current accounts and customer deposits	99,234,071	37,661,038	76,788,407	77,707,101	245,557	2,471,674	294,107,848
Total financial liabilities on which interest is calculated at a fixed rate	148,547,492	37,661,038	76,788,407	77,707,101	245,557	2,892,776	343,842,371
<i>Interest free financial liabilities</i>							
Accounts and deposits of other banks	-	-	-	-	-	-	-
Current accounts and customer deposits	107,909	459	7,488,881	13,193,860	-	193,153,437	213,944,087
Other financial liabilities	-	459	5,413	10,428	-	7,801,282	7,817,582
Total financial liabilities and interests for which interest is not charged	107,909	459	7,494,294	13,204,288		200,954,719	221,761,669
Total non-derivative financial liabilities	148,655,401	37,661,497	84,282,701	90,911,389	245,557	203,847,495	565,604,040
Difference between financial assets and liabilities	14,694,213	(3,774,136)	20,261,339	135,467,635	39,209,459	(139,581,426)	66,277,084
Difference between financial assets and liabilities, cumulative	14,694,213	10,920,077	31,181,416	166,649,051	205,858,510	66,277,084	-

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30 Risk management policies (continued)

In Thousands of Kazakhstani Tenge	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Repayment period not set	31 December 2021 Total
Derivative financial instruments							
<i>With gross calculations:</i>							
Foreign exchange spot contracts	(14,272)	542	-	-	-	-	(13,730)
<i>Sell USD, RUB buy KZT, USD:</i>							
Inflows	26,970,100	799,503	-	-	-	-	27,769,603
Outflows	(26,984,372)	(798,961)	-	-	-	-	(27,783,333)
- currency forward contracts sale EUR purchase KZT							
Inflows							
Outflows							
- currency swap contracts purchase/sale USD vs KZT							
Inflows	8,500	-	-	-	-	-	8,500
Outflows	(12,530,660)	-	-	-	-	-	(12,530,660)
Outflows	(12,522,160)	-	-	-	-	-	(12,522,160)
Total derivative financial instruments	(5,772)	542	-	-	-	-	(5,230)
Difference between financial assets and liabilities	14,688,441	(3,773,594)	20,261,339	135,467,635	39,209,459	(139,581,426)	66,271,854
Difference between financial assets and liabilities, cumulative	14,688,441	10,914,847	31,176,186	166,643,821	205,853,280	66,271,854	-

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30 Risk management policies (continued)

In Thousands of Kazakhstani Tenge	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Repayment period not set	31 December 2020 Total
Non-derivative financial assets							
<i>Interest assets:</i>							
Cash and cash equivalents	76,518,574	-	-	-	-	48,355,754	124,874,328
Due from other financial institutions		2,522,754	4,578,590	2,611,864	-	176,801	9,890,009
Investments at amortized cost			15,925,179	68,310,728	2,318,452	-	86,554,359
Loans to customers	4,366,653	33,226,941	70,555,153	103,797,240	32,481,854	-	244,427,841
Debtors on documentary settlements	40,075	259,734	872,453	-	-	-	1,172,262
Financial assets at fair value through other comprehensive income	26,912,406	4,937,540	26,669,828	16,190,606	19,240,867	-	93,951,247
Total interest-bearing financial assets	107,837,708	40,946,969	118,601,203	190,910,438	54,041,173	48,532,555	560,870,046
<i>Non-interest financial assets:</i>							
Cash and cash equivalents	-	-	-	-	-	1,409,692	1,409,692
Mandatory cash balances with the NBRK	-	-	-	-	-	9,728,280	9,728,280
Deposits and balances of other banks	-	-	-	-	-	12,389,918	12,389,918
Other financial assets	-	-	-	1,552	707	761,015	763,274
Total non-interest financial assets	-	-	-	1,552	707	24,288,905	24,291,164
Total non-derivative financial assets	107,837,708	40,946,969	118,601,203	190,911,990	54,041,880	72,821,460	585,161,210

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30 Risk management policies (continued)

In Thousands of Kazakhstani Tenge	Repayment period 31 December 2020					Total
	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	
Non-financial liabilities						
<i>Financial liabilities with fixed interest rate</i>						
Due from other financial institutions	1,609,523	-	10,312,474	-	-	12,228,228
Repurchase agreements	66,916,809	-	-	-	-	66,916,809
Current accounts and deposits from customers	75,495,867	34,754,221	70,850,436	61,307,717	199,903	243,649,869
Total interest bearing financial liabilities	144,022,199	34,754,221	81,162,910	61,307,717	199,903	322,794,906
<i>Non-interest bearing financial liabilities</i>						
Deposits and balances of other banks	-	-	-	-	-	-
Current accounts and deposits from customers	69,958	172,343	1,606,498	1,525,508	63,733	193,831,476
Other financial liabilities	361	1,721	5,319	16,095	-	1,367,902
Total non-interest bearing financial liabilities	70,319	174,064	1,611,817	1,541,603	63,733	198,637,418
Total non-derivative financial liabilities	144,092,518	34,928,285	82,774,727	62,849,320	263,636	521,432,324
Difference between financial assets and liabilities	(36,254,810)	6,018,684	35,826,476	128,062,670	53,778,244	(123,702,379)
Cumulative difference between financial assets and liabilities	(36,254,810)	(30,236,126)	5,590,350	133,653,020	187,431,264	63,728,885

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30 Risk management policies (continued)

In Thousands of Kazakhstani Tenge	Repayment period					Total
	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	
Derivative financial instruments						
<i>With gross calculations:</i>						
Foreign exchange spot contracts	494	-	-	-	-	494
Sell USD, RUB buy KZT, USD:						
Inflows	6,737,397	-	-	-	-	6,737,397
Outflows	(6,736,903)	-	-	-	-	(6,736,903)
- Currency forward contracts						
sale EUR purchase KZT		424	13,462	-	-	13,886
Inflows	-	429,531	1,738,671	-	-	2,168,202
Outflows	-	(429,107)	(1,725,209)	-	-	(2,154,316)
- Currency swap contracts						
purchase/sale USD vs KZT						
Inflows	(2,191)	-	-	-	-	(2,191)
Outflows	6,217,910	-	-	-	-	6,217,910
	(6,220,101)	-	-	-	-	(6,220,101)
Total derivative financial instruments	(1,697)	424	13,462	-	-	12,189
Difference between financial assets and liabilities	(36,256,507)	6,019,108	35,839,940	128,062,670	53,778,243	63,741,074
Difference between financial assets and liabilities, cumulative	(36,256,507)	(30,237,399)	5,602,541	133,665,211	187,443,454	63,741,075

In the table above, maturities are shown in accordance with the agreements. At the same time, according to the current legislation, individuals have the right to early termination of the deposit agreement.

The above amounts for floating interest rate instruments for non-derivative financial assets and liabilities may change if the actual change in floating interest rates differs from the estimates determined at the reporting date.

30 Risk management policies (continued)

In 2020, Kazakhstan's economy, like the world's economy, has been hit by the COVID-19 pandemic. The introduction of quarantine measures negatively affected on the economic activity in the country, as well as on the income of the citizens. The introduction of quarantine measures led to the fact that many enterprises were forced to suspend or significantly reduce their activities, which led to forced vacations, cut wages, and job cuts. This situation could not but affect the solvency of individuals and the quality of the retail loan portfolio. The Government of the Republic of Kazakhstan has taken measures to mitigate the negative economic consequences of the pandemic for business and the population. The regulator of financial markets also developed measures to stabilize the financial system, aimed, among other things, at supporting the borrowers of banks.

To assess expected credit losses, including from a significant increase in credit risk, the Bank analyses the migration of loans by days of delay. As a rule, the Bank provides restructuring to customers who are overdue by 90 days or more. Such customers are classified by the Bank in basket 3, corresponding to full impairment. At the same time, the Bank observes that in most cases, after restructuring, customers service the loan without delay. In view of the unpredictability of the COVID-19 situation, the Bank adheres to global practice regarding the reversal of provisions after restructuring. According to the Bank's internal provisioning methodology, a loan can only be transferred from basket 3 to basket 2, 60 days after the bank receives confirmation of improvement in financial condition. The transition from basket 2 to basket 1 also takes place no earlier than 60 days. Thus, the minimum period for full credit recovery is at least 120 days. However, in a pandemic, the Bank conducts a more detailed analysis and, if necessary, to withstand a longer period.

Presentation of statement of financial position in order of liquidity

The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period:

In Thousands of Kazakhstani Tenge	31 December 2021			31 December 2020		
	Amounts expected to be recovered or settled		Total	Amounts expected to be recovered or settled		Total
	Within 12 months after the reporting period	After 12 months after the reporting period		Within 12 months after the reporting period	After 12 months after the reporting period	
Assets						
Current income tax prepayment	746,623	23,431	770,054	476,808	276,000	752,808
Deferred income tax asset	-	418,325	418,325	-	534,336	534,336
Non-current assets held for sale (or disposal groups)	-	648,018	648,018	-	905,921	905,921
Premises and equipment	631,875	6,437,583	7,709,458	582,728	6,287,937	6,870,665
Intangible assets	428,254	1,175,847	1,604,101	395,103	1,040,841	1,435,944
Other assets	763,714	-	763,714	530,414	-	530,414
Liabilities						
Other liabilities	2,772,294	-	2,772,294	2,588,479	-	2,588,479

Collateral

The amount and type of collateral required depends on the assessment of the counterparty's credit risk. Recommendations on the acceptability of types of collateral and valuation parameters are also being implemented.

The main types of collateral obtained are as follows:

- For securities and reverse repurchase transactions, cash or securities;
- For commercial lending, incumbrance over movable and immovable properties;
- For retail lending, mortgages over residential properties.

During 2020, the Bank took over as collateral in the form of apartments and other real estate from distressed borrowers. This property was sold during 2020. The management monitors the market value of the collateral, requires the provision of additional collateral in accordance with the terms of the underlying contract, monitors the market value of the collateral.

30 Risk management policies (continued)

The Bank has developed a methodology for determining the credit rating of borrowers in order to assess corporate borrowers. This methodology allows you to calculate and assign/confirm the borrower's rating and loan collateral rating. This system is based on a quantitative assessment model depending on the key performance indicators of the borrower and allows for the possibility of a minor expert correction in case of insufficient objectivity of the comparative analysis. This method allows you to assign ratings based on the following groups of criteria: market indicators of the borrower, goodwill, credit history, transparency and reliability of information, information on operating activities and the economic situation, the relationship of the Bank and the borrower, the financial position of the borrower, economic activities and the collateral provided. The most important criteria are the financial position and type of activity of the borrower. Consequently, the quantification model allows for a general assessment of the borrower and the loan.

The borrower's qualitative assessment model was developed by the Bank to assess and make decisions on granting loans to small and medium-sized businesses. The valuation model is designed for standard credit products and includes key indicators: financial position, relationship with the borrower, quality of management, targeted use, location, credit history, loan security, etc.

Qualitative assessment based on the parameters of the borrower is one of the main factors for the decision-making process on granting a loan.

The methodology for assessing individual borrowers is based on the following criteria: education, scope, financial position, credit history, property owned by the borrower. Based on the information received, the maximum loan amount is calculated. The maximum loan size is calculated using the debt pressure ratio of the borrower.

The Bank applies an internal methodology in relation to certain corporate loans and Bank Retail loans. The quality assessment methodology is specifically designed for specific products and is applied at different stages of the credit life cycle. As a result, it is not possible to make a qualitative comparison of various products that would correspond to the outstanding debt on loans to customers in the statement of financial position. In this regard, more detailed information is not provided.

Financial assets other than loans provided to customers are classified based on current credit ratings assigned by internationally recognised rating agencies such as Fitch, Standard & Poors, and Moody's. The highest possible rating is AAA. The investment level of financial assets corresponds to ratings from AAA to BBB. Financial assets with a rating lower than BBB are classified as speculative.

Banking sector organizations are generally exposed to credit risk arising from loans provided by the Bank and interbank deposits. The Bank's credit risk for loans to customers is concentrated in the country. The level of credit risk is subject to continuous monitoring in order to ensure compliance with the limits on loans in accordance with the risk management policy approved by the Bank.

Financing instruments

Market risk

Market risk refers to the risk of deterioration of the financial result of the Bank due to adverse changes in the value of assets / liabilities (contingencies/commitments) of the Bank due to the influence of market indicators - risk factors (such as foreign exchange rates, market interest rates, credit spreads, prices of goods, etc.) as well as due to changes in the volatility of these indicators and correlations between them.

In determining the market risk, the Bank includes the following risks:

- currency risk - the risk of losses associated with adverse changes in foreign exchange rates or prices for refined precious metals when the Bank conducts its business;
- interest rate risk - the likelihood of financial losses due to adverse changes in market interest rates on assets, liabilities and off-balance sheet instruments;
- price risk - the likelihood of financial losses due to adverse changes in the market value of financial instruments, goods.

30 Risk management policies (continued)

Operational risk

Operational risk is the risk of loss due to system malfunction, employee error, fraud, as well as the result of external events. If it is impossible to manage operational risks, the presence of such risks may damage the Bank's reputation, lead to legislative and regulatory consequences, or cause a financial loss to the Bank. It is assumed that the Bank is not able to eliminate all operational risks, but it seeks to manage such risks by applying a control system, as well as by monitoring and responding to possible risks. Monitoring activities include effective segregation of duties, access granting, authorization and reconciliation, staff training and assessment procedures.

31 Related party transactions

Details of transactions between the Bank and related parties are disclosed below:

<i>In Thousands of Kazakhstani Tenge</i>	31 December 2021		31 December 2020	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Cash and cash equivalents	6,434,160	108,709,043	3,611,516	126,284,019
- the parent (contractual interest rate: 0%)	5,578,711		1,505,969	-
- entities with joint control or significant influence over the Bank (contractual interest rate: 0%)	855,449		2,105,547	-
Due from other financial institutions (contractual interest rate: 0%)	1,220,275	8,256,515	1,087,587	22,279,927
- other related parties (contractual interest rate: 0%)	1,220,275		-	-
Loans to customers	8,816	253,948,951	6,969	244,427,841
- key management personnel of the entity or the parent company (contractual interest rate: 13.5 – 28%)	7,901	-	5,840	-
- other related parties (contractual interest rate: 28 – 36%)	915	-	1,129	-
Other assets	108,549	1,116,533	284,555	1,293,687
- other related parties (contractual interest rate: 0%)	58,182	-	54,601	-
- parties having joint control or influence over the Bank (contractual interest rate: 0%)	50,367	-	229,954	-
Current accounts and deposits from customers	5,783,072	49,734,523	15,867,597	440,919,385
- parent company (negotiated interest rate: 0 – 3.25%)	134,120	-	10,334,880	-
- parties with joint control or influence over the Bank (contractual interest rate: 0 - 6%)	3,733,658	-	1,417,904	-
- key management personnel of the entity or the parent company (negotiated interest rate: 0 – 13.9%)	1,784,442	-	3,447,684	-
- other related parties (negotiated interest rate: 0 – 11.4%)	130,852	-	667,129	-
Other liabilities	27,598	10,589,876	23,648	3,956,380
- entities with joint control or significant influence over the Bank (contractual interest rate: 0%)	16,498	-	11,313	-
- other related parties (contractual interest rate: 0%)	11,100	-	12,335	-

31 Related party transactions (continued)

The income and expense items with related parties for 2021 and 2020 were as follows:

<i>In Thousands of Kazakhstani Tenge</i>	Year ended 31 December 2021		Year ended 31 December 2020	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Interest income	604	47,299,725	12,042	41,735,205
- key management personnel of the entity or its parent	482	-	679	-
- other related parties	122	-	21	-
- the parent company	-	-	11,342	-
Interest expense	424,300	(22,070,736)	(305,138)	(20,087,887)
- entities with joint control or significant influence over the Bank	-	-	(41,418)	-
- key management personnel of the entity or its parent	81,379	-	(55,774)	-
- the parent company	341,387	-	(190,395)	-
- other related parties	1,534	-	(17,551)	-
Fee and commission income	25,389	2,503,340	39,944	2,338,250
- the parent company	-	-	-	-
- entities with joint control or significant influence over the Bank	25,389	-	39,944	-
Fee and commission expense	244,940	(2,127,938)	(131,290)	(1,962,544)
- other related parties	-	-	-	-
- entities with joint control or significant influence over the Bank	151,774	-	(38,124)	-
	93,166	-	(93,166)	-
Net gain/(loss) on financial instruments at fair value through profit or loss	(77,373)	(226,971)	(161,149)	(1,217,290)
- the parent company	(51,502)	-	28,133	-
- other related parties	-	-	(722,667)	-
- entities with joint control or significant influence over the Bank	(25,871)	-	533,385	-
Foreign exchange translation (loss)/gain	(619,891)	3,528,999	237,226	5,143,689
- the parent company	(435,789)	-	121,108	-
- other related parties	(4,787)	-	(21,659)	-
- entities with joint control or significant influence over the Bank	(179,315)	-	137,777	-
Operating expenses	(182,178)	(10,128,761)	(201,300)	(8,371,479)
- entities with joint control or significant influence over the Bank	(182,178)	-	(155,789)	-
- other related parties	-	-	(45,511)	-

The remuneration of Board and Bank's management was as follows:

<i>In Thousands of Kazakhstani Tenge</i>	Year ended 31 December 2021		Year ended 31 December 2020	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Key management personnel compensation	912,454	6,145,459	885,137	5,124,963

As at 31 December 2021, remuneration obligations to the Board of Directors and management of the Bank amounted to 1,245,783 thousand Tenge (31 December 2020: 973,017 thousand Tenge).

32 Segment analysis

The Bank discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 "Operating segments" and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

The Bank's reportable segments under IFRS 8 are therefore as follows:

- Retail banking
- Corporate banking;
- Treasury.

The following segment information is presented on the basis of financial information used by the Management Board of the Bank, which is the Bank's operating decision maker, to evaluate indicators in accordance with IFRS 8. The Bank's management reviews financial information for each of the segments, including the assessment of operating results, assets and liabilities.

Segment information for 2021 is as follows:

<i>In Thousands of Kazakhstani Tenge</i>	Retail banking	Corporate banking	Treasury	Total
Continuing operations				
Transfer income on loan products	6,125,870	1,060,111	2,448,600	9,634,581
Transfer income due to customers	4,775,106	2,477,043	8,342,259	15,594,408
Net interest income	10,900,976	3,537,154	10,790,859	25,228,989
Fee and commission income	1,223,344	1,279,998		2,503,342
Fee and commission expense	(1,901,037)	(131,859)	(95,044)	(2,127,940)
Net fee and commission income	(677,693)	1,148,139	(95,044)	375,402
Net gain on dealing operations	493,059	1,850,639	1,120,934	3,464,632
Other operating income	-	-	140,290	140,290
Other non interest income	493,059	1,850,639	1,261,224	3,604,922
General and administrative expenses:				
(Recovery)/provision charge on interest bearing assets and contingent liabilities	(2,097,309)	(325,848)	203,237	(2,219,920)
Payroll expenses and bonuses	(3,640,092)	(1,728,196)	(828,141)	(6,196,428)
Expenses on intangible assets	(629,503)	(433,937)	(226,375)	(1,289,816)
The cost of maintaining buildings/facilities	(500,974)	(142,954)	(75,119)	(719,047)
Other administrative expenses	(422,200)	(200,869)	(228,833)	(851,902)
Advertising expenses	(57,375)	(54,417)	(53,112)	(164,904)
Other operating expenses	(245,855)	(416,505)	(244,306)	(906,665)
Profit before income tax	3,123,034	3,233,206	10,504,392	16,860,632
Income tax expense	(48,179)	(52,043)	(159,887)	(260,109)
Net profit for the year	3,074,855	3,181,163	10,344,505	16,600,523

32 Segment analysis (continued)

Segment information for 2020 is as follows:

	Retail banking	Corporate banking	Treasury	Total
Continuing operations				
Transfer income on loan products	4,850,921	1,755,417	35,128,867	41,735,205
Transfer income due to customers	3,865,689	-	(23,953,576)	(20,087,887)
Net interest income	8,716,610	1,755,417	11,175,291	21,647,318
Fee and commission income	1,095,229	1,243,021	-	2,338,250
Fee and commission expense	(1,752,857)	(137,429)	(72,258)	(1,962,544)
Net fee and commission income	(657,628)	1,105,592	(72,258)	375,706
Net gain on dealing operations	555,190	2,118,556	2,433,874	5,107,620
Other operating income	-	-	135,185	135,185
Other non interest income	555,190	2,118,556	2,569,059	5,242,805
General and administrative expenses:	-	-	-	(10,896,323)
(Recovery)/provision charge on interest bearing assets and contingent liabilities	(2,606,974)	125,122	(42,991)	(2,524,843)
Payroll expenses and bonuses	(2,945,860)	(1,433,876)	(766,014)	(5,145,750)
Expenses on intangible assets	(516,409)	(333,721)	(196,765)	(1,046,895)
The cost of maintaining buildings/facilities	(438,720)	(124,340)	(73,693)	(636,753)
Other administrative expenses	(214,239)	(106,136)	(146,573)	(466,948)
Advertising expenses	(38,493)	(38,217)	(37,957)	(114,667)
Other operating expenses	(496,326)	(255,110)	(209,031)	(960,467)
Profit before income tax	1,357,151	2,813,287	12,199,068	16,369,506
Income tax expense	(47,009)	(97,447)	(422,555)	(567,011)
Net profit for the year	1,310,142	2,715,840	11,776,513	15,802,495

33 Events after the end of the reporting period

On 2 January 2022, in the Mangistau region in the western part of the country (gas-producing city of Zhanaozen), opposition to a sharp increase in for liquefied gas began, which then spread to other regions of Kazakhstan. During the rally, a number of socioeconomic and political demands were put forward. As the authorities of the country stated, militant terrorist groups took advantage of this, and despite a set of specific measures taken by the Government, including lowering gas prices to the level expected by the population, not raising prices for energy resources, for socially significant food products, etc. The rally escalated into a riot. The main events unfolded in Almaty and the southern regions of the country.

In this regard, on 5 January 2022, a state of emergency was introduced in the country until 19 January 2022, restrictions were imposed on communications, the movement of citizens and transport, the operation of banks, the Exchange and enterprises.

To date, the situation has stabilized in all regions of the country, the state of emergency has been lifted. The work of communal facilities and life support systems has been restored, restrictions on communications, as well as the movement of citizens and transport, have been lifted.

These events did not have a significant impact on the Bank's operations, given the business profile, as well as the structure of assets and liabilities.