



FORTEBANK JOINT STOCK COMPANY

2021

ANNUAL REPORT

January



December

LOADING COMPLETED

21% growth 1 594 291 KZT 142.2 bln
98 OUTLETS 5.4% +8% loan portfolio
ROE 25.9% ROE active cards by Euromoney
20 BRANCHES POS
3 821 1,156,037 BANK
EMPLOYEE 2,425,789 20 K1 23.1%
142,4 KZT mln - assets Best
by Asiamoney
ForteForex BANK
exchange volume
KZT 142.2 bln +21% NIM
K2 24.3% by Eur
5.4%
ForteApp MAU
Forte Market
Forte Mobile active clients
98%
+8% ForteApp MAU K2 +49% Best Bank
NIM +16,3% K1 23.1% 64 060 ForteForex +16,3%
K2 24.3% TERMINALS 5.4% 98
GROWTH mln net profit bln KZT +49%
№6 BY ASSETS 19 382
POS Forte Mobile assets
ACTIVE CLIENTS
by Euromoney
employee



BANK PROFILE

ForteBank JSC is one of the leaders of Kazakhstan financial system, which is providing a full range of high technology financial services to its customers. ForteBank is a universal bank having its own advanced ecosystem that guarantees its customers quality, promptness, comfort, reliability, and security while receiving the services. The Bank has been consistently recognized as the best bank in Kazakhstan according to prominent international publications.

The Bank has almost a thirty years history and is one of the oldest credit institutions of independent Kazakhstan. Currently, the Bank is taking the 6th place among Kazakhstan banks in terms of assets and the 7th place in terms of loan portfolio. The Bank has a wide branch network including 20 branches and 98 outlets located in all the regions of Kazakhstan.

In our activities, we strive for a harmonious combination of moderate risk appetite and advanced financial technologies introduction. We are guided by the international business standards and strive to strictly comply with the generally accepted principles of corporate ethics. One of the main principles of our activity is maintaining a balance between the interests of shareholders, investors, and customers.



The best bank of Kazakhstan according to Global Finance magazine for 2018, 2019, 2020, 2021 and 2022



The best bank of Kazakhstan for 2021



The bank of the year according to The Banker magazine for 2017, 2018, and 2020

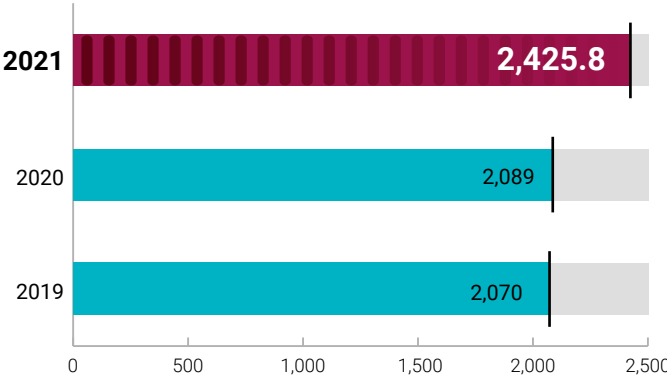


The best bank of Kazakhstan according to Asiamoney magazine for 2019, 2020, and 2021

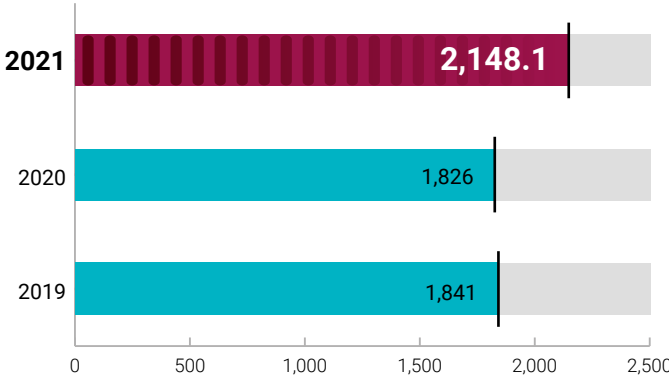


KEY PERFORMANCE INDICATORS

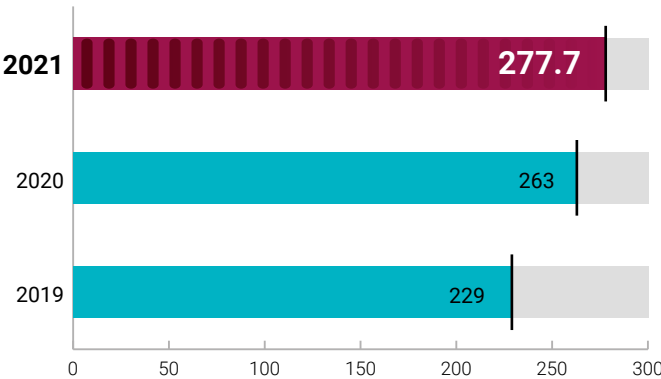
ASSETS, KZT BILLION



LIABILITIES, KZT BILLION



EQUITY, KZT BILLION



ACTIVE CLIENTS
INDIVIDUALS



OVER
1 075 THSD

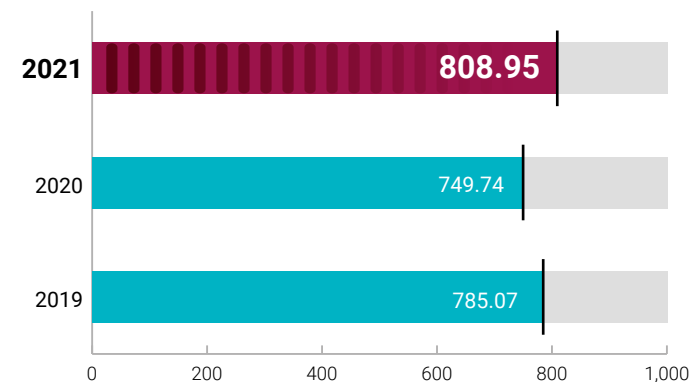
ACTIVE CLIENTS
LEGAL ENTITIES



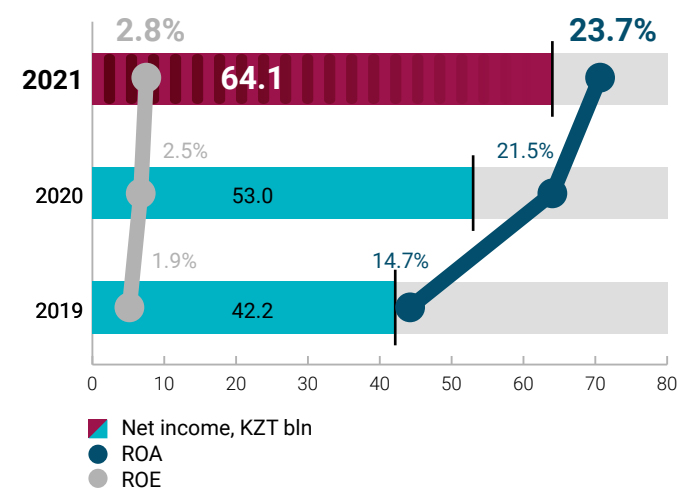
72 145



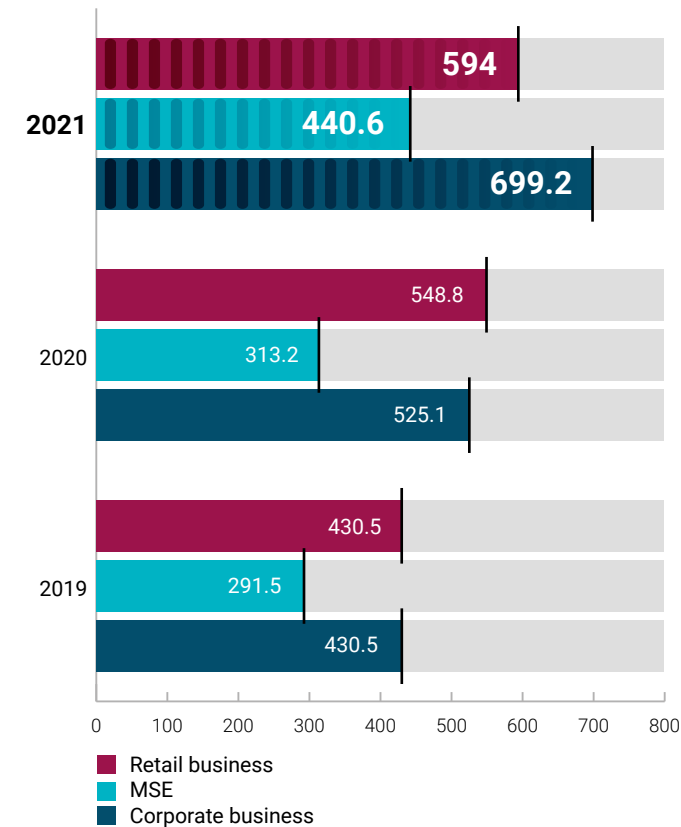
LOAN PORTFOLIO (NET), KZT BILLION



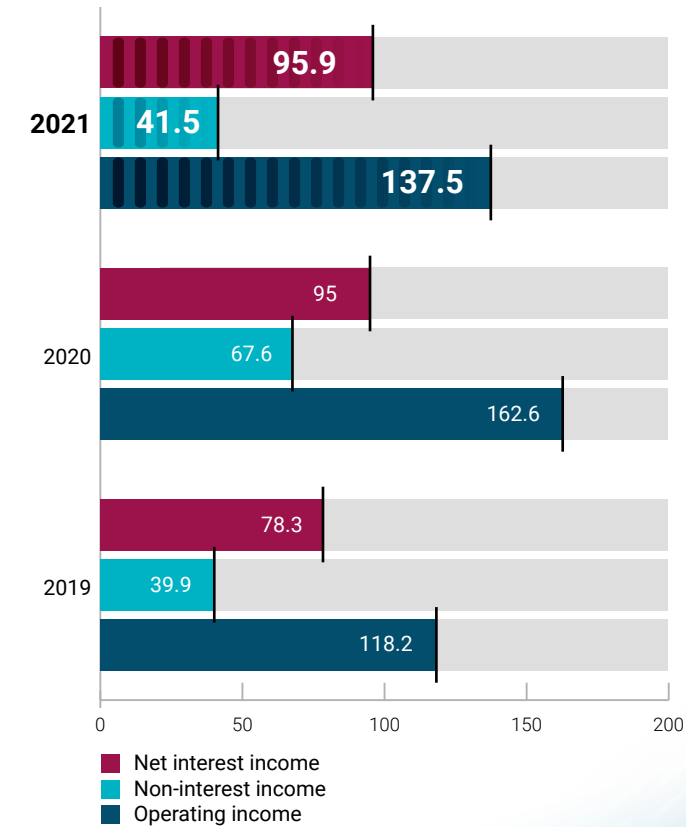
RETURN ON ASSETS AND EQUITY



CUSTOMERS DEPOSITS, KZT BILLION



BANK INCOME, KZT BILLION





KEY EVENTS 2021

The service for the delivery of food products – ForteFood was launched within Forte ecosystem.



2 APRIL



ForteBank was recognized by Global Finance magazine as the Best Bank of Kazakhstan for the fourth consecutive year.

New generation of plastic cards was introduced to the market. These cards can be issued fully online without visiting outlets.



14 JULY



S&P Global Ratings revised the outlook of ForteBank's ratings from 'Stable' to 'Positive', upgraded the national scale rating from 'kzBBB' to 'kzBBB+'.

Fitch Ratings upgraded ForteBank's long-term issuer default rating from 'B' to 'B+', revised the outlook from 'Stable' to 'Positive'. The national scale rating was upgraded by two notches from 'BB+(kaz)' to 'BBB(kaz)'.



22 SEPTEMBER



Launch of a new mobile app for legal entities "Forte Business App" with the function of registration, account opening and other products.

Following the research of loan products for working capital replenishment, the international association of business bankers – SME Banking Club – included ForteBank in the Working Capital Loans 2 021 shortlist. SME Banking Club nominated two of Bank new products for individual entrepreneurs – 'Online Loan' and 'Online loan on POS terminal turnover'.



29 NOVEMBER



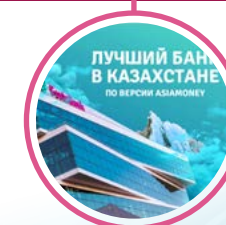
Moody's rating agency upgraded the long-term deposit rating of ForteBank from Ba3 to Ba2, outlook 'Stable'.

ForteBank opened accounts for 'Kazakhstan Khalkyna' Public Social Fund formed at the initiative of the President of Kazakhstan K.-Zh. Tokayev.



17 JANUARY
2022

The international financial magazine Asiamoney recognized ForteBank as the best bank in Kazakhstan, for the third consecutive year.



ForteBank became the first bank with the certification centre to be accredited by the Information Security Committee of the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan in accordance with new requirements.

International rating agency S&P Global Ratings raised long-term issuer credit rating of ForteBank from "B+" to "BB-", outlook "Stable". Additionally, Agency raised ForteBank's rating on Kazakhstan national scale to 'kzA-' from 'kzBBB+'.



JANUARY
2022

8 JULY
2022



YELDAR ABDRAZAKOV

Chairman of the Board of Directors
of ForteBank JSC

Dear customers, partners, investors!

The year of 2022 has been an unquiet year from the very beginning. Internal and external events have a negative impact on the economy of our country. Nevertheless, we are confident that our Bank will not only keep the positions achieved, but strengthen them. We have a solid foundation built by means of the painstaking work of our team over all the years of work.

Our corporate philosophy and principles are based on reliability, openness and efficiency. They have a deep meaning and are closely related.

We adhere to the policy of a sound approach to risk appetite, which meets the interests of depositors, investors and shareholders to the maximum. We strive to build business processes in such a way that the customer is 100% sure of the quality and safety of our services. That is why we put our own reliability as the highest priority and the main principle that makes up our philosophy.

Our world is rapidly changing. Many technologies that are now used everywhere, were perceived just 5-10 years ago as something wonderful and fantastic. Therefore, we are always open to innovations, we try to keep up with new technological trends. On the other hand, openness means both predictability and transparency. We are well aware that we must be open in every sense of the word, be extremely honest in order to maintain the trust of customers. There should not be any 'skeletons in the closet'!

The third principle – efficiency – follows from the first two principles. We maintain a balance between healthy conservatism and systematic, cautious implementation of innovative solutions with complete openness and honesty. This combination is our basis for maintaining

a leading position in the financial system of Kazakhstan and the status of one of the most stable Kazakhstan banks.

The present-day business cannot be successful without a clear understanding of the direction the market is moving to and the customers' needs. To maintain our leading position, we are learning to respond quickly to changing market needs. We strive to minimize the Time-to-Market gap – the time between the realization of new customers' needs and the launch of new products in the market. Indeed, in today's world, even a slight delay can lead to the loss of customers and loss of a market share.

Thanks to this approach, we are confidently expanding our niche in the digital financial services market. During 2021, the number of users of the ForteBank mobile application for individuals increased by 145% and exceeded 1 million people, the number of mobile banking users for legal entities increased from 44.7 thousand to almost 60 thousand.

The growing customers' confidence in our Bank is demonstrated by the deposit base growth. Thus, deposits in the retail segment increased over the year from KZT 549 billion to KZT 594 billion, in the SME segment – from KZT 313 billion to KZT 441 billion, in the corporate segment – from KZT 525 billion to KZT 699 billion.

The Bank is steadily stepping up its presence in the credit market: our loan portfolio grew over the year and reached KZT 847.1 billion. At the same time, we are actively financing domestic business: the portfolio of loans of the corporate sector grew by almost 31% over the year, and SME loan portfolio – by almost 29%. At the same time, due to a considered credit policy and effective work with bad debts, the share of non-performing loans of the portfolio decreased to less than 5%.

The outrunning growth of our presence in the corporate and SME segments is not accidental at all. Forte team is well aware that giving priority to financing the real sector of economy, we are working both for our own future and for the future of the country as a whole.

Properly chosen strategic priorities and goals, as well as methodical work of their achievement, allowed the Bank to increase its net profit from KZT 53 billion to more than KZT 64 billion. The return on equity of the Bank also increased up to 23.7%.

Through building the relationships with our customers – business entities, we strive to create conditions for their growth and enhancement of efficiency. To do this, one of the most important tasks of Forte team is to create business competence centers both at the head office and in branches. We will increase our competence level in the areas where our customers work in order to help them to develop their business.

All our achievements became possible due to close cooperation with you, our customers and partners. We believe that we will have a maximum of new achievements in the future!

Sincerely yours,
Chairman of the Board of Directors of ForteBank JSC

Yeldar Abdrazakov



REINIS RUBENIS

Chairman of the Management Board
of ForteBank JSC

Dear partners, colleagues, readers of the report!

ForteBank is one of the leading universal banks in Kazakhstan. We are proud of our glorious banking tradition and our large pool of customers successfully conducting their business. In our work, we strictly adhere to the principle of maintaining a balance between the interests of depositors, borrowers, partners and investors of the Bank, which allows us to be considered one of the most reliable Kazakhstan banks.

During the year of 2021, which has been rather difficult in terms of macroeconomic conditions, we were able to increase the assets of our Bank by 16.1 % up to more than KZT 2.4 trillion. The total loan portfolio increased by 7.9 % and reached KZT 808.9 billion. The customer deposits increased by 25.0 % and reached KZT 1.7 trillion. The share of non-performing loans of the loan portfolio decreased to 4.9 %, while the return on equity increased up to 23.7 %.

Today, we can state with confidence that we are not only a dynamically developing bank, but also one of the most stable and reliable banks in Kazakhstan. This became possible thanks to the considered policy of the Bank, which combines healthy conservatism and adequate risk perception with the introduction of progressive digital technologies and innovative banking products. The Bank successfully raises funding on the Kazakhstan Stock Exchange and the AIFC Stock Exchange, some of the Bank's securities are listed on the London and Luxembourg Stock Exchanges.

Over several years, the Bank has managed to create an advanced financial ecosystem that combines such characteristics as reliability and security, speed and comfort. Our customers can access the full range of banking services through a mobile application without

visiting the Bank's offices. However, we are aware that in some cases the possibility of direct, 'visual' contact with the Bank's manager is of key importance for the customer, and therefore we strive to maintain our branch network, which is one of the most extensive in Kazakhstan.

One of our main values is a close-knit team of professionals. We have adopted a new employee remuneration policy, whereby we have introduced a system for grading (grouping) the positions. It allows making the system of remuneration more fair and thereby increases the level of motivation of employees. As a result, in 2021, 82 % (or 2,157) branch network employees received an average salary increase of 22 %. The Bank's payroll fund increased by 19 %, or by KZT 1 billion in monetary terms. We are glad that we were able to raise the salaries of our colleagues. In general, we strive to be an employer that offers its employees wages, which are above the market average ones.

All employees of the Bank are covered by the corporate training system and regularly participate in the events to improve their professional competence. Every new employee of the Bank goes through a multi-stage adaptation procedure during which he/she acquires the necessary skills to work in a new place and assimilates the Bank's corporate culture. The adaptation procedure also provides personal acquaintance of employees with the Bank's top executives during informal events.

We esteem our customers and do our best to get to know their opinion about the work of the Bank and their needs for financial services. To this end, the Bank has created and maintains several feedback channels, including a call centre, a separate function in the Forte App mobile application and pages in social media. In 2019, a separate ForteBank Rangers team was formed within the Bank's front office to help customers to resolve their problems.

The division constantly makes proposals for adjusting the processes of providing services in order to make them more comfortable for customers.

An effective strategy, healthy conservatism, a professional team, and a developed customer pool are the main components of our past and future success. So, we intend to share this success with you, our customers and partners.

Best regards,
Chairman of the Management Board of ForteBank JSC

Reinis Rubenis



LOADING ...

TABLE OF CONTENTS

Bank Profile	2
Key Performance Indicators	3
Key Events 2021	5
Statement of the Chairman of the Board of Directors	6
Statement of the Chairman of the Management Board	7

ABOUT BANK

General Information	10
Bank's History	10
Business Model and Ecosystem of the Bank	13
Organization Chart	15
Subsidiaries	15
Geography and Range of Activity	16

CORPORATE STRATEGY OF THE BANK

Mission and Vision	18
Our Corporate Values	18
Our Strategic Priorities	19
Implementing the Strategic Objectives for 2021	20
Strategic Objectives for 2022	20

MANAGEMENT PERFORMANCE REPORT

Macroeconomic Environment	22
Banking sector status	23
Bank's Operating Performance	25
Market share of ForteBank	25
Performance Results by Key Business Lines	26
Retail Segment	27
Corporate and SME Segments	30
Indicators of Forte Ecosystem	32
Problem Loans Management	33
Bank's Financial Performance	34
Balance Sheet Structure	34
Revenue and Rate of Return	35
Compliance with Prudential Standards	36

CORPORATE GOVERNANCE

Corporate Governance System	38
Share Capital Structure	39
Dividends Payment	39
Shareholders' Rights	40
Information Disclosure	41
Governing Bodies	42
General Meeting of Shareholders	42
Board of Directors	43
Members of the Board of Directors	43
Proceedings of the Board of Directors	47
Assessment of work of the Board of Directors	47
Committees under the Board of Directors	48
Management Board	49
Members of the Management Board	49
Committees under the Management Board	54
Activities of the Management Board and its committees	55
Executives' Remuneration	55
Information about Major and Related-Party Transactions	55
Corporate Ethics	56
Anti-corruption	56
Compliance Control Service	56
Internal Audit Service	57
External Audit	57

RISK MANAGEMENT

Risk Management System	59
Risk Management Bodies	59
Description of Significant Risks	60
Credit Risk	60
Market Risk	61
Operational Risk	62

SUSTAINABLE DEVELOPMENT

Personnel Policy	64
Personnel Management	64
Structure and Number of Personnel	64
Motivation System and Personnel Assessment	65
Personnel Development	66
Social Portection of Employees	67
Safety and Labour Protection	67
Communication with Stakeholders	68
Environment Protection	70
Environment Protection Policy	70
Environmental Protection Measures of the Bank	70
Consumption of Resources and Waste Recycling	70
Responsibility to Customers	71
Social Responsibility and Charity	71

ANNEXES TO THE REPORT

Annex 1. Report Limits	73
Annex 2. GRI Index	74
Consolidated Financial Statements	79
Glossary	160
Addresses and Contact Details	160

2021
ANNUAL REPORT

ForteBank's Annual Reports in Kazakh,
Russian and English are available
on the website.





BANK
PROFILE

KEY PERFORMANCE
INDICATORS

KEY EVENTS
2021

STATEMENT
OF THE CHAIRMAN
OF THE BOARD
OF DIRECTORS

STATEMENT
OF THE CHAIRMAN
OF THE MANAGEMENT
BOARD

ABOUT
BANK

CORPORATE STRATEGY
OF THE BANK

MANAGEMENT
PERFORMANCE
REPORT

CORPORATE
GOVERNANCE

RISK
MANAGEMENT

SUSTAINABLE
DEVELOPMENT

ANNEXES
TO THE REPORT



ABOUT BANK

20



BRANCHES IN ALL
REGIONS OF KAZAKHSTAN

98



MODERN OFFICES
IN 37 CITIES AND TOWNS

OVER

1,100,000



ACTIVE CLIENTS RECEIVING
FORTE SERVICES

2021





GENERAL INFORMATION

INTERNATIONAL INVESTMENT RATINGS OF FORTEBANK JSC

Standard & Poor's:

- Long-term credit rating: **'B+'**
- Short-term credit rating: **'B'**
- National scale rating: **'kzBBB+'**
- Outlook: **'Positive'**

Moody's:

- Long-term deposit rating: **'Ba2'**
- Outlook: **'Stable'**

Fitch:

- Long-term issuer default rating: **'B+'**
- Short-term issuer default rating: **'B'**
- Long-term national scale rating: **'kzBBB+'**
- Outlook: **'Positive'**

BANK'S HISTORY

ForteBank JSC is one of the leaders of the Kazakhstan financial system, which provides a full range of high-tech financial services. ForteBank is an universal bank with its own advanced ecosystem that guarantees the customers the quality, speed, comfort, and reliability while services receiving.

At the beginning of 2022, the Bank ranked the 6th among the Kazakhstan banks in terms of assets and the 7th in terms of the loan portfolio. The Bank has a wide branch network and a wide range of services provided through mobile application and Internet banking, which gives access to the Bank's services in all the regions of Kazakhstan.

In our activities, we strive for a harmonious combination of a reasonable risk appetite and advanced financial technologies introduction. We are guided by the international business standards and strive to strictly comply with the generally accepted

principles of corporate ethics. One of the main principles of our activity is maintaining a balance between the interests of shareholders, investors and customers.

The Bank's securities are listed on London Stock Exchange, Luxembourg Stock Exchange, Kazakhstan Stock Exchange, and Astana International Exchange.

The present-day stage of the Bank's history began on 1 January 2015 with the merger of two banks – Temirbank JSC and ABC Bank JSC (formerly Forte Bank JSC) – with Alliance Bank JSC. The final stage of the reorganization was the rebranding of Alliance Bank JSC, which changed its name to ForteBank JSC on 10 February 2015. The assets of the merged bank amounted to KZT 900.7 billion (about USD 5 billion at the exchange rate at the beginning of 2015).

Alliance Bank JSC was a legal successor of Irtyshbusinessbank OJSC established on 13 July 1999 through the reorganization and merger of two regional banks – Semipalatinsk City Joint-Stock Bank OJSC (established on 7 July 1993) and Irtyshbusinessbank OJSC (established on 24 April 1992). The merged bank inherited the name of Irtyshbusinessbank OJSC under which it operated until March 2002. On 13 March 2002, Irtyshbusinessbank OJSC was re-registered as Alliance Bank JSC.



KEY EVENTS IN THE BANK'S HISTORY

1 January

Transfer of the property, rights and obligations of Temirbank JSC and ABC Bank JSC to Alliance Bank JSC.

10 February

Renaming Alliance Bank JSC to ForteBank JSC.

20 April

The Bank became a member of the program of concessional lending to individuals when buying cars assembled at the Kazakhstan car assembly enterprises.

25 May

Start of ForteCard production – a unique card product of a new generation.

27 July

Placement on KASE of the first bonds after the reorganization of the Bank in the amount of KZT 50 billion with maturity of 10 years.



1 June

Launch of a new generation Internet banking with a platform developed with the participation of the British company – Monitise PLC – one of the world's leaders in the field of digital financial technologies.

6 June

Opening of the first branch of a new format the concept of which was developed by the world famous Italian design studio-DINN.

27 September

The international rating agency Moody's assigned the Bank's long-term deposit ratings in local and foreign currencies 'B3' with a 'Stable' outlook.

29 November

ForteBank signed an agreement with the European Bank for Reconstruction and Development providing a loan for KZT 20.4 billion (USD 60 million) on SME projects lending and women's entrepreneurship financing under the EBRD's Women in Business program.



20 September

ForteBank's mobile application took the 'Breakthrough of the Year' award at the 6th international conference 'Mobile Services and Payments – MobiEvent'17'.

30 September

Voluntary liquidation of the Bank's subsidiary – Alliance Finance LLC (Moscow).

16 October

The international rating agency Moody's revised ForteBank's outlook from 'Stable' to 'Positive', confirmed all of the Bank's ratings.

29 November

ForteBank won the 'Bank of the Year in Kazakhstan' nomination according to the British magazine – The Banker.



19 March

Global Finance magazine – recognized ForteBank as the best bank in Kazakhstan.

6 June

The international rating agency S&P upgraded the rating of ForteBank from 'B' to 'B+', the outlook 'Stable'.

26 July

The international rating agency Fitch assigned the Bank a long-term and short-term ratings of 'B' with a 'Stable' outlook.

11 October

ForteBank cardholders got the opportunity to use the Apple Pay service.

28 November

The international rating agency S&P revised ForteBank's outlook from 'Stable' to 'Positive', confirmed all the ratings.

29 November

ForteBank won the Bank of the Year in Kazakhstan nomination for the second consecutive year according to the British magazine – The Banker.

13 December

The Bank's Board of Directors decided to acquire 100% of the shares of Bank Kassa Nova JSC.



2015

2016

2017

2018



2019

12 March

Global Finance magazine recognized ForteBank as the best bank in Kazakhstan for the second consecutive year.

23 April

The Bank acquired 100% share of ONE Technologies LLP.

24 April

ForteBank became a member of the Asian Development Bank's program for financing SMEs. Participation in the program provides the Bank with financing in the amount of KZT 31.3 billion.

29 April

The Bank completed the acquisition of 100% of shares of Bank Kassa Nova JSC.

6 June

The international rating agency S&P upgraded the ratings of ForteBank from 'B' to 'B+', the outlook 'Stable'.

15 July

The international rating agency Moody's upgraded the ForteBank long-term deposit rating by two notches at once – from B3 to B1, the outlook 'Stable'.

3 December

The international rating agency Fitch revised the Bank's outlook from 'Stable' to 'Positive' and affirmed ForteBank's long-term issuer default rating at 'B'.

27 December

ForteBank was recognized as the best bank in Kazakhstan according to Asiamoney publication, which is a part of the Euromoney Institutional Investor PLC group.

30 December

ForteBank became a member of the EBRD SME financing program. Participation in the program involves providing the Bank with financing for the amount of USD 60 million in tenge equivalent.

2020

28 January

ForteBank and Samsung Electronics launched Samsung Pay payment service.

19 March

ForteBank started providing reduced payments on the loans for the period of the state of emergency and quarantine restrictions in Kazakhstan.

28 April

ForteBank was recognized as the best bank in Kazakhstan according to Global Finance for the third consecutive year.

26 May

As part of its ecosystem, ForteBank was the first bank to launch its own mobile communication – ForteMobile.

4 July

ForteBank signed an agreement on the sale of 100% of shares of Bank Kassa Nova to Freedom Finance investment company.

30 November

The Banker, an international magazine, awarded the Bank the Best Bank in Kazakhstan award for the third time.

30 December

ForteBank was recognized as the best bank of Kazakhstan according to Asiamoney publication for the second consecutive year.

15 December

Moody's international rating agency upgraded ForteBank's rating from B1 up to Ba3, the outlook 'Stable'.

2021

1 April

The service for the delivery of food products – ForteFood was launched within Forte ecosystem.

2 April

Global Finance magazine recognized ForteBank as the best bank in Kazakhstan for the fourth consecutive year.

14 July

- Euromoney magazine recognized ForteBank as the best bank in Kazakhstan.
- Launch of a new generation of plastic cards with the possibility of full online onboarding.

17 September

The international rating agency S&P revised the outlook on ForteBank's ratings from 'Stable' to 'Positive', upgraded the national scale rating from 'kzBBB' to 'kzBBB+' and affirmed the long-term and short-term ratings at the level of 'B+/B'.

22 September

The international rating agency Fitch upgraded ForteBank's long-term issuer default rating from 'B' to 'B+', revised its outlook from 'Stable' to 'Positive'. The national scale rating was upgraded by two notches from 'BB+(kaz)' to 'BBB(kaz)', the viability rating was upgraded from 'b' to 'b+'.

29 November

Based on the research results of loan products for replenishing working capital, the international association of business bankers – SME Banking Club – included ForteBank to the Working Capital Loans 2021 shortlist. SME Banking Club nominated two of Bank new products for individual entrepreneurs – 'Online Loan' and 'Online Loan on POS terminal turnovers'.

15 December

The international rating agency Moody's upgraded the long-term deposit rating of ForteBank JSC from Ba3 to Ba2, with a 'Stable' outlook.

31 December

ForteBank was recognized as the best bank of Kazakhstan by Asiamoney for the third year for the third consecutive year.



BUSINESS MODEL AND ECOSYSTEM OF THE BANK

ForteBank KEY BUSINESS LINES



SERVICES FOR INDIVIDUALS



RETAIL SEGMENT

- Simple products and fast service
- High level of automation and standardization
- Automated risk management using scoring
- Developed network of ATMs and POS terminals
- Internet and mobile banking
- Full range of products including loans, deposits and money transfers
- Additional services within the ecosystem



PREMIER

- Premium service
- Personal consultant
- Individual/flexible conditions
- Private banking partnership
- Safe boxes service
- Focus on investment products



CORPORATE BUSINESS



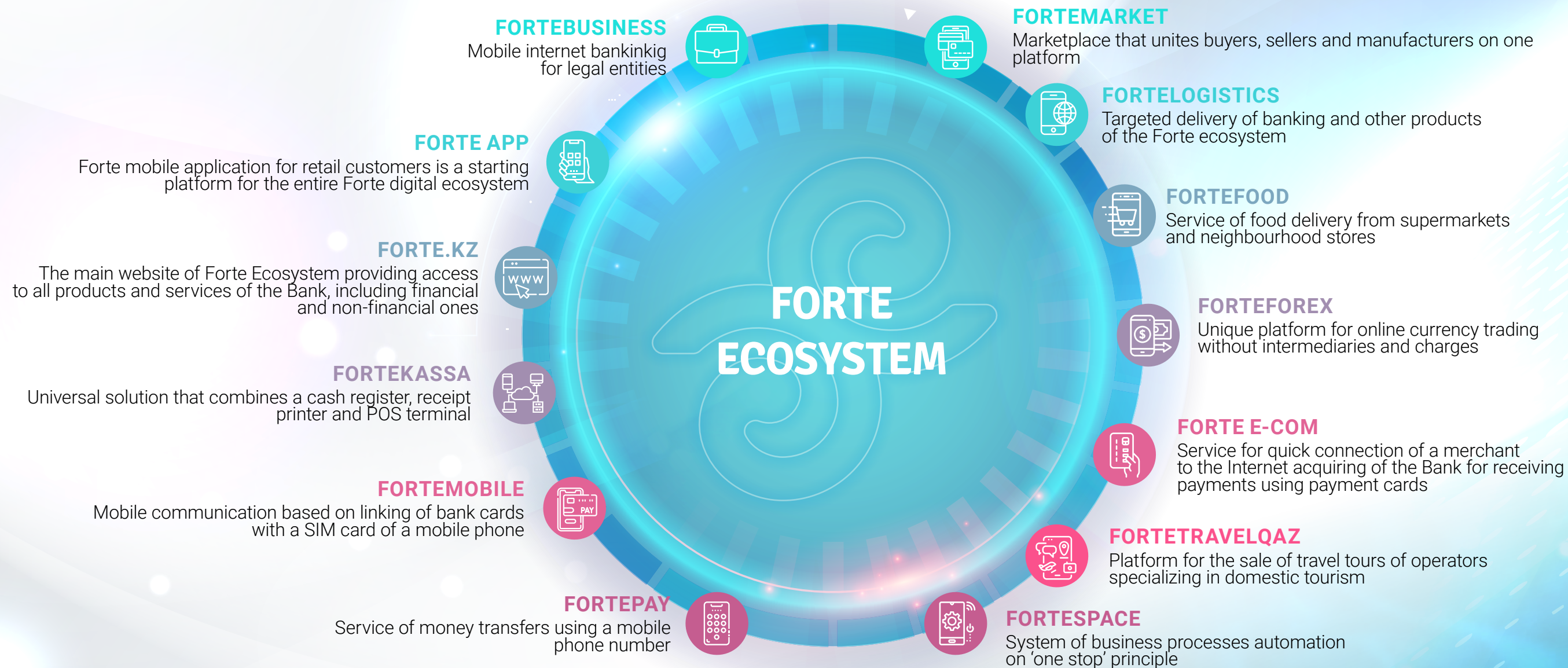
SME

- Standardized and simple products
- Lending under government programs
- High level of automation and standardization
- Internet and mobile banking
- Full range of products including loans, deposits, payroll projects, guarantees, payments and money transfers
- Additional services within the ecosystem
- Partner programs



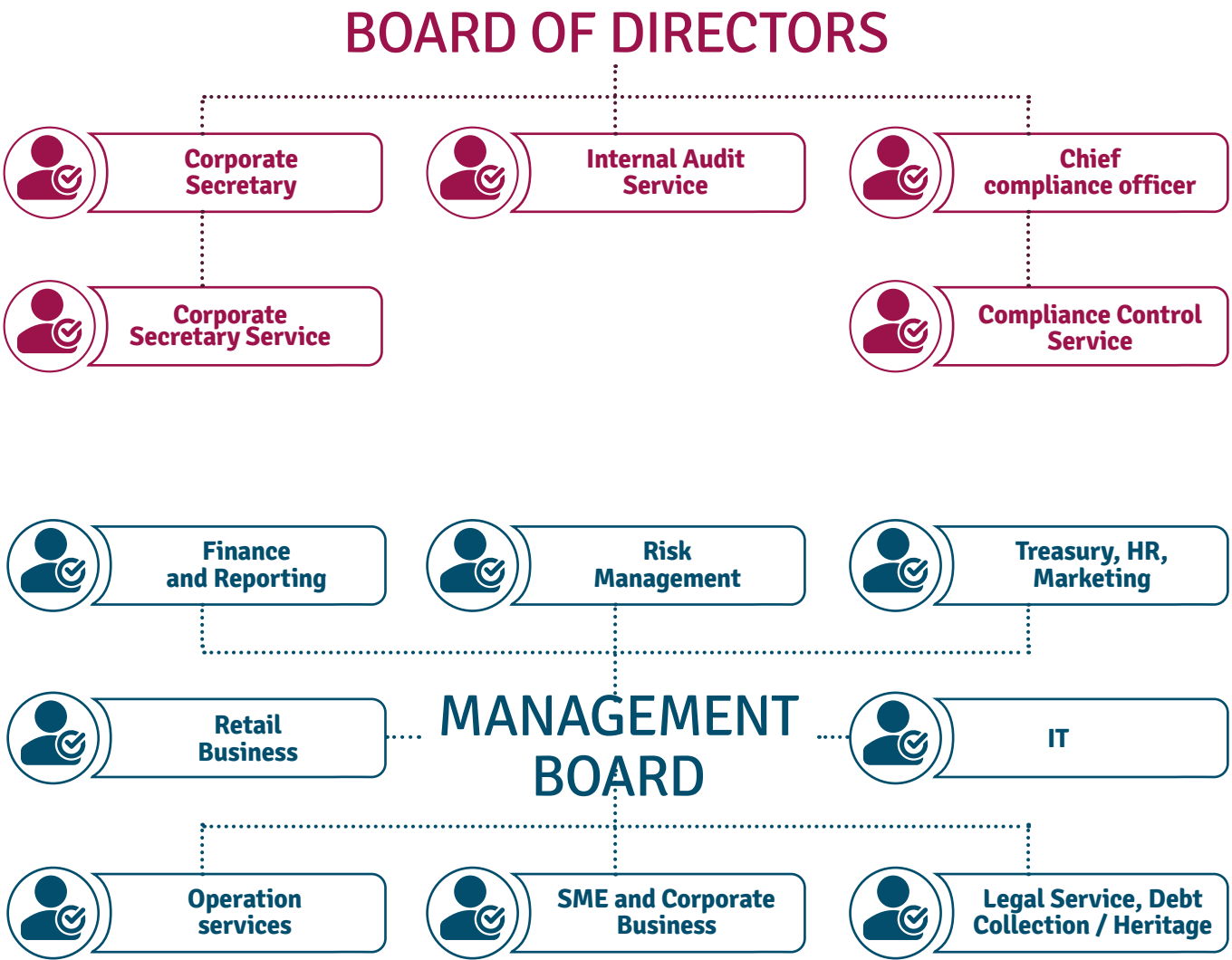
CORPORATE SEGMENT

- Loans for business development and working capital replenishment
- Overdrafts
- Deposits
- Trade finance transactions
- Additional services within the ecosystem
- Partner programs
- Government programs / export financing
- Bills of exchange / factoring
- Treasury operations
- Focus on less capital-intensive and non-cyclical industries, Cash management





ORGANIZATION CHART



SUBSIDIARIES

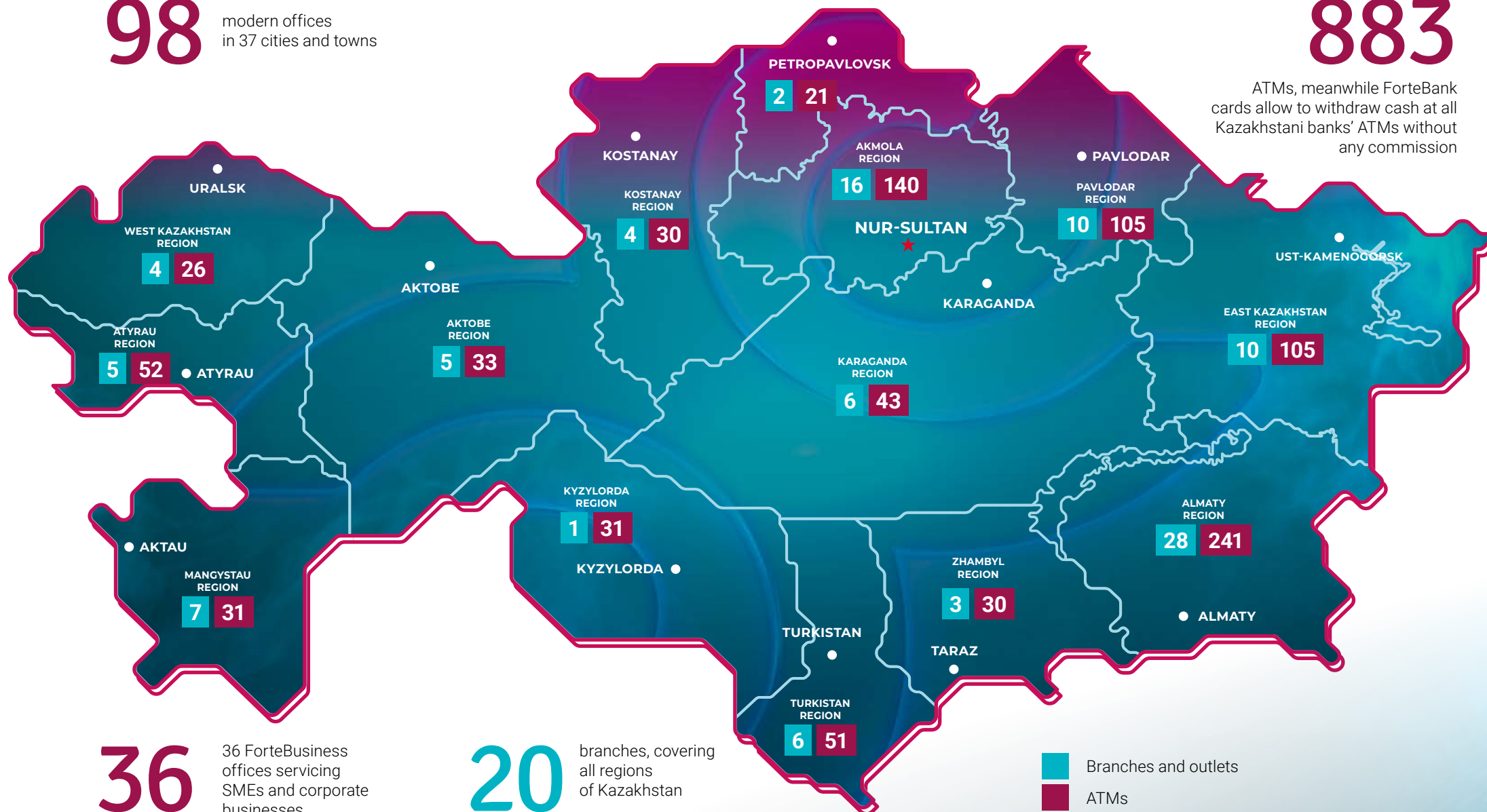
ForteBank holds a 100% interest in five subsidiaries: ForteFinance JSC, ONE Technologies LLP, ForteLeasing JSC, OUSA-Alliance LLP, and OUSA-F LLP.

Company	Year of establishment	Company profile	Key indicators as of 31 December 2021
ForteFinance JSC	2020	Brokerage and dealer activities, investment portfolio management activities	Assets: KZT 5.36 billion Equity: KZT 3.59 billion Net revenue: 35.1 million tenge ROA: 0.8% ROE: 1.0%
ForteLeasing JSC	2001	Leasing operations in the Republic of Kazakhstan	Assets: KZT 9.74 billion Equity: KZT 4.63 billion Net revenue: 594 million tenge ROA: 6.8% ROE: 13.0%
ONE Technologies LLP	2015	Software engineering	Assets: KZT 4.17 billion Equity: KZT 3.69 billion Net revenue: 94.6 million tenge ROA: 2.2% ROE: 2.6%
OUSA-Alliance LLP	2013	Doubtful and bad asset management	Assets: KZT 10.48 billion Equity: KZT 2.67 billion Net revenue: 6 million tenge ROA: 0.0% ROE: 0.2%
OUSA-F LLP	2015	Doubtful and bad asset management	Assets: KZT 18.10 billion Equity: KZT 4.19 billion Net revenue: 247.0 million tenge ROA: 1.3% ROE: 6.0%



GEOGRAPHY AND RANGE OF ACTIVITY

98 modern offices
in 37 cities and towns



36 36 ForteBusiness offices servicing SMEs and corporate businesses

20 branches, covering all regions of Kazakhstan

883

The Bank is represented in all regions of Kazakhstan. At the end of 2021, the Bank ranked 6th in terms of assets and 7th in terms of loan portfolio among the Kazakhstan banks.

as of 31 December 2021

Assets	2.4 trillion tenge (6.6% of assets of the banking system)
Loan portfolio	KZT 967.8 billion* (4.8% of loan portfolio of the banking system)
Number of active customers	- Individuals – 1,075,117 persons - SME – 71,343 companies and individual entrepreneurs - Corporate sector – 802 big companies
Branch network and infrastructure	20 branches in all regions and cities of republican status 98 modern offices in 37 cities and towns 36 ForteBusiness offices servicing SMEs and corporate businesses 974 ATMs, including 200 cash-in ATMs - More than 22 thousand POS terminals

* According to regulatory reporting data submitted to the National Bank of the Republic of Kazakhstan (gross, on a non-consolidated basis in accordance with KASS).



BANK
PROFILE

KEY PERFORMANCE
INDICATORS

KEY EVENTS
2021

STATEMENT
OF THE CHAIRMAN
OF THE BOARD
OF DIRECTORS

STATEMENT
OF THE CHAIRMAN
OF THE MANAGEMENT
BOARD

ABOUT
BANK

CORPORATE STRATEGY
OF THE BANK

MANAGEMENT
PERFORMANCE
REPORT

CORPORATE
GOVERNANCE

RISK
MANAGEMENT

SUSTAINABLE
DEVELOPMENT

ANNEXES
TO THE REPORT



CORPORATE STRATEGY OF THE BANK

>16%



ASSET GROWTH
IN 2021

2,8%



RETURN ON ASSETS (ROA) INCREASED FROM 2.5%
TO 2.8% COMPARING WITH 2020





OUR CORPORATE VALUES

CONFIDENCE

We appreciate the confidence of the customers, colleagues, partners, regulators, investors, and shareholders.



QUALITY

We strive to exceed the customers' expectations by providing the highest quality and most convenient services.



EFFICIENCY

We appreciate efficiency and strive for continuous improvement in our processes.



 ForteBank

SUSTAINABLE DEVELOPMENT

We make better decisions today to stand by our promises for the future.



UNITY

We develop cooperation and teamwork being guided by the principle of overall victory.



MISSION AND VISION



OUR MISSION:

ForteBank is a reliable partner in your everyday financial life



OUR VISION:

ForteBank is a high-tech financial organization that has created the most demanded financial ecosystem in Kazakhstan



OUR STRATEGIC PRIORITIES

Priority	Actions to realize	Targets and desired outcomes
EXPANDING PARTNER CHANNELS	- Transformation of banking processes to enter the partner points of sale - Expansion of sales channels without payroll costs and expenses for branches opening - Omni-channel interaction with partners and customers	- Access to mass flows - Expansion of the network through partner points of sale - Instalment sale of direct banking and non-banking products - Increasing customers' loyalty and involvement - Growth in proactive sales
Priority	Actions to realize	Targets and desired outcomes
EFFICIENT AND RELIABLE IT INFRASTRUCTURE	Implementation of flexible and fault-tolerant solutions based on micro-services	- Stable and uninterrupted operation of the system - Reducing the time to market a product - Saving time for customers and employees
Priority	Actions to realize	Targets and desired outcomes
INTERNAL BUSINESS PROCESSES AUTOMATION AND OPTIMIZATION	- Implementation of the 'one stop' principle - Transition to automated analysis of the effectiveness of business processes	- Reducing the time and labour costs to process operations - Simplifying the process of collection and processing of management information
Priority	Actions to realize	Targets and desired outcomes
EFFICIENT WORK WITH DATA	- Creation of a new transactional storage and system for working with data - Implementation of an advanced customer data analysis system	- One-click data availability - Creation of a single customer history and 'golden record' of a customer - Creation of customer analytics models - Unloading all types of reporting from one source - Enhancing the quality of management decisions
Priority	Actions to realize	Targets and desired outcomes
FORMING A TEAM ON THE 'LIVING ORGANISM' PRINCIPLE	- Focus on a value for a customer - Focus on creating value for a customer - Building project teams on the 'End-to-End' principle	- Increasing corporate flexibility - Enhancing the quality of management decisions - Increasing the level of motivation and responsibility of employees - Formulation of team goals and focus on outcomes



IMPLEMENTING THE STRATEGIC OBJECTIVES FOR 2021

Indicator	Net income	Business income*	Cost-to-income ratio**	NPL share in loan portfolio	MAU*** (individuals)	MAU *** (legal entities)
Target value for 2021	KZT 63,633 million	KZT 142,874 million	34.1 %	≤10 %	600,000	40,000
Actual value at the year-end	KZT 64,060 million	KZT 131,340 million	35.56 %	4.92 %	529,303	43,587
Actual outcome against target value	101 %	91.93 %	Reduction by 1.46 p.p.	Reduction by 5.08 p.p. (more than twice)	88.22 %	108.97 %
Change as against 2020	▲ 21.0 %	▲ 1.74 %	Reduction by 0.1 p.p. (from 35.7 % to 35.6 %)	Reduction by 2.24 p.p. (from 7.16 % to 4.92 %)	▲ 48.53 %	▲ 65.20 %

STRATEGIC OBJECTIVES FOR 2022

Indicator	Net income	Business income*	Cost-to-income ratio**	NPL share in loan portfolio	MAU***
Target value for 2022	➤ 68,000 million tenge	➤ 151,760 million tenge	➤ 37.2 %	≤ 9 %	➤ 1 million customers

*Total of net interest income, net fee and commission income, and net foreign exchange income.

**Ratio of operating expenses to operating income.

***Monthly active users – the number of active users visiting the Bank's mobile application at least once a month.



BANK
PROFILE

KEY PERFORMANCE
INDICATORS

KEY EVENTS
2021

STATEMENT
OF THE CHAIRMAN
OF THE BOARD
OF DIRECTORS

STATEMENT
OF THE CHAIRMAN
OF THE MANAGEMENT
BOARD

ABOUT
BANK

CORPORATE STRATEGY
OF THE BANK

**MANAGEMENT
PERFORMANCE
REPORT**

CORPORATE
GOVERNANCE

RISK
MANAGEMENT

SUSTAINABLE
DEVELOPMENT

ANNEXES
TO THE REPORT



MANAGEMENT PERFORMANCE REPORT

+21%



GROWTH OF NET INCOME IN 2021
COMPARING WITH 2020

Nº 1



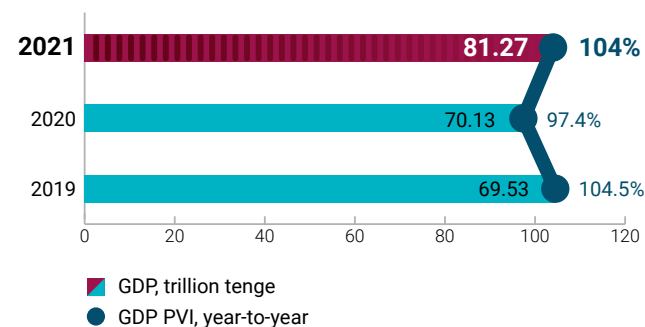
FORTEBANK IS THE BEST BANK IN KAZAKHSTAN ACCORDING
TO EUROMONEY, GLOBAL FINANCE AND ASIAMONEY





MACROECONOMIC ENVIRONMENT

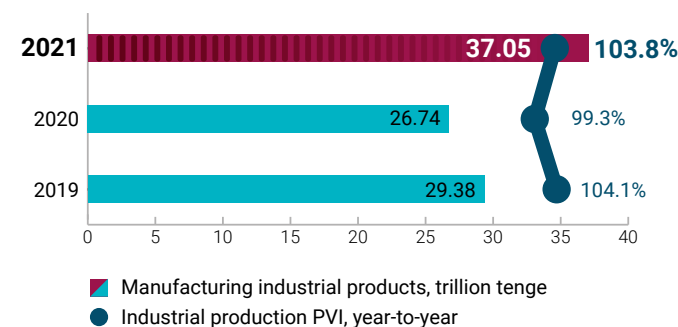
GDP dynamics



In 2021, Kazakhstan's GDP in nominal terms increased by 11.14 trillion tenge and amounted to 81.27 trillion tenge. GDP growth in real terms almost recovered to 2019 levels and stood at 4.0%. The manufacturing industry (+5.5%), construction (+7.6%), trade (+9.2%) and IT and communications (+12.9%) showed high growth rates. The manufacturing industry grew by 1.7%, while agriculture evidenced a decline of 2.4%.

Source: National Statistics Bureau of the Agency for Statistic Planning and Reforms of the Republic of Kazakhstan

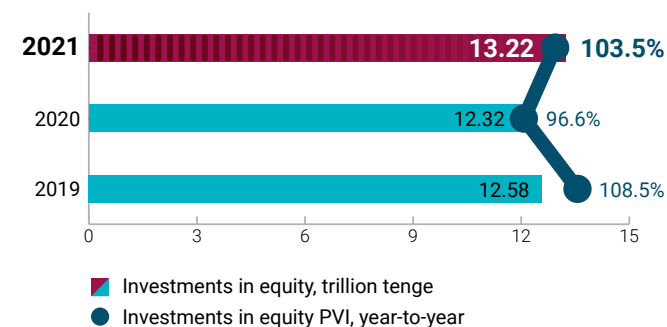
Industrial production



The volume of industrial production in monetary terms increased from 26.7 trillion tenge in 2020 to 37.05 trillion tenge in 2021. The growth of production in real terms amounted to 3.8%. The PVI of the manufacturing and processing industries amounted to 1.7% and 5.5%, respectively.

Source: National Statistics Bureau of the Agency for Statistic Planning and Reforms of the Republic of Kazakhstan

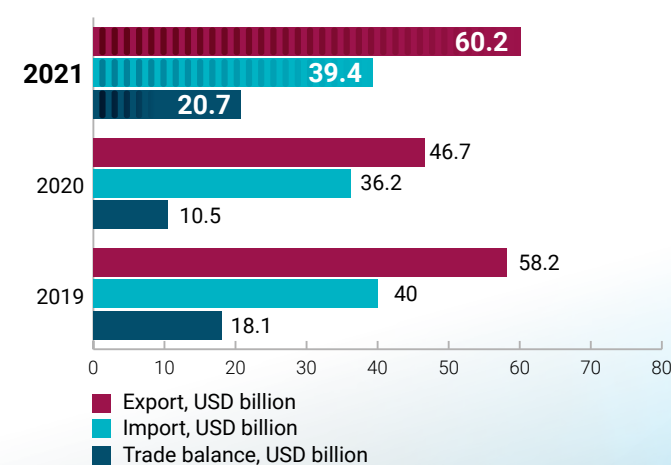
Investments in equity



The total volume of investments in equity increased from 12.32 trillion tenge in 2020 to 13.22 trillion tenge; in real terms, the growth was 3.5%. Investments in equity of industrial enterprises amounted to 6.5 trillion tenge or 49.2% of the total volume for all industries.

Source: National Statistics Bureau of the Agency for Statistic Planning and Reforms of the Republic of Kazakhstan

Foreign trading

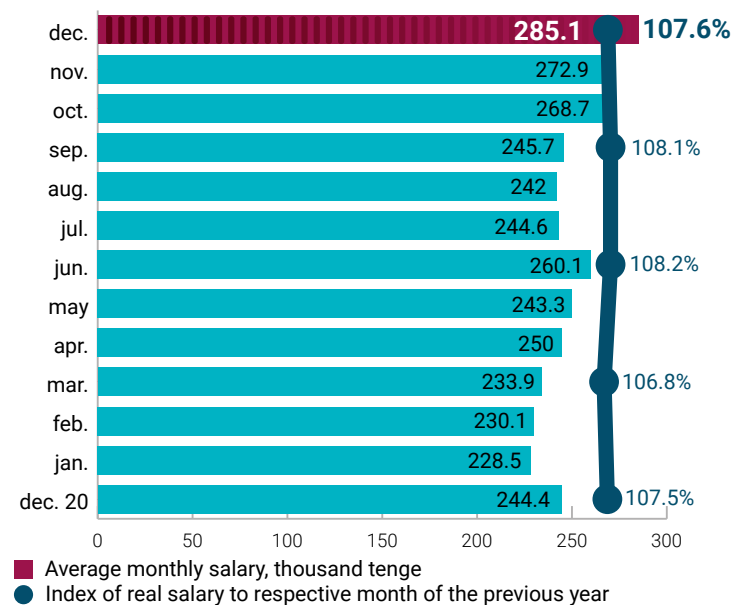


In 2021, the export of goods from Kazakhstan increased by 28.8% compared to the previous year and reached the amount of USD 60.2 billion, with exceeding the level of the 'pre-pandemic' year of 2019. The increase in export volumes was mainly due to an increase in contract prices for hydrocarbons. Higher growth rates of exports compared to imports caused an almost twofold increase in the trade surplus.

Source: National Bank of the Republic of Kazakhstan

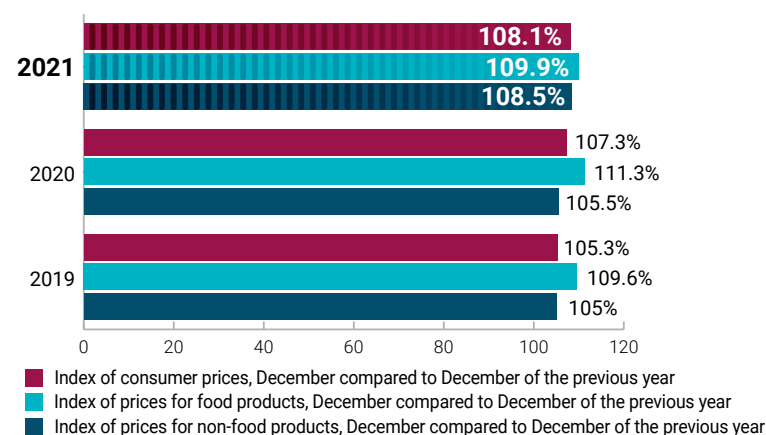


Salaries



Source: National Statistics Bureau of the Agency for Statistic Planning and Reforms of the Republic of Kazakhstan

Rate of inflation



Source: National Statistics Bureau of the Agency for Statistic Planning and Reforms of the Republic of Kazakhstan

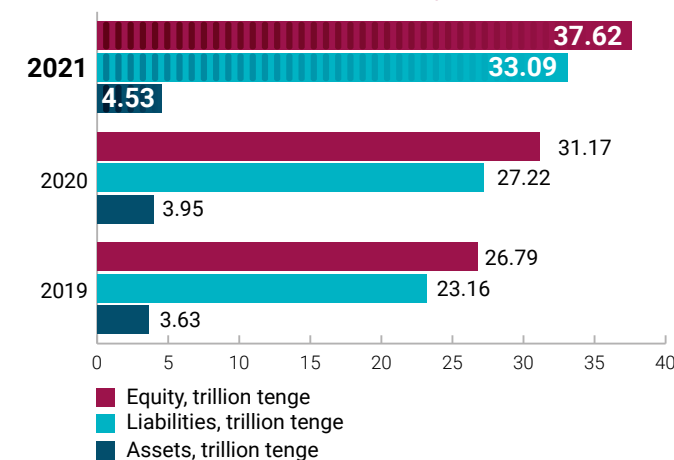
The average monthly nominal salary in December 2021 amounted to 285.1 thousand tenge, which is 16.6% higher than in December 2020. The real salary growth in 2021 (December 2021 against December 2020) was 7.6%.

At the same time, there should be noted a significant discrepancy between the average and median salaries, which amounted to 157.9 thousand in 2021. Thus, in 2021, the salary of the half of salaried employees in Kazakhstan was less than 60% of the average salary.

In 2021, there was some acceleration of inflationary processes. The CPI in December 2021 compared to December 2020 was 108.1%. The prices for food increased by 9.9%, for non-food products – 8.5%, paid services – 6.5%. The increase in CPI compared to 2020 was primarily due to the acceleration of growth of the prices for non-food products from 5.5% to 8.5%.

BANKING SECTOR STATUS

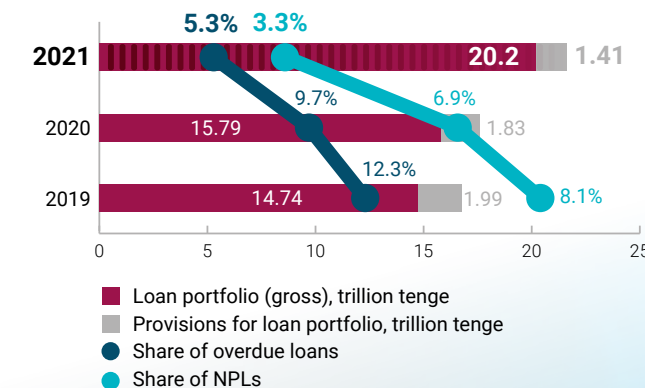
Assets, Liabilities and Equity



Source: National Bank of the Republic of Kazakhstan

During 2021, the number of the Kazakhstan banks decreased from 26 to 22: the licenses of two banks were revoked by the regulator, one bank was taken over by another bank, and another one decided on voluntary liquidation. The assets of the Kazakhstan banks for 2021 increased by 20.7% and reached 37.6 trillion tenge. The main source of asset growth was the increase in liabilities, which increased by 21.6% and amounted to 33.1 trillion tenge. At the same time, the balance sheet equity of the banking sector increased by 14.7% and amounted to 4.53 trillion tenge.

Loan portfolio

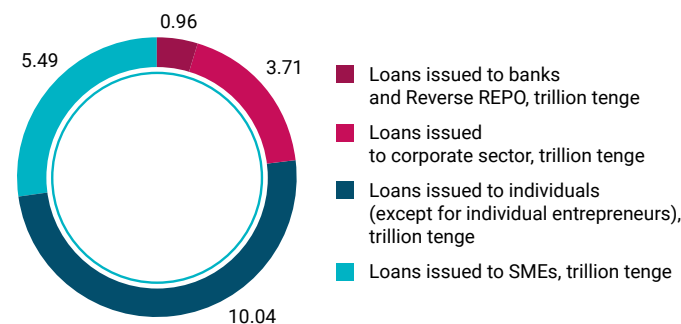


Source: National Bank of the Republic of Kazakhstan

According to the National Bank of the Republic of Kazakhstan, the total loan portfolio of second-tier banks increased by 27.9% in 2021 and reached 20.2 trillion tenge. The growth in the loan portfolio was combined with a decrease in the share of overdue loans (from 9.7% to 5.3%) and, as a result, a decrease in the volume of provisions formed (from 1.83 to 1.41 trillion tenge). The share of NPLs also decreased by more than twice and amounted to 3.3%.



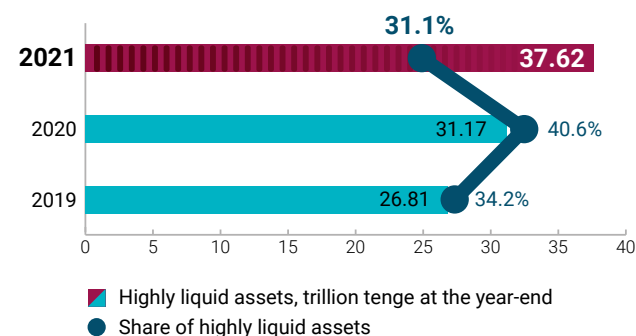
Structure of loan portfolio



Almost a half (49.7%) of all the loans available are the loans issued to individuals (except for individual entrepreneurs); the loans issued to SMEs (including individual entrepreneurs) account for 27.2%, and the loans issued to the corporate sector make up 18.4%. At the end of 2021, the largest contribution to the growth of the loan portfolio of the Kazakhstan banks was made by means of the loans issued to individuals, which increased by 40.9%. The increase in the loans issued to SMEs for the year amounted to 29.2%. At the same time, the loans issued to the corporate sector decreased by 3.4%.

Source: National Bank of the Republic of Kazakhstan

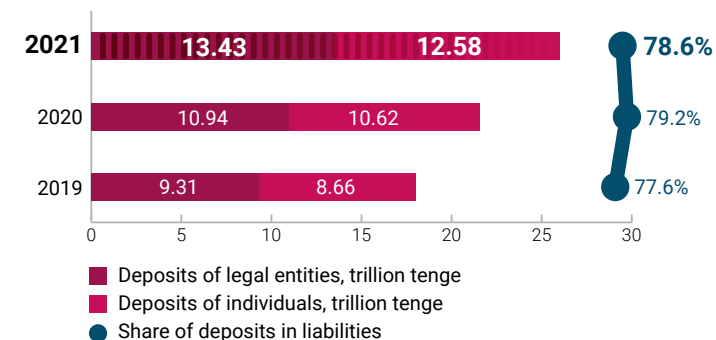
Highly liquid assets



The highly liquid assets on the banks' balance increased from 31.2 to 37.6 trillion tenge at the beginning and end of the year, respectively. The share of highly liquid assets decreased from 40.6% to 31.1% against the backdrop of an increase in the ratio of the loan portfolio (from 50.7% to 53.7%) with a significant increase in liquid assets with a maturity of up to 3 months. Thus, the Kazakhstan banks continue to maintain the 'hyper-liquidity' of their balance sheets, which is due to the monetary policy pursued by the National Bank of the Republic of Kazakhstan aimed at withdrawing liquidity, and a limited number of 'quality' corporate borrowers in the market.

Source: Agency for Financial Regulation Источник: АФР

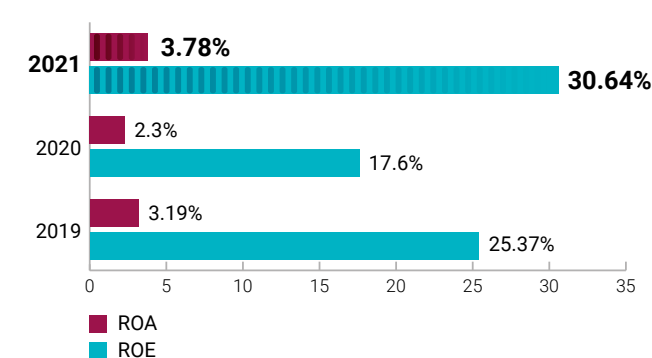
Deposit base



Customers' deposits remain the main source of funding for the banks. Their share in the total liabilities amounted to 78.6% at the year-end 2021. Deposits of legal entities increased over the year from KZT 10.62 to KZT 12.58 trillion, deposits of individuals increased from KZT 10.94 to KZT 13.43 trillion. At the same time, there was a slight change in the structure of the deposit base: the share of deposits of individuals in the total deposits increased from 50.8% to 51.6%.

Source: National Bank of the Republic of Kazakhstan

Rates of return



Return on assets (ROA) of the banking sector increased from 2.30% in 2020 to 3.78% at the end of 2021; return on equity (ROE) increased from 17.60% to 30.64%. The increase in return was due to an increase in net interest income from 1.25 to 1.54 trillion tenge and a decrease in net non-interest loss from KZT 329.5 billion to KZT 54.0 billion. The outrunning growth of return on assets took place due to some decrease in the share of equity in the banks' liabilities.

Source: Agency for Financial Regulation



Compliance with prudential standards

The actual values of capital adequacy and liquidity ratios on average in the banking system are traditionally many times higher than the standard values due to a significant share of liquid assets with a low degree of risk in the total assets and a relatively high level of capitalization.

At the same time, the actual values of capitalization ratios at the end of 2021 slightly decreased compared

to the beginning of the year due to the outrunning growth of risk-weighted assets. The actual values of liquidity ratios also decreased due to the decrease in the share of highly liquid assets in the total assets.

Average values in the banking system of capital adequacy and liquidity ratios

Indicator	Regulatory value	Actual value as of 1 January 2021	Actual value as of 1 January 2022
Capital adequacy ratios			
Ratio k1	5.5% (9.5%) *	21.0%	23.1%
Ratio k1-2	6.5% (10.5%) *	21.0%	23.1%
Ratio k2	8% (12%) *	22.3%	24.3%
Liquidity ratios			
Current liquidity ratio k4	0.3	1.761	1.870
Term liquidity ratio k4-1	1	4.989	3.150
Term liquidity ratio k4-2	0.9	2.962	2.550
Term liquidity ratio k4-3	0.8	2.603	2.170

Source: National Bank of the Republic of Kazakhstan

* The maximum regulatory values of the ratios taking into account the conservation and system buffers are indicated in the parentheses. The maximum regulatory values apply to the system-forming banks.

At the same time, it should be noted that during 2021, there were a total of 12 cases of violation of one or more prudential standards by 5 banks, including those that subsequently had their licenses revoked. In particular, the regulator recorded the facts of violation of the standards

of maximum risk per borrower, current liquidity (k4), foreign exchange position, placement of part of the bank's funds in internal assets, net stable funding.

BANK'S OPERATING PERFORMANCE

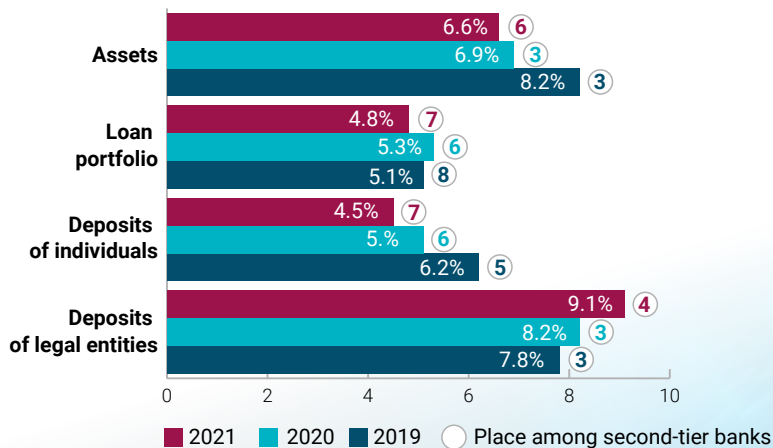
Market share of ForteBank

At the end of the reporting year, the Bank's assets increased by 16.1% (from 2.10 to 2.43 trillion tenge), net loan portfolio – by 7.9% (from KZT 749.74 billion to KZT 808.95 billion). At the same time, due to a more restrained risk appetite compared to the other Kazakhstan banks, the Bank's share in such indicators of the banking system as assets (from 6.9% to 6.6%), loan portfolio (from 5.3% to 4.8%), and deposits of individuals (from 5.1% to 4.5%) has slightly decreased. At the same time, the Bank's share in the total corporate deposits increased from 8.2% to 9.1%. At the same time, the Bank moved from 4th to 6th place in terms of assets among the Kazakhstani banks,

from 6th to 7th place – in terms of loan portfolio and volume of deposits of individuals; and, in terms of deposits of legal entities, the Bank continues to hold the 3rd place.

The decrease in the Bank's share in the total assets of the banking sector, loan portfolio and deposits of individuals has been caused by the Bank adhering to a moderate risk appetite and not seeking for rapid expansion associated with taking excessive risks. At the same time, the other large Kazakhstan banks are conducting the more challenging credit expansion, mainly in the retail segment.

Market share and positions of ForteBank



Source: ranking based on data of the National Bank of the Republic of Kazakhstan



Performance Results by Key Business Lines

During 2021, the Bank's customer base in the retail business segment grew by 3.6% and amounted to 1,073,227 persons. Moreover, the growth in the number of customers in the sub-premium (Solo New) and premium (Premier) lines of the retail business was especially intensive: in the first

case, the growth at the year-end was 63.6%, in the second case – 24.8%. At the same time, there was a slight decrease in the number of customers in the corporate segment (-3.7%) and SME segment (-4.7%), which did not affect the performance of the Bank itself.

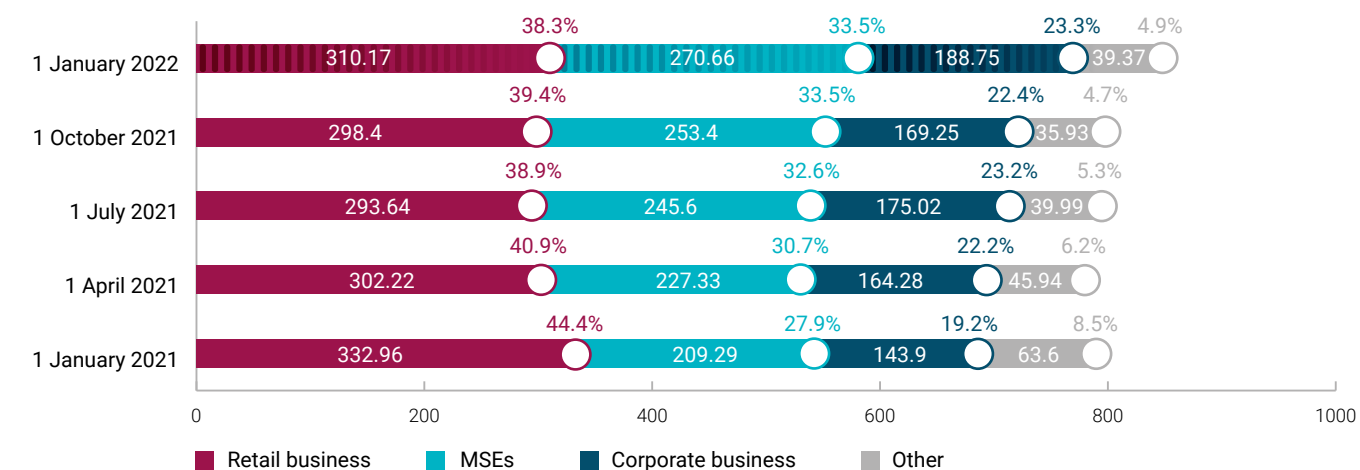
Dynamics of the Bank's customer base in 2021

	1 January 2021	1 April 2021	1 July 2021	1 October 2021	1 January 2022	Increase for the year
Retail business, including:	1,037,794	1,028,577	1,029,688	1,038,035	1,075,117	3.6%
Mass New	1,029,030	1,019,803	1,020,548	1,028,074	1,061,365	3.1%
Solo New	7,249	7,218	7,461	8,208	11,862	63.6%
Premier	1,515	1,556	1,679	1,753	1,890	24.8%
SME	74,842	74,603	69,179	69,495	71,343	-4.7%
Corporate business	833	866	815	800	802	-3.7%

The Bank's loan portfolio (net) excluding funds placed with other financial institutions, increased during 2021 by 7.8%. The portfolio of loans issued to the corporate sector grew by 31.2% and reached KZT 188.8 billion, while its share in the loan portfolio increased from 19.2% to 23.3%. The portfolio of loans issued to SMEs increased by 29.3% and amounted to KZT 270.7 billion, its share increased

from 27.9% to 33.5%. At the same time, the retail portfolio decreased from KZT 332.96 billion to KZT 310.17 billion (by 6.8%), while its share dropped from 44.4% to 38.3%.

Loan portfolio and loan portfolio structure by business lines (billion tenge)

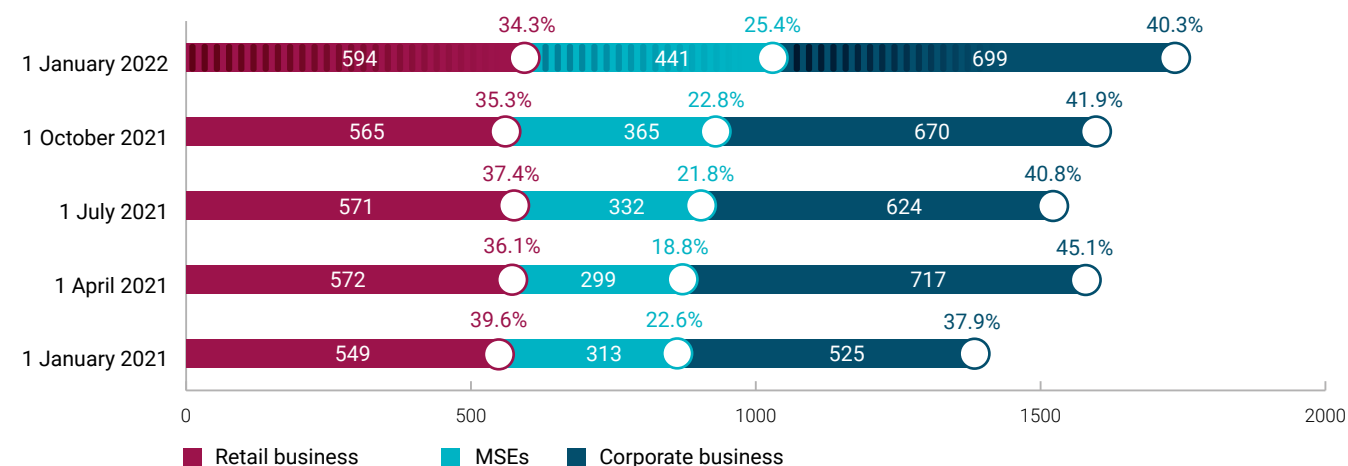


The growth of the Bank's deposit base, excluding funds raised from other financial organizations, made up 25.0% in 2021, retail deposits – 8.2%, deposits of SMEs – 40.7%, and corporate sector – 33.1%. Uneven growth rates led to a change in the structure of the deposit base: the share of deposits from the corporate sector increased from 37.9%

to 40.3%, SMEs – from 22.6% to 25.4%, and the share of retail deposits, on the contrary, decreased from 39.6% to 34.3%. In absolute terms, the deposit base increased from KZT 1,387.17 billion to KZT 1,733.76 billion.



Deposit portfolio and deposit portfolio structure by business lines (billion tenge)



According to the Bank's consolidated financial statements for 2021, about 45% of net interest income is generated by retail business, which is primarily due to relatively high interest rates on retail loans. In addition, the retail business generates 47.8% of net fee and commission income. However, due to the high level of general and administrative expenses, as well as expenses for the formation

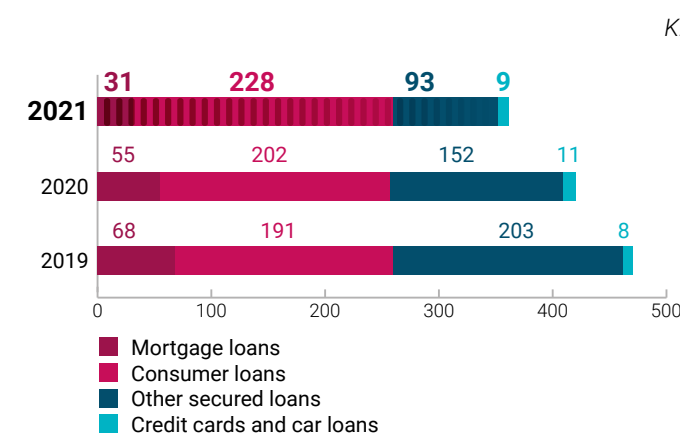
of provisions, the contribution of the retail segment to the Bank's net profit is significantly lower and amounts to only 14.1%. At the same time, the contribution of the corporate business and MSEs segment to the Bank's net profit is 21.2% and 43.1%, respectively.

Contribution of key business lines to the Bank's income at the year-end 2021

		Total value	Retail business	MSE segment	Corporate business
Net interest income	KZT billion	95.94	43.13	25.04	12.96
	% to total value	100.0%	45.0%	26.1%	13.5%
Net fee and commission income	KZT billion	22.48	10.74	10.78	1.20
	% to total value	100.0%	47.8%	47.9%	5.3%
Operating income	KZT billion	137.45	53.89	42.00	17.66
	% to total value	100.0%	39.2%	30.6%	12.8%
Net profit after taxes	KZT billion	60.04	9.05	27.61	13.55
	% to total value	100.0%	14.13%	43.09%	21.2%

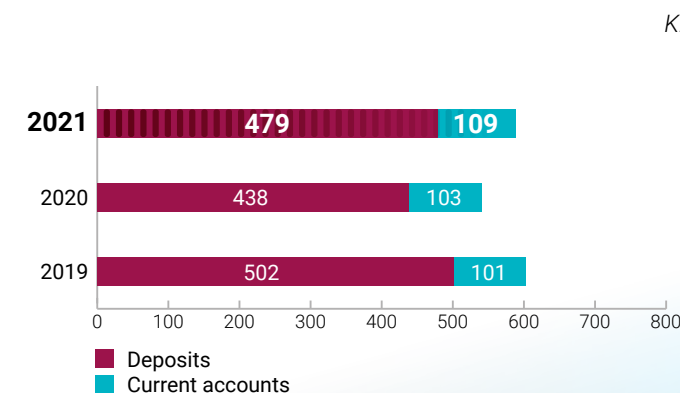
Retail Segment

Retail loan portfolio



KZT billion In 2021, the retail business loan portfolio (net) decreased by 7% – from KZT 333 billion to KZT 310 billion. However, the Bank's loan portfolio, excluding the portfolio of historically problem loans formed before 2014 and inherited by the Bank after the merger in 2014, increased by 7.9% in 2021. At the end of 2020–2021, the retail segment loan portfolio decreased by KZT 22.8 billion ("minus" 6.8%) and amounted to KZT 310.2 billion. The decrease in portfolio in 2021 was mainly due to the depreciation of the collateral portfolio under closed emergency lending programs and unscheduled repayment of mortgage loans due to the partial withdrawal of pension savings. Also, the indicators of the retail loan portfolio were affected by the sale of non-performing loans in the amount of KZT 0.9 billion. The consumer loan portfolio increased from KZT 202 billion to KZT 228 billion, which partially compensated for the decrease in volumes in the other categories of loans.

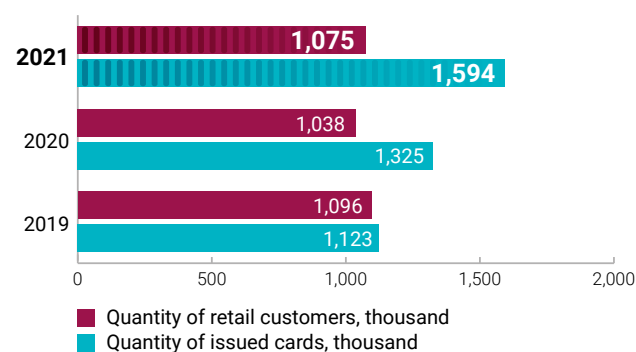
Deposits of retail customers



KZT billion The amount of deposits from individuals increased by 8.2% at the end of 2021 and amounted to KZT 594.0 billion. In the structure of deposits of individuals, 81.5% falls on deposits, 18.5% – the current accounts.



Quantity of customers and issued cards

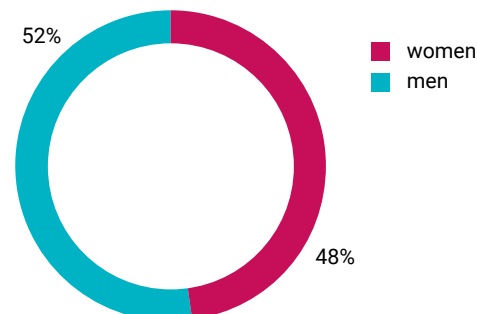
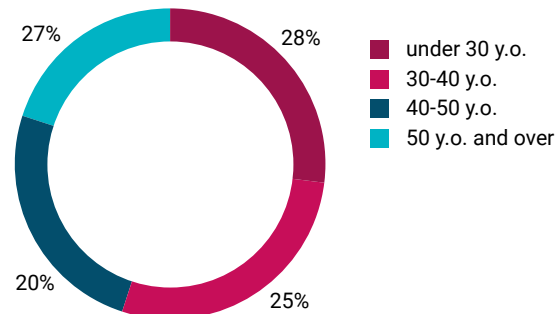


The quantity of retail customers increased during the reporting period from 1,038 to 1,075 million persons. 49% of the Bank's customers live in four big cities: Ust-Kamenogorsk, Shymkent, Nur-Sultan, and Almaty.

Some of the Bank's customers get more than one payment card, and this trend has become especially clear in 2021 by the end of which the quantity of issued cards exceeded the quantity of individual customers of the Bank by one and a half times.

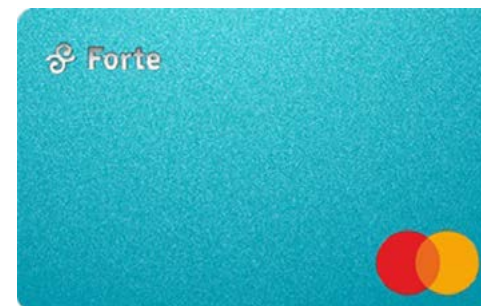
Age-sex structure of the customer base of the retail segment

The Bank strives to make financial services accessible to all segments of the population, which is why the sex-age structure of its retail customer base is quite balanced.



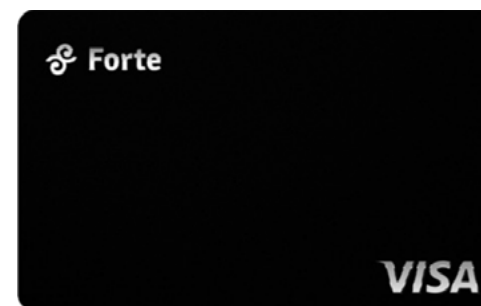
In 2021, the Bank introduced a line of new generation bank cards developed as a result of a large-scale study of preferences of the customers of Forte and other banks. The line includes three products: Forte Blue, Forte Black and Forte Solo. All cards of the new line were initially compatible with Apple Pay and Samsung Pay payment services. At the end of 2021, the Google Pay service also became available to the customers.

The issue of cards is fully automated and takes no more than 5 minutes following which the card can be used immediately without restrictions: to this end, it is enough to have a smartphone with the Forte App application installed on it. The Bank's customers for whom it is important to have a card on a physical carrier can receive it within 24 hours by courier delivery or by visiting an office.



Forte Blue

- Free issue and service
- Free of charge monthly cash withdrawal through all ATMs of the world in the amount equivalent to KZT 500 thousand
- Up to 15% cashback from certain goods categories with a limit not exceeding KZT 30 thousand per month and not exceeding KZT 10 thousand a day
- Free of charge transfers in the amount up to KZT 1 million per month to the customers of any Kazakhstan banks



Forte Black

- Free issue and service
- Free of charge monthly cash withdrawal through all ATMs of the world in the amount equivalent to KZT 500 thousand
- Up to 15% cashback from certain goods categories with a limit not exceeding KZT 30 thousand per month and not exceeding KZT 10 thousand a day
- Free of charge transfers in the amount up to KZT 1 million per month to the customers of any Kazakhstan banks
- Purchase of goods by instalment in the amount up to KZT 3 million
- Up to 90-day grace period for credits
- Unsecured credits for an amount up to KZT 5 million



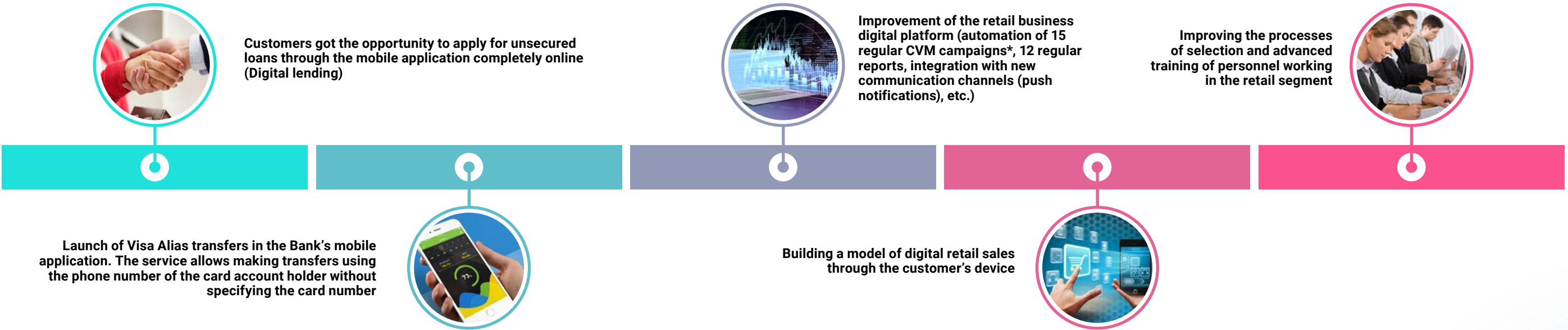
Forte Solo

- Free issue and first month of service, then – KZT 4 thousand per month
- Free services for the second and subsequent months given a deposit in the amount of KZT 4 million and over or providing purchases made in the amount of KZT 100 thousand per month and more
- Free monthly cash withdrawal through all ATMs of the world in the amount equivalent to KZT 1 million
- Up to 15% cashback from certain goods categories with a limit not exceeding KZT 50 thousand per month
- Free of charge transfers in the amount up to KZT 3 million per month to the customers of any Kazakhstan banks
- Access to premium services (personal manager, telehealth, lawyer, concierge, insurance, lounge key)

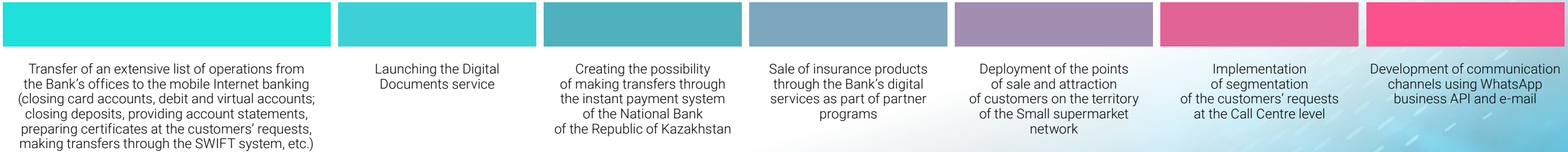


Development of retail business segment

Completed in 2021:



Planned for 2022:



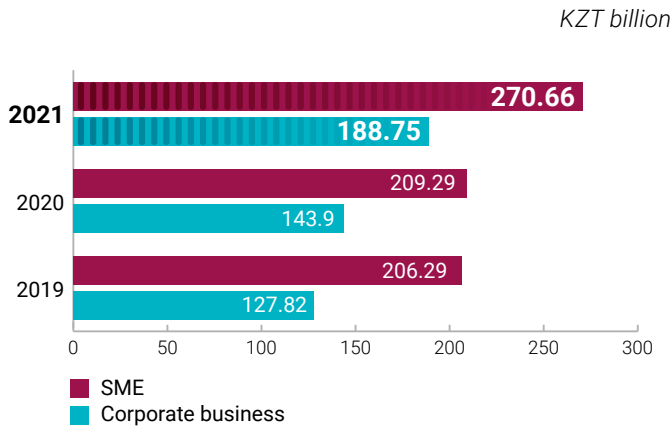
*CVM (customer value management) – a process to manage the customer value.



Corporate and SME Segments

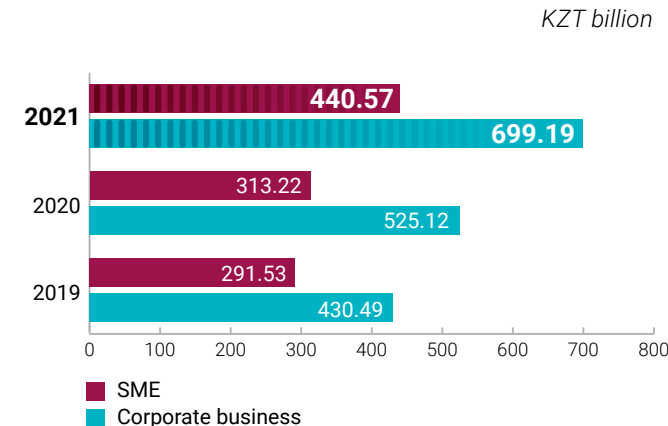
In 2021, there was a recovery in the economy after the shocks that took place in 2020 against the backdrop of the pandemic. The Bank's customers from among the big business entities and SMEs also restored their activity. Against this background, there was a significant increase in the loan and deposit portfolios in the corporate and SME segments.

Loans issued to legal entities (net, consolidated statements)



The portfolio of loans issued to the corporate sector (net) grew by 31.2% and reached KZT 188.75 billion, portfolio of loans issued to SMEs (net) – by 29.3% and amounted to KZT 270.66 billion. Deposits of the corporate sector increased by 33.1% and amounted to KZT 699.19 billion. Deposits of SMEs increased by 40.7% and reached KZT 440.57 billion.

Deposits of legal entities (consolidated statements)



The growth of the loan and deposit portfolios in the corporate and SME segment was largely due to efforts to enhance the quality of service and ease of use of the banking services. In 2021, a mobile application for individual entrepreneurs providing for a number of online services (online registration, remote opening of accounts and corporate cards, obtaining loans online, etc.) was launched. The development of remote services made it possible to reduce the load on the Bank's offices.

The Bank continued to automate and digitalize the business processes related to servicing the legal entities. In particular, the automation of processes made it possible to speed up work with non-loan products for the legal entities. The launch of the CRM system in the corporate and SME segments enabled the Bank's employees to receive complete information about the customers through a single window, carry out more detailed analysis of customers' needs and prepare more attractive offers, including ones more targeted.

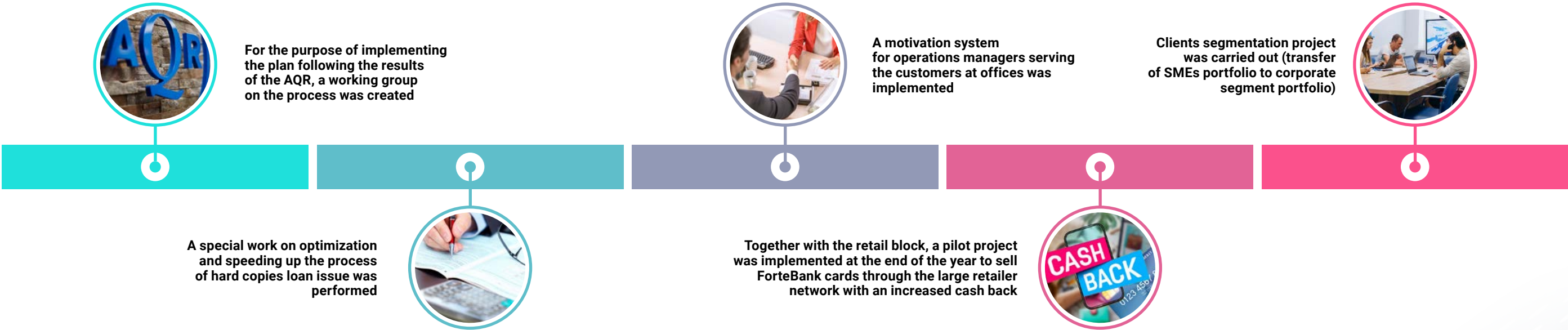
The Bank continues to improve the Internet banking for the business entities. In 2022, it is planned to launch a mobile banking application for the legal entities, which will significantly enhance the convenience of using the banking services. The Bank continues to work on access to the acquiring via mobile phones (TapOnPhone), which is in demand among the micro-entrepreneurship entities (at present, the service is available only through POS terminals installed at the points of sale).

In 2021, ForteBank continued to cooperate with the international and Kazakhstan financial development institutions under the SME support programs. As part of this area of work, the Bank attracted financing in the amount of KZT 3 billion under the Program of Regional Financing for Small and Medium-sized Private Enterprises in Almaty City implemented by DAMU Business Development Fund JSC. In addition, funds in the amount of KZT 22.5 billion allocated earlier by the EBRD under the similar program were fully disbursed.

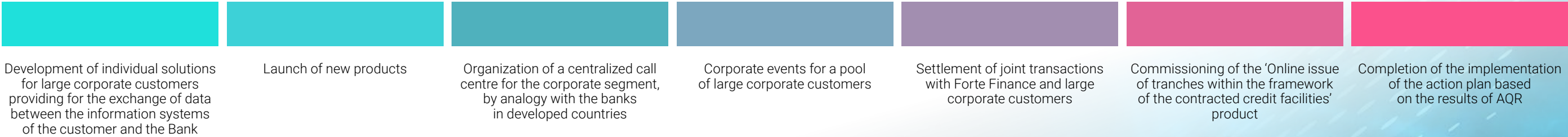


Development of corporate and MSE segments

Completed in 2021:



Planned for 2022:





Indicators of Forte Ecosystem

Forte ecosystem successfully continued its development in 2021: there was an impressive increase in the quantity of users of the ForteBank mobile application for individuals, which increased by 145.1% and reached 1,044.4 thousand persons. The rate of increase of the users of a mobile Internet banking for the legal entities was lower (34.0%), and their number increased from 44.7 to 59.9 thousand.

The list of services that can be paid through the Bank's mobile application has significantly expanded. Such services as ForteMobile (+239.1% of users), ForteMarket (+104.6% of customers, +211.1% of sellers, +177.0% of commodity items) have actively developed. In April 2021, the ForteFood service was launched, at the end of the year the number of users reached almost 40 thousand persons.

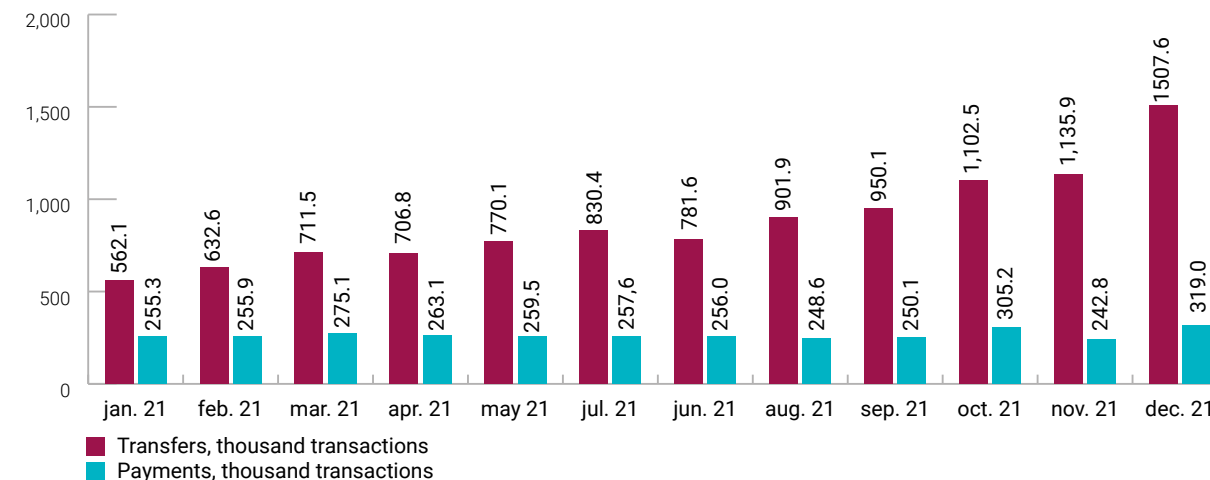
Development of Forte ecosystem

	1 January 2021	1 January 2022	Increase for the year
Users of MIB for individuals, thousand customers	426.1	1,044.4	145.1%
Users of MIB for business, thousand customers	44.7	59.9	34.0%
Users of ForteMobile, thousand customers	96.7	328.1	239.1%
Number of ForteApp service providers	670	1,890	182.1%
Number of ForteMarket platform sellers	450	1,400	211.1%
Range of commodities on ForteMarket platform, thousand commodity items	74.0	205.0	177.0%
Customer base of ForteMarket platform, thousand customers	108.8	222.6	104.6%
Number of ForteFood partners	–	247	–
Number of users of ForteFood service, thousand customers	–	39.9	–

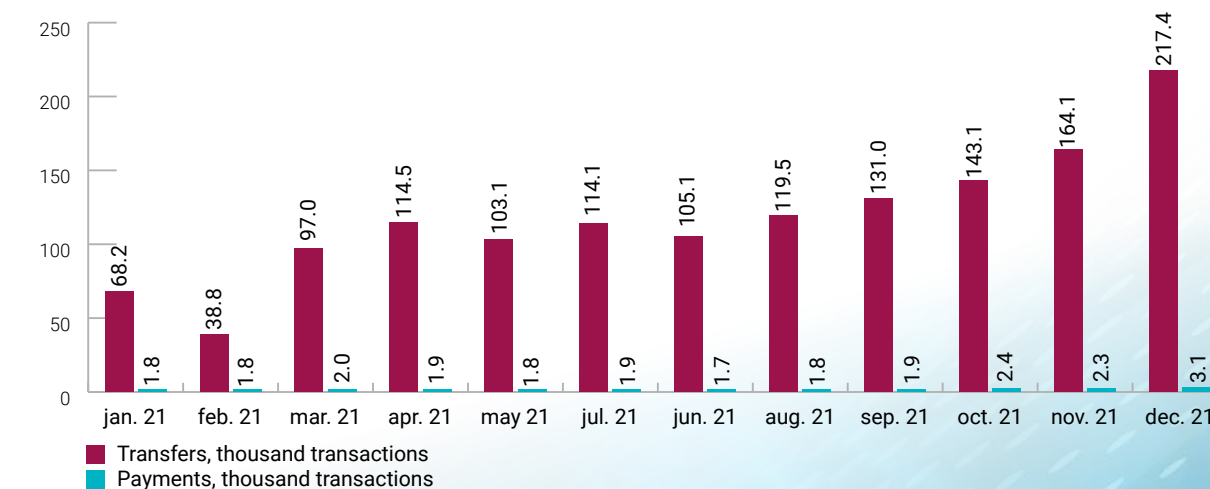
The monthly number of transactions in Forte App grew by 123.5% in 2021, from 817.4 thousand in January up to 1,826 thousand in December 2021. In total, in 2021, the Bank's customers settled about 13.8 million transactions using the mobile application of which 76.9% are mobile transfers and 23.1% are mobile payments.

The monthly volume of mobile transactions grew and showed more than a threefold increase in 2021 – from KZT 70.0 billion in January to KZT 220.6 billion in December. The total amount of transactions for the year amounted to KZT 1,440.1 billion of which 98.3% are mobile transfers and only 1.7% are mobile payments. One of the important achievements was a threefold increase in the average monthly volume and number of transfers through the Golden Crown service using the Forte App.

Number of transactions in Forte App application



Volume of transactions in Forte App application





Problem Loans Management

During the recent years, ForteBank has been consistently working on enhancing the quality of the current loan portfolio and the Heritage portfolio, which includes problem loans inherited from Alliance Bank and Temirbank. During 2021, the volume of overdue loans decreased from KZT 135.95 billion to KZT 66.26 billion, and the amount of overdue debt decreased from KZT 76.50 billion to KZT 38.91 billion. As of January 1, 2022, the share of overdue

loans in the loan portfolio was 6.9%. The decrease in the share of overdue loans was accompanied by the recovery of provisions formed for expected credit losses from KZT 76.50 billion to KZT 38.91 billion. The total NPL volume also decreased from KZT 59.80 billion to KZT 47.61 billion, and their proportion in the loan portfolio decreased from 7.2% to 4.9%.

Dynamics of quality of the Bank's loan portfolio*

	1 January 2020	1 January 2021	1 January 2022
Loan portfolio, KZT billion	751.47	835.22	967.84
Overdue loans, KZT billion	76.03	135.94	66.26
Share of overdue loans in the loan portfolio	10.1 %	16.28 %	6.9 %
NPLs, KZT billion	45.11	59.77	47.61
Share of NPLs in the loan portfolio	6.0 %	7.16 %	4.9 %
Amount of overdue debt, KZT billion	56.69	76.50	38.91
Provisions for loan portfolio, KZT billion	59.71	85.60	39.47
Coverage with provisions for loan portfolio	7.9 %	10.2 %	4.1 %

*According to data from the regulatory reports submitted to the AFR and NB RK (on a non-consolidated basis in accordance with the national accounting standards). Loan portfolio, Overdue loans, NPLs are shown on a gross basis.

The problem loans of the legal entities and individuals of ForteBank are collected by the Bank's subdivisions responsible for the implementation of measures to collect problem debts, coordinate and control the operations

of supervised subdivisions of the Bank's branches, coordinate and monitor the activities of collection companies and officers of justice related to the collection of problem debts.

Dealing with the Bank's problem portfolio

Principles

- Focus on enhancing the quality of the Bank's loan portfolio;
- The maximum possible recovery of the cost of the distressed asset at minimum costs;
- Efficiency, promptness, timeliness of the measures taken to work with bad debts;
- Limiting the NPL share in the loan portfolio to no more than 10%;
- Strict observance of the legislation of the Republic of Kazakhstan when dealing with bad debts.

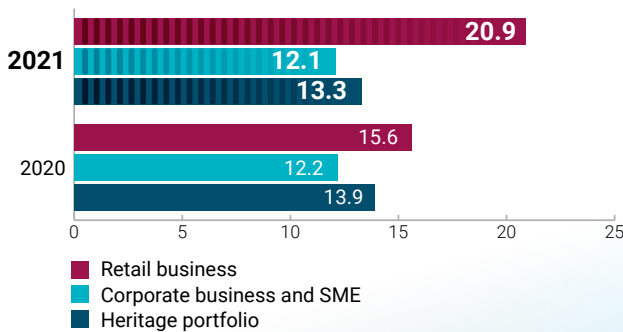
Methods

- Pre-trial settlement and primary activities, which include various actions to encourage the debtors to repay bad debts;
- Debt restructuring;
- Litigation, making payment demands, enforcement proceedings;
- Transfer of bad debts to collection agencies;
- Raising funds under the state program to support problem borrowers;
- Refinancing problem mortgage loans using the public funds;
- Disposal of pledged property.

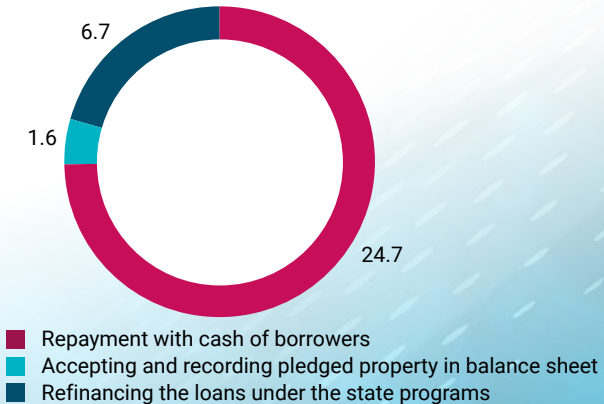
The total repayment of problem loans in 2021 amounted to KZT 33.0 billion of which KZT 24.7 billion was received by the Bank in the form of cash payments from problem borrowers. As part of implementation of the state programs, loans in the amount of KZT 1.6 billion were restructured.

In addition, pledged property in the amount of KZT 6.7 billion was accepted and recorded in the Bank's balance sheet. 40.3% of total repayments in 2021 are accounted for by the Heritage portfolio.

Repayment of problem loans in 2020–2021, KZT billion



Methods to repay problem loans in 2021, KZT billion





BANK'S FINANCIAL PERFORMANCE

Balance Sheet Structure

According to the consolidated statements, at the end of 2021, the Bank's assets increased by 16.1 % and amounted to KZT 2,425.8 billion. The increase in assets was driven by a change in three components:

- Cash and cash equivalents increased by 38.9% mainly due to an increase in accounts receivable from reverse REPO transactions (from KZT 41.0 billion to KZT 146.6 billion), volumes of funds placed on current accounts with other banks (from KZT 50.3 billion to KZT 75.4 billion) and a slight increase in cash on hand (+ KZT 2.9 billion). At the same time, the amount of current deposits and deposits with the National Bank of the Republic of Kazakhstan decreased from KZT 153.8 billion to KZT 144.2 billion. The proportion of cash and cash equivalents in assets at the end of 2021 was 17.8%.
- The loans issued to customers increased by 7.9% and amounted to KZT 808.9 billion. The increase in the loan portfolio was mainly due to the increase in the amount of corporate and consumer loans with a decrease in mortgage loans. The book value of loans issued to customers made up 33.4% of total assets at the end of the reporting year.
- The book value of the portfolio of investment securities increased by 26.3% and reached KZT 985.1 billion. At the same time, the value of the portfolio of government securities increased from KZT 393.6 billion to KZT 579.0 billion, corporate bonds – from KZT 325.5 billion to KZT 378.7 billion. On the contrary, the portfolio of bank bonds decreased from KZT 61.9 billion to KZT 27.6 billion. The proportion of the portfolio of investment securities

in the Bank's assets amounted to 40.6% at the end of 2021.

The other components of assets (amounts due from financial institutions; trading securities; property, plant and equipment and other assets) showed negative growth rates, however, due to their small proportion – at the end of the reporting period, they accounted for a total of 8.2 % in the structure of the total assets – they did not have a significant impact on the change in the structure of the active part of the balance sheet.

The total liabilities of the Bank increased by 17.6% in 2021 and reached KZT 2,148.1 billion. The most significant components of liabilities are current accounts and customer deposits, as well as debt securities issued by the Bank. The proportions of these components in the total liabilities amounted to 80.7% and 11.8%, respectively, at the end of the reporting year.

The current accounts and deposits of customers increased over the year by 25% and amounted to KZT 1,733.8 billion. The increase in the component was due to the growth of deposits of corporate customers: term deposits – by KZT 242.2 billion, current accounts and demand deposits – by KZT 69.7 billion. Term deposits of retail customers increased by KZT 40.9 billion, current accounts and demand deposits increased by KZT 6.5 billion. At the same time, there was a decrease in security deposits of retail and corporate customers by a total of KZT 12.8 billion.

The book value of the Bank's debt securities increased by 5.5% and amounted to KZT 253.1 billion.

The Bank's equity increased by 5.6% and amounted to KZT 277.7 billion mainly due to a decrease in the uncovered loss of prior years.

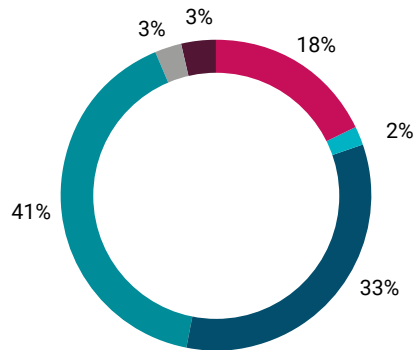
Consolidated Balance Sheet of the Bank

KZT billion at the year-end, rounded to integral values

	2019	2020	2021	Change 2021/ 2020
Assets	2,070	2,089	2,426	16.1 %
Cash and cash equivalents	347	312	433	38.8%
Amounts due from financial institutions	28	74	47	–36.5%
Loans to customers	785	750	809	7.9%
Trading securities	6	7	3	–57.6%
Investment securities	719	780	985	26.3%
Property and equipment	71	66	63	–5.1%
Other assets	113	101	86	–14.7%
Liabilities	1,841	1,826	2,148	17.6 %
Current accounts and deposits of customers	1,337	1,387	1,734	25.0%
Amounts due to banks and other financial institutions	118	130	85	–34.5%
Accounts payable under repurchase agreements	117	22	25	13.9%
Debt securities issued	229	240	253	5.5%
Subordinated debt	26	21	14	–33.4%
Deferred tax liabilities	2	11	21	86.4%
Other liabilities	13	15	16	9.8%
Equity	229	263	278	5.6%

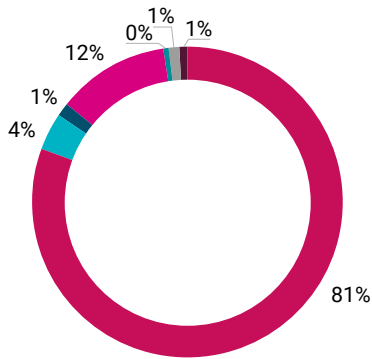


**Structure of the Bank's assets
as of 31 December 2021**
(on a consolidated basis)



- Cash and cash equivalents
- Amounts due from financial institutions
- Loans issued to customers
- Investment securities
- Property and equipment
- Other assets

**Structure of the Bank's liabilities
as of 31 December 2021**
(on a consolidated basis)



- Current accounts and customer deposits
- Amounts due to banks and other financial institutions
- Accounts payable under repurchase agreements
- Debt securities issued
- Subordinated debt
- Deferred tax liabilities
- Other liabilities

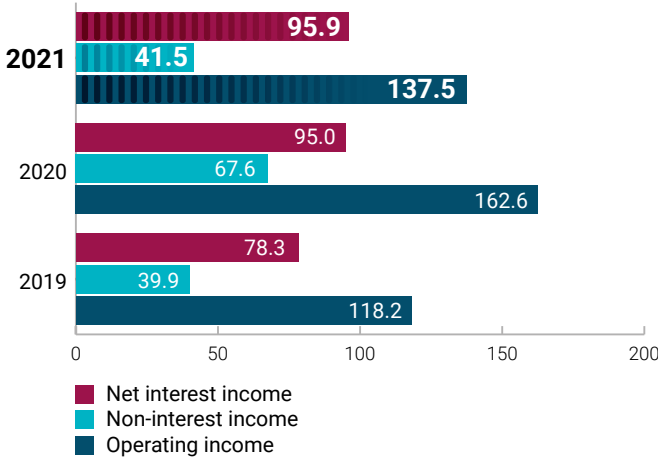
Revenue and Rate of Return

In 2021, the Bank's profitability ratios showed an improvement compared to 2020: return on assets (ROA) increased from 2.5% to 2.8%, return on equity (ROE) – 21.5% to 23.7%. As in 2020, the increase in rate of return was due to outrunning growth in net profit compared to the amount of assets and equity. Thus, at the end of the reporting year, the growth of net profit amounted

to 21.0%, while the growth of assets and equity made up 16.1% and 5.5%, respectively.

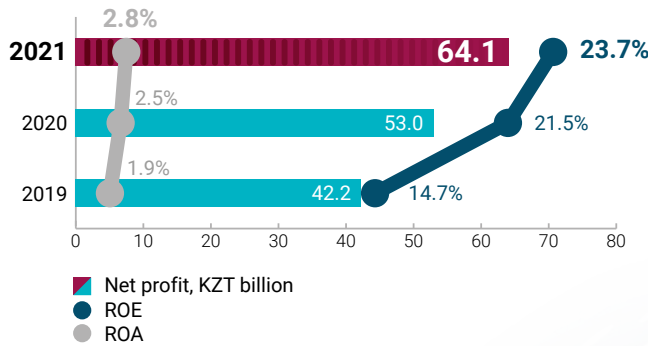
At the same time, the Bank's operating income decreased by 15.5% to KZT 137.5 billion. The drop in operating income was due to a decrease in non-interest income by 38.6%.

Bank's income, KZT billion



The interest income of the Bank increased by 4.1% – from KZT 185.5 billion in 2020 to KZT 193.0 billion in 2021. The most significant components of interest income are the payment of interest on loans and return on investment securities, which at the end of 2021 amounted to KZT 108.7 billion and KZT 52.9 billion, respectively.

Bank's net revenue and rate of return



The interest expenses increased by 7.3% and reached KZT 97.1 billion. The most significant items of interest expense are related to the payment of return on customer deposits and securities – in 2021 they accounted for 58.0% and 30.6% of the total interest expenses. The growth in the total interest income was also driven primarily by an increase in expenses on these items.



The net fee and commission income increased by 6% – from KZT 21.2 billion in 2020 to KZT 22.5 billion in 2021. The main factor behind the growth in fee and commission income was an increase in income from card transactions from KZT 21.3 billion to KZT 18.9 billion against the backdrop of a very slight increase in fee and commission expenses.

The decrease in the level of non-interest expenses in the reporting year was a reduction in credit losses compared to the previous year from KZT 38.9 billion

to KZT 9.9 billion. At the same time, a high level of credit losses in 2020 was associated with the conversion and forgiveness of foreign currency loans under the state program for refinancing mortgage and housing loans issued to customers. The total loss from the loans termination amounted to KZT 15.7 billion.

The Bank's net revenue increased from KZT 53.0 billion to KZT 64.1 billion. Among other things, the reduction in corporate income tax expenses had a positive impact on the amount of net profit at the end of the reporting year.

Incomes and expenses of the Bank (basic indicators on a consolidated basis)

KZT billion

	2019	2020	2021	Change 2021/ 2020
Interest income	163.6	185.5	193.0	4.1 %
Interest expense	(85.3)	(90.5)	(97.1)	7.3 %
Net interest income	78.3	95.0	95.9	1.0 %
Non-interest income, including:	39.9	67.6	41.5	-38.6 %
Fee and commission incomes	33.2	35.5	37.3	5.1 %
Fee and commission expenses	(11.1)	(14.3)	(14.8)	3.8 %
Non-interest expense, including:	(73.2)	(98.7)	(70.3)	-28.7 %
Credit loss expenses	(20.4)	(38.9)	(9.9)	-74.6 %
General and administrative expenses	(42.8)	(48.8)	(51.3)	5.2 %
Profit before corporate income tax expense	45.0	64.0	67.1	4.9 %
Corporate income tax expense	(2.8)	(11.0)	(3.0)	-72.3 %
Net revenue	42.2	53.0	64.1	21.0 %
Other comprehensive income/loss to be reclassified in profit or loss in future periods	3.5	3.3	(1.1)	-131.9 %
Comprehensive income for the year	45.7	56.3	63.0	11.9 %

Compliance with Prudential Standards

As of 31 December 2021, the Bank complied with all of the effective prudential standards.

The estimated values of the capital adequacy ratios have improved compared to the beginning of the year and are currently several times higher than the standard values and are above the average values for the banking system. The growth in actual values of the capital adequacy ratios

was due to an increase in regulatory capital (+2.2%) and Tier 1 capital (+3.2%), with a decrease in risk-weighted assets by 6.4%.

The estimated values of the liquidity ratios at the end of 2021 also were many times higher than the standard values.

Components to calculate capital adequacy ratios

KZT billion

	Standard value	Actual value as of 1 January 2021	Actual value as of 1 January 2022
Tier 1 capital		244.3	252.1
Tier 2 capital		14.8	12.9
Regulatory capital		259.2	265.0
Risk-weighted assets (RWA)		1,164.7	1,089.9
Capital adequacy ratios			
Ratio k1	7.5 %	21.0 %	23.1 %
Ratio k1-2	8.5 %	21.0 %	23.1 %
Ratio k2	10 %	22.3 %	24.3 %
Liquidity ratios			
Current liquidity ratio k4	0.3	1.761	1.870
Term liquidity ratio k4-1	1	4.989	3.152
Term liquidity ratio k4-2	0.9	2.962	2.550
Term liquidity ratio k4-3	0.8	2.603	2.173



CORPORATE GOVERNANCE

64,9%



SHARE OF WOMEN
IN THE STAFF OF THE BANK

ABOUT

50%



MANAGEMENT POSITIONS AT BRANCHES
HELD BY WOMEN

2021





CORPORATE GOVERNANCE SYSTEM

The principles, rules and procedures of the corporate governance system of ForteBank JSC are enshrined in the Bank's Corporate Governance Code (CGC) adopted by the General Meeting of Shareholders on 30 December 2014. The CGC was developed in accordance with the legislation of the Republic of Kazakhstan and the Articles of Association of the Bank, taking into account the recommendations of the Basel Committee on Banking Supervision Improving corporate governance in credit institutions (October 2010), the best Kazakhstan and foreign practices, as well as generally accepted rules of business ethics and business practices.

Taking into account the changing situation in the present-day world, the Bank's shareholders and management pay special attention to the issues of improving and updating corporate governance in accordance with the demanding requirements of the society and the business environment. In order to improve the efficiency of corporate governance, the general meeting of shareholders of the Bank made three amendments to the CGC (in the years of 2017, 2018 and 2020) regarding environmental responsibility, increasing the transparency and openness of the Bank, as well as ensuring compliance with the principles of corporate governance in the Bank.

The Bank considers corporate governance as a means of increasing the efficiency of its activities, strengthening its reputation, reducing the cost of raising capital, and increasing its market value. The CGC rules apply to relations between the Bank's bodies and officials, the Bank's relations both with its shareholders and investors, and with other parties concerned – customers, partners, counterparties, employees, government agencies and their representatives.

PRINCIPLES OF CORPORATE GOVERNANCE IN ACCORDANCE WITH THE CGC

Transparency and objectivity of disclosures of the Bank and its activities

Obtaining by external users (including shareholders, customers, counterparties, partners of the Bank, existing and potential investors, government authorities, mass media) accessible, up-to-date, truthful and understandable information about the Bank and its activities in the necessary and sufficient volume

Legality and ethics

Strict conformance of the internal regulatory framework to the legislation, business practices, business ethics rules

Effective dividend policy

Transparency of the mechanism for determining the amount of dividends on ordinary shares of the Bank, the procedure for accrual and payment

Effective personnel policy

Development of partnership relations between the Bank and its employees, protection of employees' rights, improvement of working conditions and creation of a favourable atmosphere for the personnel

Environment protection

Careful and rational attitude to the environment and a prohibition against financing projects that are harmful to the environment, human life and health

Active assistance in development of the financial system of the Republic of Kazakhstan

Participation in the activities of the Association of Financiers of Kazakhstan and active participation in the process of improving the legislation and law enforcement practice in the financial sphere

Accountability and responsibility

Accountability of the Board of Directors and the Management Board to the General Meeting of Shareholders of the Bank

Efficient management

Management is based on the long-term guidelines and development strategies

Protection of the rights and interests of the Bank's shareholder

Realization of the fundamental rights of shareholders in terms of access to information, disposal of shares, receiving the due share of profits, etc.



 **ForteBank**



SHARE CAPITAL STRUCTURE

As of 31 December 2021, there 150,003,000,000 authorized ordinary shares and 92,387,104,089 outstanding ordinary shares. The Bank has no preferred shares.

As of 31 December 2021, the beneficial owner and ultimate controlling shareholder was B.Zh. Utemuratov holding

89.32% of the Bank’s outstanding ordinary shares. 10.68% of outstanding ordinary shares are in free circulation, including shares that are the underlying asset of global depository receipts. In 2021, the Bank sold previously repurchased depository receipts the underlying asset of which is presented by 1,457,459,000 shares.

Change of shareholders of the Bank in 2021

	1 January 2021	1 January 2022
Quantity of placed ordinary shares	92,387,104,089	92,387,104,089
Quantity of redeemed ordinary shares	3,391,835,697	1,934,376,697
Quantity of outstanding ordinary shares	88,995,268,392	90,452,727,392
Quantity of outstanding shares held by Bulat Utemuratov	80,629,447,285	80,794,031,785
Share of outstanding shares held by Bulat Utemuratov	90.60%	89.32%

DIVIDEND PAYMENT

In accordance with the provisions of the Bank’s Articles of Association, the decision to pay dividends is made by the General Meeting of Shareholders of the Bank. After the relevant decision is made by the General Meeting of Shareholders of the Bank, the dividends must be paid within 90 calendar days starting from a date following a date of the decision. Dividend on ordinary shares is paid only after an audit of the company’s financial statements for the relevant period.

The Bank’s CGC sets out the following requirements for the dividend policy:

- 1) The dividend policy of the Bank ensures the transparency of the mechanism for determining the amount of dividends on ordinary shares of the Bank, the procedure for their accrual and payment, and is aimed at improving the welfare of shareholders of the Bank and increasing its capitalization;
- 2) Accrual and payment of dividends on ordinary shares of the Bank are based on reliable information, on the basis of the real state of the Bank’s business, on the availability of conditions for such accrual and payment.

The Bank paid dividends for the first time in 2017 based on the performance of 2016, after which dividend were paid annually. Until December 2019, there was a limitation on the payment of dividends in the amount of 40% of net profit, which was a requirement of one of the covenants for Eurobonds issued as part of the restructuring of liabilities of Alliance Bank JSC in 2014. Such limitation ceased to apply in December 2019 after the early redemption of the mentioned Eurobonds.

On 29 March 2021, the General Meeting of Shareholders of the Bank decided to pay dividends for 2020 (Minutes No. 01/21). The dividend per share amounted to 0.5951 tenge with the total amount of accrued dividends being 52,961,084,295.70 tenge. The payments actually amounted to 52,958,636,853.66 tenge.



History of dividend paid by the Bank

Date of decision	Period for which dividend is paid	Amount of dividend per a share, tenge	Amount of payments, tenge	Amount of payments/net revenue for relevant year
15 May 2017	1 January 2016 – 31 December 2016	0.05	4,567,006,800.90	39.04%
2 April 2018	1 January 2017 – 31 December 2017	0.085	7,748,413,108.41	39.23%
29 April 2019	1 January 2018 – 31 December 2018	0.127	11,375,906,489.08	39.08%
4 May 2020	1 January 2019 – 31 December 2019	0.2372	21,108,706,425.33	49.98%
29 March 2021	1 January 2020 – 31 December 2020	0.5951	52,958,636,853.66	100.0%
1 April 2022	1 January 2021 – 31 December 2021	The Annual General Meeting of Shareholders not to pay dividends based on the Bank's performance of 2021 and leave the earned income at the disposal of the Bank.		

SHAREHOLDERS' RIGHTS

- The Bank's Articles of Association stipulate the rights of shareholders provided by the Kazakhstan legislation. In particular, the shareholder has the right:
- 1) to participate in the management of the company in accordance with the procedure provided for by this legislation and (or) the Articles of Association of the Bank;

2) to receive dividends;

3) to obtain information about the Bank's activities and review the financial statements of the Bank in the manner determined by the general meeting of shareholders or the Articles of Association of the Bank;

4) to receive statements from the central depository or nominal holder confirming the ownership of the securities;

5) to propose to the General meeting of shareholders of the Bank the candidates to be elected to the Board of Directors of the company;

6) to contest judicially the decisions adopted by the bodies of the Bank;

7) when owning, independently or together with other shareholders, five or more percent of the voting shares of the Bank, to file to the judicial authorities on its own behalf in cases provided for by the legislation, a claim for compensating the Bank by its officials for losses caused to the Bank and return to the Bank by its officials and (or) their affiliates of profit (income) received by them as a result

of making decisions on the conclusion (offer to conclude) major transactions and (or) related-party transactions;

8) to make written requests to the Bank concerning its activities and receive motivated answers within thirty calendar days from the date on which the Bank receives the request;

9) in a part of the property in case of liquidation of the company;

10) of preferential purchase of shares or other securities of the Bank convertible into its shares, in accordance with the procedure established by this legislation;

11) to participate in the adoption by the General Meeting of Shareholders of a decision to change the number of shares in the company or change their type in the manner provided by this Law; and



12) when owning alone or together with other shareholders five or more percent of the voting shares of the Bank, to obtain the information on the amount of remuneration for the year of an individual member of the Board of Directors and (or) the executive body of the Bank, subject to the following conditions:

- the court establishes the fact of intentional misleading of the shareholders of the company by this member of the Board of Directors and (or) the executive body of the company to enable it (them) or its (their) affiliates to receive profit (income); and
- if it is proved that the unfair acts and (or) omission of this member of the Board of Directors and (or) the executive body of the company resulted in the company's losses.

In accordance with the CGC, the Bank ensures the enforcement of the following fundamental rights of its shareholders:

- 1) the right to own, use and dispose of the Bank's shares belonging to them;
- 2) the right to obtain the information concerning the Bank and its activities in the amount, within the time limits and in the manner as specified by the legislation and internal documents of the Bank;
- 3) the right to take part in the management of the Bank by participating in general meetings of shareholders of the Bank, speaking and voting on the issues considered thereat;
- 4) the right to propose to the general meeting of shareholders of the Bank, the agenda of which includes the issue of electing a member or members to the Board of Directors, the candidates to be elected;

5) the right to receive a share of the Bank's profit in the form of dividends on the Bank's shares they hold; and

6) the other rights determined by the legislation of the Republic of Kazakhstan and the Articles of Association.

To guarantee the rights of its shareholders, the Bank shall ensure a safe, reliable and fair accounting of the ownership rights of the Bank's shareholders to the shares issued by it, not prevent its shareholders from disposing of the Bank's shares they hold (including the alienation of these shares). A procedure convenient for shareholders is used to exercise their pre-emption right to purchase the allocated shares of the Bank or other securities of the Bank convertible into its shares or its own shares previously redeemed by it or other securities of the Bank convertible into its shares that are sold by the Bank. The Bank promptly informs its shareholders in accordance with the Articles of Association of the Bank about the date, time and place of the General meeting of shareholders of the Bank. It shall use a procedure convenient for the Bank's shareholders to exercise their rights to demand the convocation of a General meeting of shareholders of the Bank or a meeting of the Board of Directors, to make proposals for supplementing the agenda of the general meeting of shareholders of the Bank, to nominate candidates for election to the Board of Directors, to demand an audit of the Bank by an auditing organization at the expense of the Bank's shareholder.

INFORMATION DISCLOSURE

The order and procedures for disclosing are enshrined in the Bank's Articles of Association and the CGC. In particular, the Bank's CGC enshrines its desire to provide the parties concerned with accessible, relevant, truthful and understandable information in the necessary and sufficient volume.

The Bank includes as the key parties concerned the shareholders, customers, counterparties, partners of the Bank, existing and potential investors, rating agencies, stock exchanges on which the Bank's securities are or were listed, government authorities performing regulatory and supervisory functions in relation to the Bank, and the mass media.

Balanced information openness is designed to ensure transparency of the Bank's corporate governance, with the exception of issues that are trade, official, banking and other legally protected secrets.

The principle of transparency and objectivity of disclosures concerning the Bank and its activities implies the following:

- 1) the shareholders and investors of the Bank (including potential ones) are provided with the opportunity of free and easy access, in the manner established by the legislation of Kazakhstan and internal documents of the Bank, to the information about the Bank and its activities that is necessary for the shareholders and investors of the Bank to make appropriate decisions;
- 2) the Bank promptly discloses the information on the basic performance, plans and prospects of its activities, which

may significantly affect the rights and legal interests of the Bank's shareholders and investors; and

3) the Bank regularly discloses the information about significant corporate actions and/or events in its activities, while observing the measures to protect the confidential information a list of which is determined by the Board of Directors.

The Bank discloses information in accordance with the requirements established by the legislation of Kazakhstan and recommendations of the competent authority.

The information about the Bank is disclosed in accordance with the internal documents of the Bank, which contain a list of information that the Bank deems necessary to disclose (in addition to that provided by the legislation), rules for its disclosure, procedures for providing the information disclosed.

The main forms to disclose the information about the Bank are:

- prospectus of issue;
- reports on securities;
- Bank's annual report;
- reports of facts that are significant for the Bank's shareholders;
- financial statements; and
- press releases and other forms.



GOVERNING BODIES

- The Bank's governing bodies are:
- supreme body – the General Meeting of Shareholders;
 - governing body – the Board of Directors; and
 - executive body – the Management Board.



Committees under the Board of Directors

- Strategic Planning Committee
- Risk Management, Lending, Asset and Liability Management Committee
- Personnel, Remuneration and Social Matters Committee
- Internal Audit Committee
- Digitalization Committee

Authorized Collegial bodies under the Management Board

- Asset and Liability Management Committee (ALMC)
- Head Office Credit Committee (HOCC)
- Head Office Credit Committee for Small and Medium-sized Business (CCSMB)
- Head Office Credit Committee for Retail Business (CRB)
- Head Office Committee for Problem Debts (HO CPD)
- Head Office Small Committee for problem Debts (HO SCPD)
- Head Office Small Credit Committee for Small and Medium-sized Business (HO SCCSMB)
- Budget Committee
- Tariff Committee
- Operations Committee
- Quality Control Committee
- Information Security Committee
- Digitalization and Ecosystem Committee

GENERAL MEETING OF SHAREHOLDERS

On 29 March 2021, the Annual General Meeting of Shareholders of the Bank was held, at which the Bank's performance for 2020, the procedure for distributing the Bank's net income for 2020, amount of dividend per one ordinary share of the Bank, the report of the Board of Directors for the expired financial year were approved; shareholder appeals to the actions of the Bank and its officials and the results of their consideration, the amount and composition of remuneration of the members of the Board of Directors and the Management Board of the Bank in 2020 were considered; as well as the amount of remuneration of the members of the Board of Directors of the Bank was determined; and the quantity, term of office and election of the members of the Counting Board of the Bank were determined.

On 12 July 2021, an Extraordinary General Meeting of Shareholders was held, at which amendments No. 7 to the Articles of Association of ForteBank JSC and amendments No. 1 to the Regulations on the Board of Directors of ForteBank JSC were approved, as well as the level of non-fixed remuneration for the members of the Board of Directors of ForteBank JSC for the Bank's achieving the strategic goals set for the years 2014–2020 was determined, and a member of the Board of Directors of the Bank was elected.



BOARD OF DIRECTORS

The Board of Directors is in charge of the general management of the Bank's activities, ensures effective control over the activities of the Management Board and is accountable to the general meeting of shareholders of the Bank. The Board of Directors determines the strategic goals and directions of the Bank's development, the main principles and approaches to organizing the risk management and internal control system, controls the activities of the executive bodies, including the conformance of such activities to the Bank's approved Development Strategy, is responsible for the formation, development and monitoring of the effectiveness of the corporate governance system, as well as for ensuring the information transparency of the Bank's activities.

The Board of Directors is formed in accordance with the requirements of the Law of the Republic of Kazakhstan On Joint-Stock Companies, the provisions of the Bank's Articles of Association and the Corporate Governance Code. The membership of the Board of Directors must be balanced in terms of skills, experience and independence to enable its members to perform their functions effectively.

The Board of Directors is formed in accordance with the qualification requirements and requirements

Members of the Board of Directors

As of 31 December 2021, the Board of Directors consisted of six members, including the Chairman of the Board of Directors and five members of the Board of Directors two of which are independent directors. The term of office

for business reputation established by the effective legislation; its members must have knowledge and experience in the areas corresponding to the main areas of the Bank's activities: finance, banking operations, banking regulation, corporate governance, risk management, internal control, and audit. The members of the Board of Directors must also have knowledge of the functional features of working in various positions in various companies, understand the specifics of international markets and foreign business cultures, be of different ages and nationalities.

To ensure the effectiveness of decisions made and maintain a balance of interests of various shareholder groups, independent directors are elected to the Board of Directors. An independent director is a member of the Board of Directors having sufficient professionalism, experience and independence to formulate its own position, is able to make objective and conscientious judgments that are independent of the influence of the executive body, certain groups of shareholders or other parties concerned. The representation of independent directors in the Board of Directors fully complies with the requirements of the legislation of the Republic of Kazakhstan and the provisions of the Bank's internal documents.

of the Board of Directors expires at the time of the annual general meeting of shareholders of the Bank in 2022.

Members of the Board of Directors as of 31 December 2021

Full name of a member of the Board of Directors	Position	Date of election
Ye. Abdrazakov	Chairman of the Board of Directors of the Bank – independent director	1 December 2021
T. Issatayev	member of the Board of Directors – a representative of interests of the shareholder	30 December 2014
A. Utemuratov	member of the Board of Directors – a representative of interests of the shareholder	30 December 2014
H. Pandza	member of the Board of Directors – independent director	3 November 2015
M. Mirzabekov	member of the Board of Directors – a representative of interests of the shareholder	14 June 2019
G. Andronikashvili	member of the Board of Directors – a representative of interests of the shareholder	2 August 2021

During the reporting period, the following changes took place in the Board of Directors of the Bank:

- On 5 February 2021, the powers of the member of the Board of Directors, a representative of interests of the shareholder R. Bekturov, were terminated ahead of schedule at his own initiative;
- On 2 August 2021, the member of the Board of Directors – a representative of interests of the shareholder G. Andronikashvili – was admitted to the Board of Directors;
- On 31 November 2021, the powers of M. Mirzabekov as the Chairman of the Board of Directors representing the interests of the shareholder were terminated. M. Mirzabekov was appointed to the position of a member of the Board of Directors – a representative of interests of the shareholder;
- On 1 December 2021, Ye. Abdrazakov was appointed to be the Chairman of the Board of Directors – an independent director.

The members of the Board of Directors were reapproved without changes by the resolution of the annual General Meeting of the Board of Directors held on 1 April 2022.



Yeldar Abdrazakov

*Chairman of the Board of Directors –
independent director*

Born in 1972

EXPERIENCE:

From December 2021 to the present day – ForteBank JSC, Chairman of the Board of Directors – independent director.

From March 2020 to the present day – Air Astana JSC, member of the Board of Directors – independent director.

From January 2020 to the present day – ‘Centras Kommesk Life’ Life Insurance Company JSC, Chairman of the Board of Directors

From March 2019 to the present day – ForteBank JSC, member of the Board of Directors – independent director.

From May 2012 to the present day – Kazakhstan Stock Exchange JSC, member of the Board of Directors.

From October 2012 to the present day – Centras Invest LLP, General Director

From May 2012 to the present day – ‘Centras Insurance’ Insurance Company JSC, Chairman of the Board of Directors

From July 2010 to the present day – ‘Kommesk-Omir’ Insurance Company JSC, Chairman of the Board of Directors

From April 2007 to the present day – Centras Capital LLP, General Director

From August 2006 to the present day – Centras Securities JSC, Chairman of the Board of Directors

EDUCATION:

- Harvard Business School (US) (2010)
- International Kazakh and Turkish University named after Hodja Ahmed Yassau, Master of Sciences and Technologies, Master of International Economic Relations (1996)
- International Kazakh and Turkish University named after Hodja Ahmed Yassau, specialty: International Economic Relations (1995)



Timur Issatayev

*Member of the Board of Directors –
a representative of interests of the shareholder
of the Bank*

Born in 1969

EXPERIENCE:

From October 2013 to the present day – ForteBank JSC, member of the Board of Directors.

2013–2015 – ForteBank JSC (former Alliance Bank JSC) – Chairman of the Management Board.

2012–2013 – ABC Bank JSC (former Forte Bank JSC, former Metrocombank JSC), member of the Board of Directors.

2010–2012 – Metrocombank JSC, Chairman of the Board of Directors.

EDUCATION:

- Yale University (1993)
- Kazakh State University named after S.M. Kirov (1991)



Anuar Utemuratov

*Member of the Board of Directors –
a representative of interests
of the shareholder of the Bank*

Born in 1983

EXPERIENCE:

From December 2014 to the present day – ForteBank JSC (former Alliance Bank JSC), member of the Board of Directors.

From October 2015 to the present day – Alassio Capital LLP, director.

2013–2016 – ABC Bank JSC (former Forte Bank JSC, former Metrocombank JSC), member of the Board of Directors.

2012–2013 – ForteBank JSC (former Metrocombank JSC), member of the Management Board – Senior Risk Manager.

2008–2010 – JP Morgan Financial Company, (London), Analyst

EDUCATION:

- US Huron University in London (2004)



Hubert Albert Pandza

*Member of the Board of Directors –
independent director*

Born in 1948

EXPERIENCE:

From November 2015 to the present day – ForteBank JSC (former Alliance Bank JSC), member of the Board of Directors – independent director.

From June 2017 to the present day – Deutsche Bank Polska (Warszawa), independent member of the Board of Directors.

2015–2017 – Rosenergobank PJSC (Moscow), independent member of the Board of Directors.

2013–2015 – Rosenergobank JSC (Moscow), adviser of the Management Board.

2013–2014 – TransCapitalBank PJSC (Moscow), independent member of the Board of Directors.

2010–2014 – Alliance Bank JSC, member of the Board of Directors – independent director.

EDUCATION:

- Saarland University, Saarbrücken, Germany, Master of Sciences in International Economic Relations (1975)
- INSEAD Advanced Management Program, Fontainebleau, France



Guram Andronikashvili

*member of the Board of Directors –
a representative of interests of the shareholder
of the Bank*

Born in 1979

EXPERIENCE:

From August 2021 till May 2022 – ForteBank JSC, member of the Board of Directors.

2018–2021 – ForteBank JSC, Chairperson of the Management Board.

2016–2018 – ForteBank JSC, First Deputy Chairman of the Management Board.

2015–2016 – ForteBank JSC, Deputy Chairperson of the Management Board.

2012–2016 – ABC Bank JSC (former ForteBank JSC), Chairperson of the Management Board.

2010–2012 – METROCOMBANK JSC, Chairperson of the Management Board.

2001–2010 – JP Morgan Financial Company (London), European Financial Institutes Group, various positions.

EDUCATION:

- University of Durham, United Kingdom (2001)



Marlen Mirzabekov

*member of the Board of Directors –
a representative of interests of the shareholder
of the Bank*

Born in 1970

EXPERIENCE:

From December to the present day – ForteBank JSC, member of the Board of Directors – a representative of interests of the shareholder of the Bank.

From June 2019 till November 2021 – ForteBank JSC, Chairperson of the Board of Directors – a representative of interests of the shareholder of the Bank.

From June 2019 to the present day – Nova Leasing JSC, member of the Board of Directors.

From May 2019 to the present day – Verny Investments Holding LLP, First Deputy General Director.

2014–2019 – Kazzinc Holdings LLP, Executive Director, General Director.

2012–2019 – Altyntau Resources JSC, President, Managing Director.

EDUCATION:

- Kazakh Polytechnic Institute (2006)
- Ilmenau Technical University, Germany (1994)
- Kazakh Economic University named after T. Ryskulov (1989)



Proceedings of the Board of Directors

During 2021, 19 meetings of the Board of Directors and 28 absentee voting of its members took place during which 290 items were considered, including:

- 74 items (25.5% of the total number of items) – in person within the framework of the meetings held; and
- 216 items (74.5% of the total number of items) – through absentee voting.

In 2021, the Board of Directors considered the following issues:

- information technology, cyber security, security of IT-system of the Bank in the remote operation mode;
- management of credit, financial and operating risks and capital;
- implementation of projects for the development of retail business and ecosystem, service and quality of services provided;
- monitoring the implementation of the Bank's Strategy;
- improvement of corporate governance, organizational structure and HR,
- implementation of the Bank's Personnel Policy;
- appointment and termination of powers of members of the Management Board, as well as heads of the Bank's subsidiaries;
- bonuses to members of the Management Board based on the results of 2020;
- approval of management reports on financial performance of the Bank;
- participation in crime insurance programs (Bankers Blanket Bond, BBB) and insurance of liability of directors and executives (Directors & Officers Liability, D&O);
- implementation of the Bank's Digitalization Roadmap for 2021;
- report and plans for the development of Data Analytics;

- financial statements and management reports provided by the Management Board of the Bank in accordance with the requirements of the legislation of the Republic of Kazakhstan, as well as reports on the activities of the Internal Audit Service and the Compliance Control Service; and
- related party transactions and other issues.

One of the important business lines of the Board of Directors is the organization of annual strategic sessions within the framework of which, together with the management, proposals are developed to adjust the Bank's development strategy in the current macroeconomic conditions.

The effectiveness of the work of the Board of Directors was ensured by the regularity of its meetings, the number and nature of the issues under consideration, the regularity of its review of the Bank's management reports, reports of the Bank's risk subdivisions, the Internal Audit Service and the Compliance Control Service, as well as the Bank's observance of the deadlines for providing the members of the Board of Directors with the materials concerning the issues they consider, with some exceptions.

The liability of all members of the Board of Directors related to the performance of their duties in the Bank was insured in 2021 under the contract for insurance of liability of the directors, officers and companies.

Assessment of work of the Board of Directors

The decision of the Board of Directors approved the Regulations on the assessment of the activities of the Board of Directors and members of the Board of Directors of the Bank, which was developed in accordance with the Rules for the formation of a risk management and internal control system for second-tier banks as approved by resolution of the Management Board of the National Bank of the Republic of Kazakhstan No. 188 dated 12 November 2019. The Regulation regulates the procedures for assessing the activities of the Board of Directors of the Bank and its members, as well as regulates the process of assessing the activities of the Board of Directors and each member of the Board of Directors of the Bank.

The reporting period for the annual assessment was October 2021. The report on assessment of activities of the Board of Directors and members of the Board of Directors of the Bank will be submitted for consideration to the shareholders of the Bank at the annual general meeting of the shareholders of the Bank in 2022, in the manner provided by the List of management reports to be provided to the Management Board and the Board of Directors.

The activities of the Board of Directors for 2021 is assessed in accordance with the Regulations on the assessment of the activities of the Board of Directors and members of the Board of Directors of the Bank and the Corporate Governance Code. An annual assessment is envisaged. At the same time, at least once every three years, the assessment is carried out with the involvement of independent consultants.

For 2021, the assessment was carried out using a self-assessment method by questioning all members of the Board of Directors according to the following criteria: structure and membership of the Board of Directors, general characteristics and positioning of the Board

of Directors, implementation of key functions of the Board of Directors, proceedings and awareness of the Board of Directors, experience and qualifications, attendance and preparedness, contribution to the work of the Board of Directors and committees. The assessment showed that all aspects of the activities of the Board of Directors and its Committees based on the results of work for 2021 are in line with the recommendations of the best corporate development practice.

The following services are reporting to the Board of Directors:

Corporate Secretary. This position ensures the proper functioning of the corporate governance system in the Bank, including by ensuring timely and high-quality corporate decision-making by the Board of Directors, shareholders, as well as by improving the system of corporate communications and ensuring effective control of the Bank's compliance with the requirements of the legislation in the field of the corporate governance in order to protect the rights and interests of the Bank's shareholders, as well as to minimize the risks of corporate conflicts and other risks of the Bank.

Compliance Control Service. It is responsible for developing, implementing compliance risk management and coordinating the Bank's compliance risk management, including anti-money laundering and counter-terrorism financing.

Internal Audit Service. Internal audit provides an independent, objective assessment of the effectiveness of risk management, internal control and management processes.



In order to consider the most important issues, to prepare recommendations on issues considered by the Board of Directors and to comply with legislation, the Board

Committees under the Board of Directors

The committees are accountable, in their activities, to the Board of Directors. The chairpersons of the committees provide the Board of Directors with information about the work performed by the committees, the content of the issues considered and the decisions taken.

The structure of the committees of the Board of Directors after all changes in 2021 includes five committees:

- 1) strategic planning,

of Directors founded specialized consultative and advisory bodies – Committees of the Board of Directors

- 2) personnel, remuneration and social matters,
- 3) internal audit;
- 4) risk management, lending, asset and liability management; and
- 5) digitalization.

During 2021, 41 meetings of the committees of the Board of Directors were held during which 124 issues were considered.

Proceedings of the committees under the Board of Directors in 2021

Committees	Quantity of meetings	Quantity of issues
Audit Committee	6	15
Personnel and Remuneration Committee	11	34
Strategy Committee	10	25
Risk Management, Lending, Asset and Liability Management Committee	9	36
Digitalization Committee	5	14
TOTAL	41	124

Members of the committees at the end of 2021

MEMBERSHIP IN THE COMMITTEES	FULL NAME, POSITION	Ye. Abdrazakov Chairperson of the Board of Directors – independent director	A. Utemuratov Member of the Board of Directors – a representative of interests of the shareholder	M. Mirzabekov Member of the Board of Directors – a representative of interests of the shareholder	T. Issatayev Member of the Board of Directors – a representative of interests of the shareholder	H. Pandza Member of the Board of Directors – independent director	G. Andronikashvili Member of the Board of Directors – a representative of interests of the shareholder	Sh. Nurumbet Acting Chairperson of the Management Board
	Strategic Planning Committee	✔	✔	✔	✔		✔	✔
	Personnel, Remuneration and Social Matters Committee	✔		✔	✔			
	Internal Audit Committee			✔	✔	✔		
	Risk Management, Lending, Asset and Liability Management Committee			✔	✔	✔		
	Digitalization Committee	✔	✔	✔			✔	✔

- ✔ Chairperson of the Committee
- ✔ Member of the Committee



MANAGEMENT BOARD

The Management Board is in charge of operational management of the activities of the Bank, which includes the Chairperson of the Management Board, its assistants and other employees of the Bank by decision of the Board of Directors. The Management Board forms specialized committees in charge of various aspects of the Bank's activities in order to consider the most important issues and prepare recommendations for consideration by the Management Board. In 2021, there were 13 committees under the Management Board of the Bank.

Members of the Management Board

As of 31 December 2021, the Management Board included:



Reinis Rubenis
*Chairperson of the Management Board**



Sh. Nurumbet
*acting Chairperson of the Management Board***



B. Pirmatov
Deputy Chairperson of the Management Board; and



A. Dykanbayeva
First Deputy Chairperson of the Management Board, Financial Director (CFO)



N. Sarsebekov
Deputy Chairperson of the Management Board



A. Auyezkanov
Deputy Chairman of the Management Board



G. Bissembiyeva
Deputy Chairperson of the Management Board



V. Kyrushko
Deputy Chairperson of the Management Board

* On January 10, 2022, Mr.Rubenis was appointed the Chairman of the Management Board according to the decision of the Board of Directors.

** Before January 10, 2022, Ms.Nurumbet held the position of Acting Chairperson of the Management Board according to the decision of the Board of Directors.



Reinis Rubenis

Chairperson of the Management Board

Born in 1979

EXPERIENCE:

From January 2022 till 15 July 2022 – ForteBank JSC, Chairperson of the Management Board, member of the Management Board

2016–2021 – Swedbank Latvia, Chairman of the Management Board.

2007–2016 – Swedbank Latvia, different positions

2012–2017 – Nasdaq Latvia, member of the Board of Directors

2012–2017 – Latvian Central Depository (LCD), Latvia, member of the Board of Directors

2000–2007 – LHV, Latvia, adviser for corporate finance

1998–2001 – Gemini Consulting (now CGEY – Cap Gemini Ernst & Young), Latvia, senior consultant

EDUCATION:

- London Business School, United Kingdom, Executive education/ Strategy and Leadership (2008)
- Handelshögskolan i Stockholm (Stockholm School of Economics), Sweden, MSc in International Business and Economics (2001)
- Rigas Ekonomikas Augstskola, Latvia, BSc in Economics and Business Administration (1998)



Aliya Dykanbayeva

First Deputy Chairperson of the Management Board (CFO)

Born in 1973

EXPERIENCE:

From January 2020 to the present day – ForteBank JSC, first Deputy Chairperson of the Management Board (CFO), member of the Management Board

2019–2020 – ForteBank JSC, Deputy Chairperson of the Management Board (CFO), member of the Management Board

2018–2019 – BI Group, Deputy Chairperson of the Management Board (CFO – Financial Director)

2013–2018 – Kazpost JSC, Deputy Chairperson of the Management Board (CFO).

2008–2013 – PetroKazakhstan Oil Products LLP (Shymkent oil refinery), Director for economy and planning – Financial Director

2006–2007 – Orient Energy Trade Ltd., Head of the Representative Office.

2005–2006 – BG International Ltd., economist.

2001–2002 – KazGiproNefteTrans JSC, Financial Director.

1995–2001 – different positions in Kazakhstan and international companies

EDUCATION:

- American University, College for Humanitarian and Natural Sciences, Washington, US, Master's program, specialty: Financial Economy (2001)
- Kazakh State National University named after Al-Farabi (KazGU), Bachelor degree, specialty: International Economic Relations (1995)



Aidyn Auyezkanov

*Deputy Chairperson
of the Management Board*

Born in 1977

EXPERIENCE:

From September 2014 to the present day – ForteBank JSC, Deputy Chairperson of the Management Board, member of the Management Board

2013–2014 – Alliance Bank JSC, Managing Director

2006–2008 – ATF Bank JSC, Managing Director, member of the Management Board

2006–2009 – ATF Leasing JSC, Chairman of the Board of Directors

2004–2006 – ATF Leasing JSC, President

2002–2004 – AB of Halyk Bank of Kazakhstan OJSC, deputy Director of the Branch for corporate business

1998–2002 – EBRD, Small and Medium-sized Business Program, senior banking consultant

EDUCATION:

- Kazakh Economic University named after T. Ryskulov, Almaty, doctoral candidacy PhD (Doctor of Philosophy) (2009)
- KazNTU named after K. Satpayev, Almaty, Oil and Gas Department, development of oil and gas fields (2008)
- Kazakh State Academy of Management, Almaty, Finances and Credit Department, Banking (1998)



Gaukhar Bissembiyeva

*Deputy Chairperson
of the Management Board*

Born in 1976

EXPERIENCE:

From February 2017 to the present day – ForteBank JSC, Deputy Chairperson of the Management Board

2015–2017 – ForteBank JSC, Managing Director

2009–2015 – Forte Bank JSC (former METROCOMBANK JSC), acting Chairperson of the Management Board, Chairperson of the Management Board, Deputy Chairperson of the Management Board

2008–2009 – BTA Bank LLC, Executive Director

2001–2008 – TEXAKABANK OJSC, Director of the Operation Department, Executive Director, Managing Director, First Deputy Chairperson of the Management Board

1998–2001 – Demir Kazakhstan Bank OJSC, senior specialist / head of the Customer Service Division

EDUCATION:

- Kazakhstan Institute, Economy and Projection Institute, Master of Business Administration (2006)
- Kazakh State Academy of Management, International Economic Relations Department (1997)



Volodimir Kyrushko

*Deputy Chairperson
of the Management Board*

Born in 1980

EXPERIENCE:

From November 2020 till February 2022 – ForteBank JSC, Deputy Chairperson of the Management Board, member of the Management Board

From May to November 2020 – ForteBank JSC, consulting services in development of retail business of the Retail Business Line

2008–2020 – Raiffeisen Bank Aval, Kiev, Ukraine, Director of the Sales and Distribution Channel Department

2007–2008 – OTP Bank, Kiev, Ukraine, acting Head of the Sales Network Directorate / Head of the Information Centre

2003–2007 – Raiffeisenbank, Kiev, Ukraine, Head of the Information Centre of the Sales Network Directorate

2000–2003 – McDonald's Corp, Kiev, Ukraine, LSM Coordinator (Local Store Marketing Coordinator)

EDUCATION:

- National Aviation University, Kiev, Radio-electronic Devices, Systems and Complexes (2003)
- Kiev Institute of International Economy and Entrepreneurship, Kiev, Ukraine, International Economy (2002)
- National Aviation University, Kiev, Ukraine, Radioengineering (2001)



Sholpan Nurumbet

*Deputy Chairperson
of the Management Board*

Born in 1980

EXPERIENCE:

From January 2022 till June 2022– ForteBank JSC, Deputy Chairperson of the Management Board, member of the Management Board

2016–2020 – Bank Kassa Nova JSC, Chairperson of the Management Board

2014–2016 – ForteBank JSC (former Alliance Bank JSC), Deputy Chairperson of the Management Board, member of the Management Board

2013–2014 – Temirbank JSC, Deputy Chairperson of the Management Board, Director of the Branch in Astana City, Managing Director

2009–2013 – Alliance Bank JSC, acting Deputy Chairperson of the Management Board, Deputy Chairperson of the Management Board

2009 – 'Damu' Business Development Fund JSC, Deputy Chairperson of the Management Board

2004–2009 – ATF Bank JSC, various management positions

2003–2004 – Tsesnabank OJSC, Almaty Branch, Head of the Lending Division

2001–2003 – BankTuranAlem OJSC, various positions

EDUCATION:

- Kazakh State Academy of Management, Finances and Credit (2000)



Bekzhan Pirmatov

*Deputy Chairperson
of the Management Board*

Born in 1985

EXPERIENCE:

From 18 July 2022 to present day – ForteBank JSC, Chairperson of the Management Board, Member of the Management Board

From June 2020 till July 2022 – ForteBank JSC, Deputy Chairperson of the Management Board, member of the Management Board

From 18 May to 3 June 2020 – ForteBank JSC, Managing Director of the Corporate Sales

2019–2020 – First Heartland Jysan Bank JSC, Chairperson of the Management Board, adviser of the Chairperson of the Board of Directors

2018–2019 – First Heartland Jysan Invest JSC, Vice-Chairman of the Management Board

2016–2018 – European Bank for Reconstruction and Development (EBRD), Principal Banker

2015–2016 – Kazkommertsbank JSC, Director of the Corporate Business Department

2010–2015 – SB HSBC Kazakhstan JSC, Corporate Director of the Directorate for working with corporate customers in the sector of transport, telecommunications and logistics, Head of the Large Corporate Customer Directorate

2005–2007 – Bank TuranAlem JSC, senior specialist of the International Relations and Trade Financing Directorate

2004–2005 – Bank Kaspisky JSC, Business Manager of the Corporate Relations Directorate

EDUCATION:

- George Washington University, Washington, US, Business School, Master of Sciences in Project Management (2009)
- Kazakh Economic University named after T. Ryskulov, Management (2005)



Nurlan Sarsebekov

*Deputy Chairperson
of the Management Board*

Born in 1976

EXPERIENCE:

From June 2020 to the present day – ForteBank JSC, Deputy Chairperson of the Management Board, member of the Management Board

From October 2019 to June 2020 – ForteBank JSC, Deputy Chairperson of the Management Board

2017–2019 – Bank CenterCredit JSC, Managing Director (IT Group)

2015–2016 – DAR ecosystem LLP (Group of Companies Green Apple), Managing Director

1997–2015 – Halyk Bank of Kazakhstan JSC, leading engineer, senior engineer of the Communication and Connection Division of the Informatization Directorate, Technical Director of the Technical Service

EDUCATION:

- National Economy Academy under the Government of the Russian Federation, Information Management (CIO) (2008)
- International Academy of Business (Kazakhstan), Master of Business Administration (2008)
- Taldykorgan Pedagogic University named after I. Zhansugurov, Informatics and Management (1997)



COMMITTEES UNDER THE MANAGEMENT BOARD

HEAD OFFICE CREDIT COMMITTEE (HOCC)

a permanent collegial working body of the Head Office of the Bank implementing the development strategy and credit policy of the Bank, with powers within the limits approved by the Management Board

SMALL CREDIT COMMITTEE OF HEAD OFFICE FOR SMALL AND MEDIUM-SIZED BUSINESS (SCCSMB)

a permanent collegial working body of the Head Office of the Bank implementing the strategy for the development of small and medium-sized businesses in the field of lending and credit policy of the Bank, with powers within the limits approved by the CCSMB

HEAD OFFICE COMMITTEE FOR PROBLEM DEBTS

a permanent collegial body of the Bank under the Management Board the main objectives of which are to organize, ensure and control the work on the collection of problem debts

BUDGET COMMITTEE

authorized collegial body accountable to the Management Board and responsible for budget management and budgetary discipline

INFORMATION SECURITY COMMITTEE

collegial coordinating body of the Bank accountable in its activities to the Management Board the objectives of which are to implement and develop the information security management system of the Bank, adopt managerial decisions on the tasks of ensuring information security and implement the projects in the field of information security

DIGITALIZATION AND ECOSYSTEM COMMITTEE

an authorized collegial body of the Bank accountable to the Management Board and formed to consider certain issues on the implementation of projects aimed at the transformation of the Bank, the achievement of the strategic goals of the Bank, the development of business processes, digital technologies and the expansion of the Bank's ecosystem in order to increase productivity and improve customer experience

ASSET AND LIABILITY MANAGEMENT COMMITTEE

a permanent specialized working body formed by the Management Board, which participates in the determination and implementation of the policy of the Bank on asset and liability management

HEAD OFFICE CREDIT COMMITTEE FOR SMALL AND MEDIUM-SIZED BUSINESS (CCSMB)

a permanent collegial working body of the Head Office of the Bank implementing the strategy for the development of small, medium-sized and corporate businesses in the field of lending and credit policy of the Bank, with powers within the limits approved by the HOCC

HEAD OFFICE CREDIT COMMITTEE FOR RETAIL BUSINESS

a permanent collegial working body of the Head Office of the Bank implementing the retail business development strategy in the field of lending and credit policy of the Bank, with powers within the limits approved by the HOCC, the Management Board

HEAD OFFICE SMALL COMMITTEE FOR PROBLEM DEBTS

a permanent collegial body of the Bank under the Committee for Problem Debts the Head Office of the Bank the main objectives of which are to organize, ensure and control the work on collection of problem debts

TARIFF COMMITTEE

a permanent collegial working body of the Bank, which is accountable in its activities to the Management Board and whose objectives are to consider and implement the tariff policy of the Bank

OPERATIONS COMMITTEE

a permanent collegial working body of the Bank coordinates the management of internal business processes and performs its functions in accordance with the legislation of the Republic of Kazakhstan, the Articles of Association of the Bank, the Regulations on the Operations Committee and other internal documents of the Bank

QUALITY CONTROL COMMITTEE

a working body of the Management Board of the Bank the purpose of which is to enhance the quality of customer service



Activities of the Management Board and its Committees

In 2021, 136 meetings of the Management Board were held at which 779 various issues were considered. The Committees of the Management Board held a total of 1,069 meetings at which 6,175 issues were considered.

Activities of the Management Board and its committees in 2021

Authorized collegial body	Quantity of meetings held	Quantity of issues considered
Management Board	136	779
Asset and Liability Management Committee	79	268
Tariff Committee	96	369
Budget Committee	99	364
Operations Committee	76	291
Quality Control Committee	16	42
Head Office Committee for Problem Debts	38	643
Head Office Small Committee for Problem Debts	28	379
Head Office Credit Committee	146	329
Head Office Credit Committee for Small and Medium-sized Business	128	594
Head Office Small Credit Committee for Small and Medium-sized Business	166	1,404
Head Office Credit Committee for Retail Business	150	1,328
Information Security Committee	0	0
Digitalization and Ecosystem Committee	47	164

EXECUTIVES’ REMUNERATION

The Bank’s executive remuneration policy is pursued in accordance with the requirements of the legislation of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan and the Bank’s Articles of Association.

The total remuneration of 13 members of the Board of Directors and the Management Board in 2021 amounted to KZT 4,502 billion. The amount shown includes monetary remuneration to members of the Board of Directors and the Management Board and related taxes.

INFORMATION ABOUT MAJOR AND RELATED-PARTY TRANSACTIONS

In 2021, the Bank did not settle major transactions with related parties.



CORPORATE ETHICS

The standards of corporate conduct of ForteBank employees that are aimed at maintaining the ethical standards, quality of service and convenience for customers, increasing profitability, financial stability and efficiency of the Bank are regulated by the Code of Corporate Conduct for employees as approved in 2018.

This code contains all the mandatory rules and principles of corporate conduct that apply to absolutely all employees, regardless of their position.

ANTI-CORRUPTION

According to the provisions of the CGC, the Bank adheres to the principle of zero tolerance to corruption in all forms and manifestations. All employees and officers of the Bank, as well as any third party acting on behalf and/or in the interests of the Bank, are prohibited from giving and accepting gifts and providing services of the Bank

to provide a property benefit or advantage in receiving services of the Bank by the other persons, demanding money and gifts from customers and partners, committing and allowing preconditions for committing corruption violations.

COMPLIANCE CONTROL SERVICE

Compliance risk management begins with the Board of Directors, the Management Board, the Compliance Control Service and is carried out by each employee of the Bank.

To build an effective compliance risk management and internal control system, the Bank is committed to developing a compliance culture based on three lines of defence:

- the first line of defence is provided by all employees of the Bank by detecting and identifying the compliance risk and promptly reporting it to the Compliance Control Service;
- the second line of defence is implemented by the Senior Compliance Controller and the Compliance Control Service, which performs control functions in the process of managing the compliance risk; and

- the third line of defence is implemented by evaluating the effectiveness of the compliance risk management system by the Internal Audit Service.

The Bank creates and maintains a compliance culture through:

- implementation in its internal documents and processes of the requirements of the applicable legislation, taking into account the current market situation, the strategy of the Bank, the scale and complexity of banking operations, as well as the principles of professional ethics and business communication standards that determine the ethical approaches to doing business and the actions of employees and officials of the Bank;
- ensuring that employees of the Bank are familiar with the requirements of the Bank's internal documents and applicable legislation;
- informing the collegiate bodies of the Bank about threats and compliance risk incidents;
- participation of officials ('Tone at the top') and heads of structural subdivisions of the Bank in ongoing training in compliance risk management and AML/CTF in order to convey their involvement and commitment to the principles of compliance risk management, and to increase the level of employees' involvement in the processes of self-identification of deficiencies/ violations; and
- organizing and holding the 'Forte Compliance Day' event, maintaining a permanent column 'Forte Compliance School' within the framework of which the development of compliance culture at the group level, improvement and digitalization of compliance risk management and AML/CTF processes, implementation of corrective measures are discussed.

In addition, one of the main tasks of the Compliance Control Service is to ensure that the activities of the Bank

comply with the requirements of the applicable legislation in the implementation of the Policy on anti-money laundering and counter terrorism financing.

The Bank provides for and complies with all necessary procedures governing AML/CTF issues, including due diligence procedures for customers (their representatives) and beneficial owners, which include:

- classification of a customer according to a risk degree (risk-based approach), with subsequent identification, including the collection and recording of information about a customer;
- verification of customers/potential customers against AML/CTF watch lists;
- checking the customer's reputation; and
- other checks (verification of operations, transactions, etc.).

If it is impossible to take measures for due diligence of a customer, the business relations with such a customer are not established, operations are not settled, and if there are previously established business relations, the Bank may decide to terminate them.

In case there are suspicions of money laundering or terrorist financing, the Bank has the right to inform the competent authority before performing a banking operation.

The Compliance Control Service is guided in its activities by the applicable legislation and is accountable to the Senior Compliance Controller. The officers of the Compliance Control Service have the necessary qualifications, work experience and professional qualities sufficient to perform functions in the field of compliance risk management and AML/CTF.



In 2021, the Compliance Control Service implemented measures aimed at improving and maintaining the following processes:

- a group system for managing compliance risk and AML/CTF, including coordination of the Bank's subsidiaries;
- compliance risk management;
- AML/CTF;
- interaction with the regulator, including support and coordination of structural subdivisions of the Bank on the implementation of the AQR action plan, supervisory review (SREP);
- support of external audits and conduct of internal audits;

- control of transactions with persons having special relations with the Bank; and
- internal control.

These processes are implemented in accordance with the legislation of the Republic of Kazakhstan, as well as international standards and best international practice.

In 2021, an external consultant – KPMG Tax and Advisory LLP – provided an assessment of the AML/CTF system of the Bank. The audit showed the compliance of the AML/CTF processes of the Bank with the requirements of the European Union and the Republic of Kazakhstan.

Based on the results of audits, the IAS issues recommendations aimed at improving the Bank's activities and optimizing the business processes. During the reporting year, the IAS ensured the implementation of the following activities:

- external assessment of the internal audit activities for compliance with the requirements of the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors, implementation of key recommendations based on the results of the external assessment;
- automation of the 'Action Plan' process in the electronic document management system of the Bank – BPM ForteSpace. To introduce an automated control

and reporting system for monitoring the action plans based on the results of reviews of the second and third lines of defence;

- continuous monitoring of the implementation of measures proposed based on the results of the internal audit, with notifying the Board of Directors of significant deficiencies in the internal control system, as well as the status of implementation by the management of corrective actions to eliminate identified deficiencies and improve internal control and risk management procedures in the Bank;
- updating the internal audit methodology in accordance with the recommendations of an independent external assessor; and
- continuous professional development of internal auditors.

INTERNAL AUDIT SERVICE

The organization and implementation of internal audit in the Bank are provided by the Internal Audit Service (IAS), which is directly subordinate and accountable to the Board of Directors. The IAS activities are supervised by the Audit Committee of the Board of Directors.

The IAS is guided, in carrying out its activities, by the legislation of the Republic of Kazakhstan, internal documents of the Bank and the International Standards for the Professional Practice of Internal Auditing. The purpose of the internal audit is to provide the Board of Directors with independent and objective information designed to ensure the effective management of the Bank by introducing a systematic approach to improving the risk management, internal control and corporate governance systems in the Bank. The IAS includes three specializations: internal audit, monitoring and methodology of internal audit, IT-audit. The IAS employees have the knowledge, skills

and competencies necessary for the performance of their duties and are qualified in the application of internal audit procedures, methods and standards.

In accordance with the annual audit plan approved by the Board of Directors, in 2021, the IAS completed 15 audit engagements and consulted on business processes of the Bank. As part of the planned engagements, the IAS assessed internal processes and risks inherent in the activities of the Bank, which included an assessment of:

- effectiveness of the risk management and internal control system;
- effectiveness of the policies and procedures of the Bank;
- reliability of the accounting system and information;
- reliability and integrity of the management reporting system; and
- safety of assets and capital.

EXTERNAL AUDIT

Since 2015, Ernst & Young LLP has been the external auditor of the Bank. The auditing organization conducting the audit and review of the financial statements of the Bank is determined by the Annual General Meeting of Shareholders. The Annual General Meeting of Shareholders held on 4 May 2020 appointed Ernst & Young LLP the auditor of ForteBank for 2020-2022.



RISK MANAGEMENT

24,3%



K2. CAPITAL ADEQUACY RATIOS IMPROVED IN COMPARISON WITH THE BEGINNING OF 2021 AND ARE HIGHER THAN AVERAGE INDICATORS OF THE BANKING SYSTEM

13,2%



THE SHARE OF PROBLEM LOANS IN THE BANK PORFOLIO
IT COMPRISED 25.8% AS OF THE BEGINNING OF 2021



RISK MANAGEMENT SYSTEM

The basic principles of risk management are defined in the Risk Management Policy and the Risk Appetite Strategy of the Bank. To identify weaknesses and prioritize subsequent actions within the risk management system, identification of the types of risks to which the Bank is exposed is defined in the Risk Map in accordance with the Risk Management Policy of the Bank.

An integral part of the integrated risk management system is the risk culture formed in the Bank, which is being improved on a continuous basis. This work aims to develop the employees' behaviour to openly discuss and respond to existing and potential risks, as well as to be intolerant to risk ignoring.

In the process of the Strategy implementation, the Bank determines the compliance of the risk profile of a potential operation with the regulatory requirements of the National Bank of the Republic of Kazakhstan and the AFR, intra-bank limits at the time of making a decision on the performance of banking operations.

The assessment of the risk profile, as well as the position of the Bank in the financial market and a degree of influence of one or another risk factor on the financial result from banking activities as reflected in the Development Strategy of the Bank form the risk appetite of the Bank.

Risk Management Bodies

The Board of Directors is responsible for the proper functioning of the risk management control system, managing the key risks and approving the risk management policies and procedures, as well as approving the major transactions.

The Management Board is responsible for monitoring and implementing risk mitigation measures, as well as ensuring that the Bank operates within the established risk limits.

Credit risk is controlled by **a system of credit committees**. To enhance the efficiency of the decision-making process, the Bank has created a hierarchical structure of credit committees depending on the type and magnitude of risk exposure.

Market risks, liquidity risk, as well as credit risks in terms of counterparties and country risks are managed and controlled by the **Asset and Liability Management Committee** (ALMC) both at the portfolio level as a whole and at the level of individual transactions.

The operating risks, including risks of information technology and information security, are controlled by the **Operations Committee**.

The duties of the Head of **the Risk Management Service** include general risk management and control over compliance with the requirements of the effective legislation, as well as control over the application of general principles and methods for detecting, assessing, managing and reporting on both financial and non-financial risks. It reports directly to the Chairperson of the Management Board and indirectly to the Board of Directors.

As part of the existing risk management system, the Bank identifies the following areas:

- The strategic risk line is engaged in the management of market risks (interest, foreign exchange, price risks), liquidity risk, country risk and counterparty risk, operating risks, information technology risks, information security risks, including on a consolidated basis; calculation

of provisions (reserves) under IFRSs, including control over the formation and calculation of provisions on a consolidated basis.

- The credit risk line minimizes risks at the stage of making of the decisions on financing the customers from the corporate sector, SMEs, retail businesses and prime banking.
- The collateral line controls and minimizes risks in terms of valuation of collateral for all segments of the Bank, as well as the balance sheet property of the Bank and subsidiaries.



DESCRIPTION OF SIGNIFICANT RISKS

Credit Risk

One of the types of risks to which the Bank is exposed is the **credit risk** – a probability of losses arising from failure of a borrower or a counterparty to fulfil its obligations in accordance with the terms of a bank loan agreement.

The Bank has developed policies and procedures for managing credit risk (both for recognized financial assets and unrecognized contractual liabilities), including requirements to set and comply with the credit risk concentration limits, as well as through the establishment of credit committees, whose functions include an active monitoring of the credit risk.

The credit policy provides for:

- procedures for consideration and approval of loan applications;
- methodology for assessing the creditworthiness of borrowers (corporate and retail customers);
- methodology for assessing the creditworthiness of counterparties, banks and insurance companies;
- methodology for assessing the proposed collateral;
- requirements for credit documentation; and
- procedures for ongoing monitoring of loans and other products bearing the credit risk.

The credit risks in the Bank are managed on a consolidated basis including:

- limitation of credit risk due to the existing system of internal limits and limits that comply with mandatory standards and other requirements of the regulator, with

mandatory regular review and approval by the authorized collegial bodies;

- analysis of credit risk at the stage of consideration of loan applications, as well as by taking timely measures when identifying credit risk factors during monitoring;
- minimization of credit risks through accepted collateral and insurance thereof, establishing an adequate fee for credit risk and forming sufficient reserves for possible losses on the loan portfolio, securities portfolio, and interbank loans;
- control of the level of credit risks as part of regular monitoring of the state of the loan portfolio (analysis of the loan portfolio, monitoring, conclusions and recommendations), individual customers, transactions and collateral, as well as assessment of the credit risk assumed by the Bank for a counterparty.

The Bank uses the following main credit risk assessment methods:

- determining the level of creditworthiness of customers based on the results of the analysis of financial and non-financial performance and expert assessment (preliminary selection of customers in accordance with the credit rating class, accounting for standards for the ratio analysis of the project). Retail credit risk are assessed using scoring models and automated procedures for making credit decisions, as well as by verifying/examining a customer's data (financial condition of a customer, social parameters, credit history information);
- analysis of the level of concentration of credit risks assumed by the Bank for individual borrowers (groups

of related borrowers), industries, countries, customer segments, types of credit products;

- identification and monitoring of worrisome borrowers (Watch list);
- performance of procedures for assessing the quality of loans, collateral; assessment of risks associated with the Bank's offer of new banking products;
- assessment of possible losses due to realization of credit risk as part of the process of calculation and formation of provisions for possible losses (according to the requirements of the regulator and IFRS standards);
- stress test of losses on the loan portfolio taking into account various macroeconomic scenarios.

The main types of limits and restrictions on credit risk on a consolidated basis are:

- acceptable (aggregate) level of credit risk;
- lending limits that limit the concentration of credit risks (in terms of currency, country, category of business and products, branches of economy, type of collateral);
- lending limits on decision-making authority (for credit committees; limits for committees for problem debts);
- a ban on financing the borrowers a list of which is provided in the internal documents of the Bank;
- membership in the Credit Committee of at least two members, including necessarily the employees of the Credit Risk Directorate and lending subdivision;
- limits in accordance with the requirements (mandatory standards) of the regulator (limits for one borrower or a group of related borrowers not having special relations with the Bank for any type of liability to the Bank, as well as for one borrower or a group of related

borrowers having special relations with Forte for any type of liability to the Bank); and

- control and implementation of the requirements of Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No. 317 On the establishment of factors affecting the deterioration of the financial position of a bank and banking conglomerate, a branch of a bank being non-resident of the Republic of Kazakhstan, as well as the approval of the Rules for approving an action plan that provides for early response measures, and Methods for determining the factors affecting the deterioration of the financial position of a bank (banking conglomerate), a branch of a bank being non-resident of the Republic of Kazakhstan dated 28 December 2018.

Loans are issued to persons having special relations with the Bank in strict accordance with the legislation of the Republic of Kazakhstan and internal documents of the Bank. Persons having special relations with the Bank are determined in accordance with the legislation of the Republic of Kazakhstan.

The basic requirements for borrowers, indicators for assessing the creditworthiness of borrowers, conditions, rules, lending processes for legal entities and individuals (individual entrepreneurs), including a description of the participants in the lending process and the procedure for interaction between them, including the exchange of information, procedures for accepting and approving the credit instruments, taking into account the specific features of credit instruments and services, the form and purpose of lending, as well as the maximum amount



of loans, are determined by the relevant internal documents of the Bank that regulate the lending activities of the Bank.

The requirements for the professional qualities of employees performing credit functions are defined in the relevant job descriptions of employees.

All projects are financed and the existing terms of financing are changed only on the basis of resolutions of the relevant credit committees and the Board of Directors, if necessary, adopted for each specific loan project.

In 2021, the main risk parameters were the introduction of emergency restrictions, the post-COVID-19 pandemic situation with the result of partial suspension of the business activities. To support the borrowers operating in industries most affected by the emergency, the Bank provided restructuring (depending on the financial condition), as well as participated in state support measures for businesses (subsidizing the rates, providing deferrals).

Also, a key moment in 2021 was the resolution of the Government of the Republic of Kazakhstan to early withdraw the pension savings of the population, which largely influenced the growth in prices for residential real estate.

Market Risk

The market risk includes foreign exchange, interest and price risks.

Foreign exchange risk. The Bank is exposed to fluctuations in foreign exchange rates in the course of the Bank's activities. To minimize this risk, the Bank monitors its open foreign exchange positions, as well as analysis of the Bank's position on income/expenses from currency revaluation, the calculation of currency VaR in order to assess

the maximum possible amount of losses due to a negative revaluation of the Bank's open foreign exchange positions; the Bank has limitations on open foreign exchange positions in accordance with the requirements of the National Bank of the Republic of Kazakhstan, as well as in accordance with its internal documents. If there are speculative foreign exchange positions, the Bank uses the stop-loss/take-profit system of maximum loss/income limits.

Interest risk. The Bank is exposed to interest risk due to adverse changes in market interest rates on assets, liabilities and off-balance sheet instruments. To manage interest risk, the Bank analyses gaps in assets and liabilities that are sensitive to changes in interest rates, analyses and controls modified duration to assess the absolute sensitivity of a portfolio of securities to changes in interest rates, calculates interest risk for financial instruments with floating interest rates, and limits the interest risk.

Price risk. The Bank is exposed to price risk due to adverse changes in the market value of financial instruments. To minimize the price risk, the price VaR is calculated in order to estimate the maximum possible amount of losses due to a negative revaluation of the market value of the Bank's portfolio of securities, monitoring the correctness of determining the value of a portfolio of securities in order to analyse and control incomes/expenses from operations with financial instruments sensitive to changes in market factors, monitoring the profitability of the Bank from the use of financial instruments in order to analyse the incomes/expenses of the Bank from purchase/sale and changes in the value of financial instruments as a result of revaluation, a system of limits is used, which includes limits on the structure of the portfolio of securities and limits on the volume of investments in securities of an individual bank. If there are securities in the portfolio for speculative purposes,

the stop-loss/take-profit system of maximum loss/income limits is used.

Liquidity risk is the risk associated with the Bank's possible non-fulfilment or untimely fulfilment of its obligations. When managing liquidity risk, the Bank controls the observance of current liquidity and term liquidity ratios, including currency liquidity; liquidity ratio and ratio of net stable funding at the request of the regulator, as well as compliance with internal standards in accordance with its internal documents. In addition, mismatches in terms of maturities of claims and liabilities (liquidity gap) are controlled, and analysis of scenarios of the Bank's activity in 'stressful' situations of liquidity risk is developed and carried out.

Country risk. The Bank operates in most cases in the Republic of Kazakhstan; respectively, its performance largely depends on the economic and political conditions prevailing in the Republic of Kazakhstan. Meanwhile, the Bank provides financing to non-resident customers – lending (cash and non-cash) to legal entities and individuals, as well as operations in the interbank market with non-resident counterparties. The assessment of this credit risk is minimized by studying the economic and political situation of the investment countries and setting the country limits.

The stability of the Bank in case of possible adverse market conditions is assessed on a regular basis through stress testing. Stress testing is carried out according to the developed scenarios and takes into account changes in the state of the market, the scale of the Bank's activities, the actual experience of operating in stressful situations, as well as the recommendations of the regulator.



Operational Risk

Operational Risk means a probability of losses resulting from inadequate or insufficient internal processes, human resources and systems or the influence of external events, with the exception of strategic and reputational risk:

- risk associated with an indefinite, inadequate organizational structure of the Bank, including distribution of responsibility, accountability and management structure;
- risk caused by inadequate strategies, policies and (or) standards in the field of information technology, deficiencies in the use of software;
- risk associated with inadequate information or its improper use;
- risk associated with improper management of personnel and (or) unqualified personnel of the Bank;
- risk associated with inadequate construction of business processes or weak control over compliance with internal documents and rules;
- risk caused by unforeseen or uncontrollable factors of external impact on operations of the Bank;
- risk associated with non-compliance of the Bank's internal documents with the requirements of the legislation; and
- the risk associated with the actions of the Bank's personnel that may adversely affect the activities of the Bank, fraud.

Information technology risk (risks) – a probable damage due to failure (malfunction) of information and communication technologies operated by the Bank, including unsatisfactory construction of processes related to the development and operation of information technology by the Bank.

Information security risk (risks) – a probability of damage due to a violation of the integrity, confidentiality and availability of information assets of the Bank, which arose due to deliberate destructive impact on the part of the Bank's employees and (or) third parties.

The operational risks, information technology risks and information security risks are managed by the Bank on a consolidated basis at the level of the Bank and its subsidiaries, by using tools such as collecting statistical data on risk events, limiting through the development and approval of key risk indicators, determining the acceptable level of operating risk based on the operating risk VaR limit, carrying out scenario analysis, self-assessment of operating risk, forming a risk map and developing action plans for identified risk events aimed at preventing similar cases in the future.

To identify and minimize risks at the stage of implementation/modification of products, projects and information systems, the Bank analyses internal business processes, procedures, performance specifications on an ongoing basis, provides recommendations to minimize risks and ensure information security requirements, including risks of unauthorized access to critical information systems of the Bank and ensuring their proper protection, minimizing the risk of downtime of information resources.

The development of the operational risk management system includes:

- improving the mechanisms for monitoring the level of operational risk at the level of the Bank and subsidiaries as part of the Risk Appetite Strategy of the Bank;
- unification of methodological approaches in terms of managing the operational risk, information technology

risks and information security risks at the level of the Bank and subsidiaries;

- further development of the methodology for a unified system of operational risk management tools at the level of the Bank and subsidiaries; and
- improvement of regular reporting.

The Bank continues to work on improving the risk culture among employees, involving all employees of the Bank in the risk management process ("each employee is a risk manager"), trainings are conducted on an ongoing basis, each new employee of the Bank is familiarized with the operating risk management system.

The risk of collateral and valuation of non-core assets of the Bank means a probability of loss of or damage to the collateral/non-core property of the Bank or an impossibility of its disposal (including in case of foreclosure) within a certain period at a certain price covering the loan debt / balance sheet debt.

The system of management of the above type of risk includes:

- implementing and updating the policies and procedures governing the methodology for assessing the value and liquidity of assessed assets accepted as collateral or the ownership of the Bank;
- automation of valuation/revaluation processes taking into account a unified methodology and up-to-date market data, and the gradual elimination of the human factor in valuation, especially in terms of homogeneous valuation types;
- availability of a system to monitor the key data quality indicators for a collateral with automatic notification of responsible persons in case of triggers for remote inspections;

- automatic formation and control of the observance of a schedule for revaluation of collateral of the Bank for individually significant loans taking into account the periodic inspection of a collateral;
- enhanced contracts with independent appraisers including the basic requirements of the Bank/Regulator for the appraisal; and
- continuous staff training system including annual seminars involving professional independent appraisers/ boards of appraisers.



SUSTAINABLE DEVELOPMENT



WE MAKE DECISIONS AND DO BUSINESS STRIVING FOR PROSPEROUS
AND SUSTAINABLE FUTURE FOR OUR CUSTOMERS, SHAREHOLDERS, COLLEAGUES
AND COMMUNITIES WE WORK AT

7 550

KILOGRAMS



OF WASTE WERE SENT
FOR RECYCLING IN 2021





PERSONNEL POLICY

Personnel Management

ForteBank strives to maintain the status of an attractive employer and is actively developing a personnel management system in accordance with changing social and economic conditions and the situation in the labour market. The personnel policy of the Bank is based on the effective legislation of the Republic of Kazakhstan and is aimed at maintaining the quantitative and qualitative characteristics of the personnel at a level that ensures the continuity of current activities and the achievement of the strategic goals of the Bank.

The corporate governance in the Bank is built taking into account the need to protect the rights of employees of the Bank provided by the legislation of Kazakhstan and is aimed at developing partnership relations between the Bank and its employees in resolving social issues and regulating working conditions. The priorities of the Bank's personnel policy include creating more comfortable working conditions in the Bank, compliance with the standards of employees' social protection and further increasing the social responsibility of the Bank to employees. The Bank has established uniform standards for working with personnel, requirements for the processes of selection, training and assessment, remuneration and social support for employees, standards for ensuring employee satisfaction with working conditions, and the formation of objective and adequate personnel reporting of the Bank.

The personnel management in the Bank is based on the principles of legality, fairness, equality, non-discrimination, openness, efficiency, objectivity,

enhancement of personnel potential, encouragement of initiative and innovation, and individual responsibility. In 2021, no infringement of the rights of workers or signs of discrimination have been revealed. There were no complaints about the employment practices at the Bank.

The process of selecting candidates for vacant positions is focused on identifying the correspondence of their qualifications, personal qualities and abilities to the particular characteristics of a particular position and the corporate culture of the Bank. To this end, the HR Service of the Bank uses advanced psychological testing techniques in the recruitment process. In particular, to minimize the risks of destructive conduct and guarantee the hiring of trustworthy employees, since 2018 the Bank has been **testing candidates according to the Podium method developed by the Israeli consulting company Midot**. In addition, in 2020, the Bank moved to a comprehensive selection process including panel interviews, review of references, **SHL ability tests, and occupational personality questionnaires OPQ** (Occupational Personality Questionnaires). The results of tests and interviews are summarized within the selection matrix the format of which has been approved in 2020.

The Bank pays serious attention to the adaptation of newly hired employees the important elements of which are:

- online beginner's guide hosted on the MS Teams platform;
- 'Newcomers Adaptation' Section in the remote learning system of the Bank;
- Welcome Box (a 'welcome set'), which is received by all new employees when they go to work. The Bank ordered 1,000 sets in 2021;
- conducting an online Customer Day for all new employees; and
- conducting business breakfasts of the Bank's Chief Executive Officer with new employees – in 2021, 11 online business breakfasts have been held.

In addition, to improve the area of personnel management, the Bank implemented the following measures:

- creation and scaling of a unified CV base of the Head Office and branches within the electronic recruiting platform – E-Staff;
- standardization of job descriptions in ads posted in social media;
- development of a program to work with universities – Forte Next Generation;
- automating the generation of a report on turnover of employees within the framework of the IBM Cognos Analytics platform with the construction of an HR Dashboard; and
- automation of generating a report on the status of a vacancy within the framework of the WebSoft platform.

Structure and Number of Personnel

Actual headcount increased from 3,782 employees at the end of 2020 to 3,821 employees as of 31 December 2021, against a planned headcount of 4,128 staffing positions including vacancies. The staffing position occupancy level decreased from 94.3% to 92.6%.

The Bank's average employee turnover rate increased from 23% in 2020 to 29% in 2021. The employee turnover at the branches of the Bank is significantly higher compared to the head office (32% vs. 23%).

At the end of 2021, the Bank's personnel included 3,821 employees, including top management (13 employees, 0.3% of the total headcount), the Head Office personnel (1,229 employees, 32.2% of the total headcount), and branches (2,592 employees, 67.8% of the total headcount). The average work experience of employees in the Bank is 4.6 years.

At the end of 2021, the actual number of employees of the Bank increased by 1% compared to the beginning of the year from 3,782 persons and amounted to 3,821 employees, including top management (13 employees, 0.3% of the total headcount), the Head Office personnel (1,229 employees, 32.2% of the total headcount), and the branches (2,592 employees, 67.8% of the total headcount). At the same time, according to the planned staffing list, 4,128 staffing positions are provided taking into account vacancies. The average work experience of employees in the Bank exceeds 4.5 years.



The share of women in the Bank’s personnel at the end of the reporting year was 64.9% (2020 – 63.2%), and the branches are slightly ahead of the Head Office in this indicator (68.2% vs. 58.1%). The share of women in executive positions in the Bank as a whole was 48.0% (head office – 47.1%, branches – 49.2%). The representation of women in the Management Board is 43% (3 out of 7 members, including the First Deputy Chairperson of the Management Board).

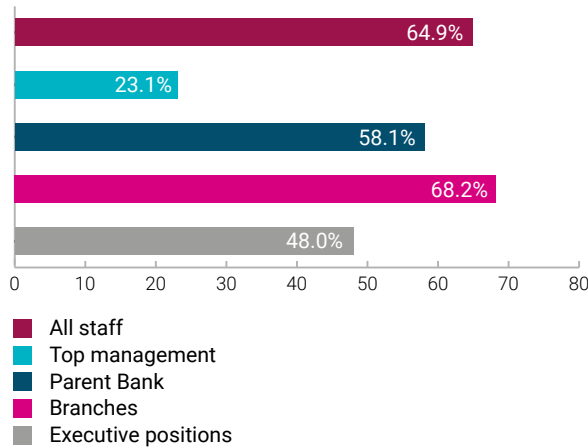
The average salary of employees is 341.3 thousand tenge per month, men receive 410.1 thousand tenge on average, women – 304.1 thousand tenge. The difference between the average salary of men is due to the fact that, with equal representation in the executive staff, the share of women is much higher at ordinary positions with a lower level of pay.

The age structure of the personnel is dominated by employees aged 30 to 50, who account for 62.3% of the total headcount. This group dominates the top management (76.9%) and the executive personnel in general (85.0%).

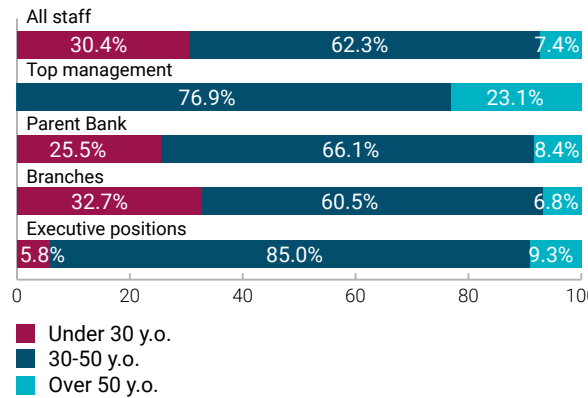
Younger employees – the age group under 30 – make up 30.4% of the total number of employees. The representation of this group in the executive staff is significantly lower (5.8%).

The share of employees over 50 years old in the structure of the Bank’s personnel is only 7.4%. Their representation in the executive staff is slightly higher (9.3%) and significantly higher in the governing bodies of the Bank (23.1%).

Share of women in personnel



Personnel age structure



Personnel Structure as of 31 December 2021

Indicator	Total (persons)	including gender groups		including age groups		
		men	women	under 30 y.o.	30–50 y.o.	over 50 y.o.
Total headcount	3,821	1,346	2,481	1,162	2,382	283
Board of Directors	6	6			3	3
Management Board	7	4	3		7	
Head Quarters	1,229	515	714	314	812	103
Executive positions	68	36	32	1	58	9
Specialists	1,154	475	679	313	747	94
Branches	2,592	825	1,767	848	1,567	177
Executive positions	319	162	157	22	272	25
Specialists	2,273	663	1,610	826	1,295	152

Motivation System and Personnel Assessment

One important aspect of the personnel policy of the Bank is employee motivation. The Bank has an annual personnel assessment system based on the key performance indicators. To ensure the correctness of setting the goals and fulfilling the tasks set, the Human Recourse Department is working to check the KPI cards of employees, it is possible to correct them in case of changes in strategic KPIs and the priority of key indicators.

In 2020, the Bank approved a new policy on employee remuneration and other elements of the structure of their total remuneration, which establishes the basic principles of remuneration. In accordance with the policy, a position grading system has been introduced, which makes it possible to make the remuneration system more fair and thereby increase the level of employee motivation. The position assessment (grading) method was developed

jointly with external consultants, subject to the specificity of the activities and strategic priorities of the Bank. The method allows evaluating the value of the contribution of a position according to 4 criteria:

- Processes in which a position is involved
- Communications and personnel management
- Qualification requirements
- Impact on the final result

The employee positions were graded in several stages: March-June 2021 – positions of the branch network, December 2021 – positions of the Head Office. In total, 363 functional roles were assessed, on the basis of which the procedure for revising salaries was initiated. In 2021, 2,642 employees of the branch network underwent the revision procedure with the result that 82% (or 2,157) employees received an increase in salaries (by 22% on average). The payroll fund of the Bank was increased by 19%, or by KZT 1 billion in monetary terms. The salary of 485 employees remained unchanged as it was at the average market level.



This initiative implies that the Bank will be among the top 40% of the Kazakhstan companies with the highest wages.

In 2021, the Bank approved a unified approach to accruing bonuses and a five-level bonus system, which includes the following components:

- Bonuses for front office employees;
- Bonuses for back- and middle-office employees;
- Bonuses for employees who work to collect bad debts;
- Bonuses for employees who sell non-core property; and
- Project bonuses.

The Bank annually conducts intracorporate EEI (employee engagement index) and CSI (internal service quality satisfaction assessment) surveys, as a result of which a package of recommendations on personnel management was formed and put into operation. The value of the CSI index compared to 2020 increased from 8.96% to 9.06%, the EEI indicator increased from 77% to 79%. As part of the EEI survey, the employee net promoter score (eNPS) is measured, which has increased from 39% to 44% compared to the measurement in 2020. At the end of 2021, for the first time, the manager net promoter score (mNPS) was measured, the indicator thereof was 58%. An extensive social package is provided for all employees of the Bank. In 2021, the following activities were carried out to form a social package:

- organization of voluntary medical insurance and assignment of all personnel of the Bank to the medical centre (about 3,500 employees);
- a policy was approved to provide material assistance to the family in connection with the death of an employee due to diseases in the amount of 50 thousand dollars and for other reasons – in the amount of 25 thousand dollars;
- organization of official transportation for the staff of the Head Quarters and the branch in Nur-Sultan City (about 600 people);

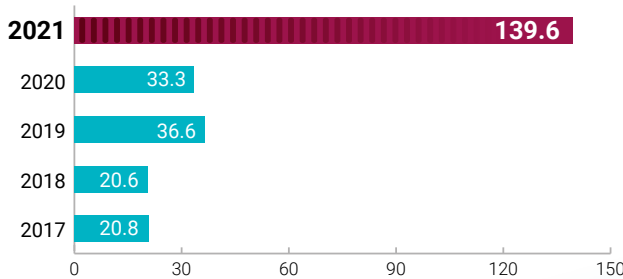
- cooperation with 'Invictus' and 'Winox' fitness centres was expanded: if previously only employees of the Head Bank could purchase the club cards at a special rate, now employees of 13 branches have got such an opportunity;
- together with Inter teach medical centres, a Check Up examination (an express examination for the early diagnosis of diseases) was conducted for employees who had voluntary medical insurance (about 3.5 thousand employees);
- COVID-19 vaccination was organized in the premises of the Bank, with a total of 3,552 employees receiving the vaccine (93.5% of the total headcount); and
- in May 2021, the program of concessional consumer lending for employees of the Bank was launched, which was enjoyed by 500 employees by the end of the year.

Personnel Development

ForteBank strives to maximize the potential of employees and provides training and development opportunities. The topics of training individual employees are determined by the heads of structural subdivisions. Since 2020, the retraining and advanced training system has been reoriented to online distance learning.

With realizing the importance of professional development and development of personal qualities of employees, the Bank is constantly increasing its expenditures for personnel development. Thus, the amount of expenses for employee training in 2021 amounted to 139.6 million tenge, which is 4.2 times higher than the same indicator in 2020. During 2021, a total of 2,007 employees of the Bank received training.

Bank's expenses to train employees, million tenge



In accordance with the tasks set by the Board of Directors for the personnel service of the Bank, a 'Personnel Training and Development' specialization – ForteAcademy was created in the Personnel Directorate, which organizes and conducts additional professional training in the following formats:

1. External training. Within the Directorate, 68 training events were held, in which 521 employee took part. The Bank's employees attended courses on various topics, including 'Agile Fundamentals and Practical Application of the Kanban Method', 'IBM Cognos Analytics: Author Reports Fundamentals', 'Coaching for Teams and Team Members', 'Proceedings of the Conciliation Committees', and others. The average cost of external training per participant was 267,878 tenge.

2. Internal training. In 2021, a number of online and offline training events were held, including:

- Training course under the 'School of Leaders' program for the heads of Retail Business and Small and Medium-sized Business Directorates of the branch network of the Bank;
- Classes under the #IAMFORTE program, in which employees mastered new competencies in a playful way;
- Classes on the program on corporate competencies for HR subdivisions the Head Office and branch network;
- Sales and Service Trainings for branch network employees;
- Power Point Training for employees of the Head Office Bank;
- Excel Training for employees of the Head Office Bank and branch network; and
- Feedback Training for branch network employees and others.



To improve the process of internal training, an institute of internal trainers was formed from among the employees of the Retail Business Directorate. To this end, 7 employees, after having undergone special training and certification, began to conduct training programs for employees of the retail segment of the branch network. In addition, 17 employees of the Bank, including 6 ForteAcademy business trainers, 9 trainers from among the employees of the Retail Business Directorate, and 2 Call Centre trainers attended the seminars on the topic 'Master of Education'.

In addition, employees of the Bank got the opportunity to register for participation in internal training programs and events through the calendar of training events in the corporate network of the Bank in a remote format.

In 2021, the average internal training duration per employee was 5.26 standard hours.

3. Remote learning on the WebTutor platform. As part of remote learning, 26 electronic courses were developed/updated and conducted for 5 business areas (Retail Sales and Distribution Directorate, International Relations Directorate, Compliance Control Service, Customer Relations Development Directorate, and Collateral Directorate), including an electronic course on corporate competencies, which added to the list of mandatory courses for all employees of the Bank.

The work has been performed to update the electronic courses, a block has been allocated separately for the personal development of employees. At the moment, the catalogue contains more than 145 courses.

In 2021, all staff of the Bank were covered by remote learning programs.

Social Protection of Employees

The Bank has a system of social support for employees within which the employees can count on the following types of assistance:

- material assistance for burial (in case of death of an employee or his close relatives) or for payment for medical treatment/surgery for an employee of the Bank; and
- medical insurance (health insurance).

To resolve labour disputes with employees, in 2017, the Bank formed the Conciliation Commission with the following competences:

- collection of salaries payable;
- changing the terms and conditions of an employment agreement;
- imposing disciplinary penalties;
- reinstatement in employment;
- implementation of guarantees and payment of compensations provided by the rules of the labour legislation, contracts and/or employment agreement; and
- other disputes within the framework of the legislation of the Republic of Kazakhstan.

The Bank is constantly increasing the cost of financial assistance to employees. Thus, in connection with the revision of the policy for providing material assistance to employees in socially significant events, the total material assistance paid in 2021 amounted to 86.5 million tenge, which is 3.5 times higher than the level of 2020 and 12 times higher than the level of 2019.

Safety and Labour Protection

Fire safety and labour protection in the Bank is organized in accordance with the requirements of Labour Code of the Republic of Kazakhstan No. 414-V 3PK dated 23 November 2015 and Fire Safety Regulations of the Republic of Kazakhstan No. 1077 dated 9 October 2014. In 2021, there were no work-related accidents. The Bank constantly monitors the provision of fire safety. The set of measures includes daily preventive patrolling of the territories, premises and buildings of the Bank. The technical equipment to detect and timely localize fires that have arisen operates in a stand-by around-the-clock mode. A special place in the set of measures is occupied by fire-fighting drills, which were carried out with the development of skills for timely evacuation from the building. In 2021, there were no fires in the premises of the Bank.

Last year, the work on labour protection was coordinated and aimed at strengthening and taking additional measures to prevent the spread of the coronavirus infection. For this purpose, the Bank's employees were transferred to a remote form of work. The work of FortePoint and branches located in shopping centres with a mass stay of people was temporarily suspended, the employees were sent on leave. All meetings with current and potential customers of the Bank were held remotely using remote communication channels. In addition, all meetings were organized by telephone and video conferencing. The Bank has in place the Regulations on Safety and Labour Protection (hereinafter referred to as the 'Regulations'), which determine the regulatory and organizational and methodological activities for the implementation of organizational, technical, sanitary and hygienic measures aimed at ensuring safety, maintaining health and effective human performance in the labour process, control

of the Bank's employees observance of safety and labour protection rules, the procedure for conducting training and testing knowledge on safety and labour protection, the procedure for investigating accidents that occurred in the course of the Bank's employees performance of their responsibilities, as well as the responsibility of employees of the Bank for violation of safety and labour protection. The Bank has developed and approved safety and labour protection instructions for employees of various categories.

Training and testing of knowledge on safety and labour protection among responsible employees of the Head Office and branches of the Bank are organized in accordance with Order of the Minister of Health and Social Development of the Republic of Kazakhstan No. 1019 On approval of the Rules and time limits of training, instruction and testing of knowledge on safety and labour protection of employees, executives and persons responsible for ensuring labour safety and labour protection dated 25 December 2015 and Order of the Minister of Emergency of the Republic of Kazakhstan No. 276. On approval of the Rules for training the employees of organizations and the population in fire safety measures and requirements for the contents of training programs for training in fire safety measures dated 9 June 2014.



The executives and responsible employees of the Bank periodically, but at least once every three years, undergo training on safety and labour protection and fire safety basics, which is conducted online on the job in the relevant educational institutions. The timely completion of training and checking the knowledge of responsible employees at the Head Office are controlled by the inspector for safety and labour protection, at the branches of the Bank – responsible employees of the Personnel and Documentation Support Directorate in accordance with the requirements of the legislation of the Republic of Kazakhstan. Thus, in 2021, 19 employees of the Bank, including 14 executives and 5 persons responsible for ensuring safety and labour protection, received training on safety and labour protection issues. 39 employees of the Bank, 28 executives and 11 persons responsible for ensuring safety and labour protection were trained in the fire safety basics to test knowledge of the requirements of regulatory legal acts in the field of fire safety, fire prevention regime, fire hazard of the work process and production of the organization, as well as techniques and actions in the event of a fire in an organization. The training was aimed at developing practical skills in fire prevention, saving life, health and property in case of fire.

To maintain the ability of the Bank to fulfil its assumed obligations to depositors and creditors in terms of timely provision of the possibility of making settlements in accordance with the obligations assumed, the Business Continuity Plan was tested with the result that the report On Business Continuity Management of the Bank was drawn up.

The work was performed to ensure that employees of the Bank comply with the requirements for occupational health in accordance with Order No. 01-010458/329 dated 22 October 2021, mandatory medical examinations were organized for all employees of the Bank in the medical centres of the country.

To comply with sanitary and hygienic standards and prevent the spread of the coronavirus infection, bactericidal irradiators were turned on daily at the end of the working day to quickly disinfect the air. During working hours, the air recuperators operate on all floors in conjunction with a general ventilation system to supply clean air to the premises and ensure comfortable working conditions for employees of the Bank.

COMMUNICATION WITH STAKEHOLDERS

ForteBank strives to create value for all of its stakeholders and ensure a balanced development taking into account their interests in both the short and long term. We communicate with our stakeholders to keep them as informed as possible about our activities and to deliver the best results for them.

Communication with the stakeholders is a key element in making responsible decisions by the management of the Bank. We provide an opportunity for everyone to provide feedback on the performance of the Bank through various forums and channels in order to assist in shaping our business development strategy in accordance with the needs and expectations of our stakeholders.

Through quality stakeholder communication, we strive to build mutual trust, promote engagement, maintain sound risk management, and make decisions that are in the best interest of our stakeholders.

Through open dialogue with stakeholders, we have developed a clearer understanding of the wishes and key interests of stakeholders and how we can best meet those needs.



What is our approach to work with stakeholders?	How do we communicate?	Which questions are raised most of all?	How do we respond?
Shareholders			
The implementation of our strategy is consistent with the goal of providing long-term sustainable returns to shareholders.	We communicated with our shareholders at our General Meeting of Shareholders where the management reviewed the performance of the Bank and its subsidiaries and provide an opportunity for the shareholders to feedback and vote on key decisions.	The main interest of the shareholders is to expand the scale of the Bank and its subsidiaries and ensure a sustainable financial position, as well as continuing the course towards digitalization and development of the ecosystem.	We have created a high-quality risk management system and are pursuing a balanced business development that ensures a good financial result and an expansion of the customer base and volume of operations. Forte provides quality financial and non-financial reporting in order to provide in-depth insight into its business to investors and shareholders.
Customers			
The interests of a customer form the basis of everything we do. Innovation, product development, service quality improvement, reliability are the priorities of our strategy.	Our front office colleagues are an integral part of the communication with our customers and we gain invaluable insight into how our customers feel about our service and what we can do better.	Customers are showing increasing interest in digital solutions. They want to receive the most convenient and suitable solutions for them in the shortest possible time. In addition, we see and understand that the needs of our customers are not limited to classic banking products.	When developing our offers, we strive for a customer-focused approach and put it at the centre of the process. In particular, last year, we worked on developing the products and improving the quality of services. Technological innovations are being developed in order to create a wide ecosystem of services to meet the various needs of customers.
Employees			
Our people are the main asset of Forte. We create a corporate environment that provides equal development opportunities for all employees and better working conditions.	Throughout the year, we communicated with our employees on several forums and through various channels to collect thoughts, opinions and feedback on how we are doing, with the opportunity to ask questions directly to Forte's top management. We strive to build a culture of open communication. For instance, in December 2019, a corporate social network was launched.	Employees are interested in receiving a decent remuneration for their work and providing a social package, as well as in fair and objective procedures for communicating with the Bank at all stages of cooperation.	We strive to create a strong corporate culture based on Forte values and a comfortable atmosphere in the team. An important direction is the creation of effective motivation for employees and high-quality social support. The Bank and its subsidiaries pay much attention to the issues of training and advanced training of employees in order to expand their career opportunities and unlock their potential. In addition, we pay attention to the development of IT infrastructure in order to enhance comfort of work of the personnel. In addition, in the coming years, the Bank plans to become one of the top 40% of Kazakhstan's companies with the highest level of remuneration.
Society			
We make decisions and conduct business to ensure that our customers, shareholders, colleagues and the communities in which we operate have access to a prosperous and sustainable future.	We are in constant dialogue with the mass media, non-governmental organizations and other members of the public to improve our understanding of emerging and existing environmental and social problems and to see the areas in which we need to be actively involved. We also maintain regular open communication with regulating authorities, with ensuring business transparency and exchanging opinions and expectations.	An important aspect of our activity is the strict observance of the legislation on social-and-economic and environmental issues. The questions of the impact of our activities on the social and economic situation in the regions of presence, ensuring quality employment, availability of products and services are also raised.	We ensure transparency and openness in our activities and take into account the interests of various social groups when making decisions. Forte is working to integrate the principles of sustainable development into its activities in order to work most effectively on the development of the social and environmental aspects of its activities.



ENVIRONMENT PROTECTION

Environment Protection Policy

Due to the special nature of its activities, the Bank has an insignificant impact on the environment. However, as part of its work, the Bank strives to ensure a careful and rational attitude towards the environment and the use of resources. An effective environmental management system is a key factor in the Bank's long-term sustainability, as well as the Bank's ability to set and achieve environmental goals while balancing its commitment to a wide range of stakeholders.

The existing corporate governance system, including the practice of distribution of responsibility and delegation of authority, internal audit, and constant monitoring of the Bank's activities are the basis for making decisions that take into account the need to minimize direct and indirect negative impact on the environment. The Board of Directors determines the Bank's environmental policy and sets strategic goals for environmental safety and reduction of environmental impact. The Bank's Management Board carries out planning, determines key areas of development in the field of environmental protection, monitors progress on activities, and evaluates activities.

One of the key elements of the responsible conduct of the Bank's business is compliance with the environmental legislation. The environmental management system operating in the Bank is designed to ensure the compliance with the legislation in the field of environmental safety. All installations that have a negative impact on the environment are included in the state registers of facilities of negative

impact with assigning an appropriate category to them. The facilities of negative impact have authorizations as provided by the legislation.

Key priorities enshrined in the environmental policy of the Bank provide for environmental friendliness and reducing the negative impact on ecosystems. The Bank adheres to strict compliance with the requirements in the field of environmental responsibility. The Bank is constantly evolving and aims to reduce its environmental impact.

In August 2021, the Bank resumed its cooperation with the ECO Network platform, which is an official member of the UN Global Compact and supports 7 out of 17 sustainable development goals. As part of cooperation with ECO Network, the Bank has joined the Remote Green Office project aimed at developing a culture of reasonable consumption and segregated waste collection.

Environmental Protection Measures of the Bank

Diesel plants used as backup sources of electricity have a direct negative impact on the environment during operation. The facilities are located at the following addresses: (1) 8/1, Dostyk St., Nur-Sultan City; (2) 17, Tashenov, Nur-Sultan City; and (3) 22/14, Momyshuly, Nur-Sultan City.

The Bank is regularly monitoring the environmental impact of the operation of diesel generator plants in accordance with the requirements of the legislation. At all stages of operation of diesel generator plants, the level of emissions into the atmosphere and the quality of atmospheric air at the boundaries of sanitary protection zones are monitored. The environmental indicators in the Bank are monitored on a contractual basis in accordance with the environmental control program. The results of environmental control are provided to the territorial agencies of the state environmental supervision. No deviations from the standards were detected.

The measures are taken at all facilities in order to annually replace consumables (air filters, fuel filters, oil filters) on diesel generators. Measures are planned for 2022 to upgrade the power supply system of the facility at 8/1, Dostyk St., Nur-Sultan City, involving putting one of four diesel generators on standby. At the facility located at 22/14, Momyshuly, Nur-Sultan City, it is planned to replace the diesel plant in 2022 for the purpose of upgrading.

Consumption of Resources and Waste Recycling

The Bank pays special attention to the introduction of advanced resource-saving technology and equipment. The buildings of the head office and branches are equipped with automated water, electricity and heat supply systems. To reduce the resource consumption and waste generation, the Bank takes a set of measures including:

- replacement of elevator units with automated heat points;
- replacement of fluorescent lamps with LED lamps;
- installation of cleaners on supply machines;
- use of groundwater, rainwater for irrigating green spaces; and
- daily control of the operation of the engineering systems of power, heat, and water supply and wastewater disposal.

Hazardous waste is collected for subsequent processing and recycling (lead batteries, accumulators, oil-containing waste, pneumatic tires, municipal solid waste, mercury-containing lamps, used oils, etc.). For these purposes, specialized containers have been installed at the head office of the Bank on floors 5 and 8 to collect chemical power sources (batteries), including those used by employees for personal needs, and to collect and subsequently recycle spent mercury-containing lamps. In 2021, the Bank sent 7,550 kg of waste for recycling.



Resource consumption by the Bank's Head Office

	2019	2020	2021
Electric power, kW*h	5,740,000	6,124,000	6,244,892
Heat energy, Gcal	5,122	5,986	7,387
Cold water, m³	11,576	7,635	8,321

RESPONSIBILITY TO CUSTOMERS

ForteBank has implemented several feedback channels through which the customers can send their requests, complaints, suggestions, and appreciations. These channels include:

- call centre;
- Forte App mobile application;
- the Bank's outlets;
- registry office of the Head office and branches;
- forte.kz website ('Feedback' section); and
- social media.

To improve customer service and most effectively process customer complaints and requests, in 2019, the Customer Experience Management Directorate was created and a separate ForteBank Rangers team was formed to help customers to resolve their problems. The Directorate is constantly making proposals for adjusting the processes of providing services in order to make them more comfortable for customers.

All requests and complaints from customers are registered in the request monitoring system, come to the Customer Experience Management Directorate and then are sent

to specialized subdivisions to resolve the customer's problem. Afterwards, within the time limits established by the legislation, a requester is provided with a response to the request. The Customer Experience Management Directorate classifies and routes the customer requests according to the quality of service to the appropriate structural subdivision of the Bank, monitors and controls the timing of consideration of requests, and, upon satisfaction of the request, the customers are provided with feedback and notification of the decision.

Customer satisfaction with the services and operations of the Bank are regularly measured. The results obtained are brought to the attention of the Board of Directors and are key indicators of the development and promotion of Forte products.

SOCIAL RESPONSIBILITY AND CHARITY

Corporate social accountability is an integral part of ForteBank's activities: we regularly support various projects in the field of culture and sports.

To support domestic art, in 2016, ForteBank and the Kulanshi Centre for Contemporary Art created the Forte Kulanshi Art Space gallery in Astana City (now Nur-Sultan City). The idea of creating a gallery belongs to the main shareholder of the Bank, Bulat Utemuratov, who in 2016 returned the masterpieces of the Kazakhstan painting to their homeland. The Kulanshi Art Space gallery constantly hosts exhibitions of domestic and foreign artists, sculptors and other people of art representing both Kazakhstan and near and far foreign countries. In addition to eminent authors, here you can find the works of novice sculptors and painters. Entry to the gallery is free and open to everybody.

The Bank annually holds a one-day charity event – 'Donor Day'; in June 2021, 48 people took part in the event, 21.6 litres of blood were donated.

ForteBank is an active participant in programs to support industries affected by the pandemic with concessional lending at 8% per annum for a borrower. In addition, the Bank took an active part in the program on subsidizing the SMEs operating in the most affected sectors of the economy whereby 6% of the nominal interest rate is paid by a borrower and the rest is subsidized by the state over the period. Initially, it was envisaged that the program would be valid from 16 March 2020 to 15 March 2021, later the validity period was extended until 1 July 2021.

To ensure the possibility of participation of borrowers from among SMEs in the State support programs, during the period from 1 September 2020 to 15 March 2021, the Bank reduced the interest rates for borrowers whose loans had an annual interest rate exceeding 18% per annum.



BANK
PROFILE

KEY PERFORMANCE
INDICATORS

KEY EVENTS
2021

STATEMENT
OF THE CHAIRMAN
OF THE BOARD
OF DIRECTORS

STATEMENT
OF THE CHAIRMAN
OF THE MANAGEMENT
BOARD

ABOUT
BANK

CORPORATE STRATEGY
OF THE BANK

MANAGEMENT
PERFORMANCE
REPORT

CORPORATE
GOVERNANCE

RISK
MANAGEMENT

SUSTAINABLE
DEVELOPMENT

ANNEXES
TO THE REPORT



ANNEXES TO THE REPORT





ANNEX 1. REPORT LIMITS

The Annual Report 2021 of ForteBank JSC includes the information on the financial, economic and operational activities of the Bank for the period from 1 January to 31 December 2021, as well as some retrospective and forward looking indicators. The report has been prepared in accordance with the Global Reporting Initiative Standards (GRI Standards) and the following principles of reporting as enshrined in GRI-1 (2021) standard:

Accuracy – when preparing the report, correct and detailed data were used;

Balance – the information in the report is presented in such a way as to accurately characterize existing positive and negative trends;

Clarity – information is presented in an accessible and understandable way;

Comparability – information is presented in such a way as to enable to compare the results of the reporting and previous periods, as well as with the results of other organizations;

Completeness – the amount of information is sufficient to evaluate performance for the relevant period;

Sustainability context – the information in this report is presented in the broad context of sustainable development;

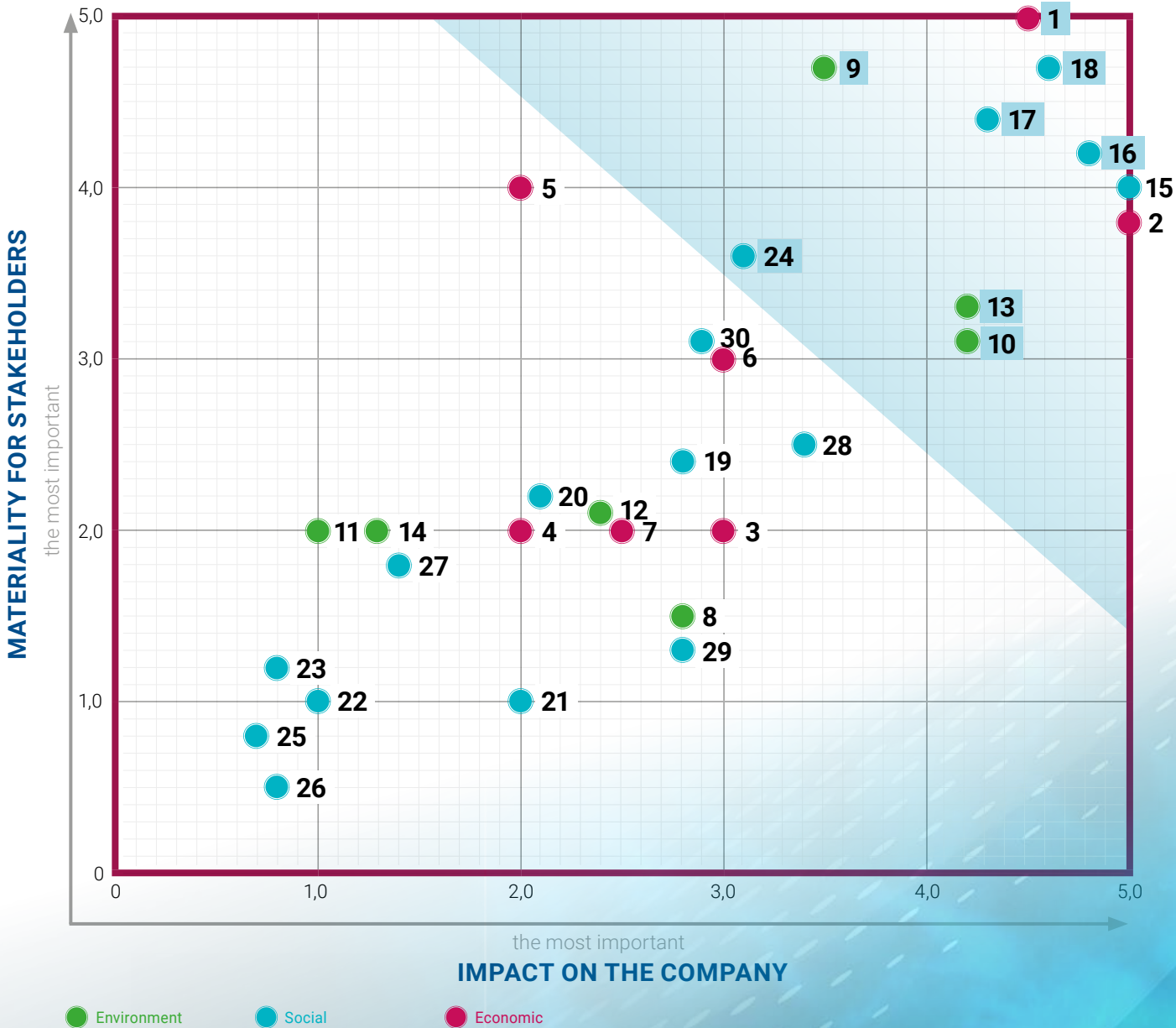
Timeliness – The Bank strives to provide information on a regular basis in order to enable the readers of the report to make timely decisions;

Possibility of verification (verifiability) – the report is designed in such a way as to enable all parties concerned to assess the reliability of the information contained in it.

To determine the content of this report, the stakeholders (members of the Board of Directors, the Management Board, heads of subdivisions of the Bank, representatives of investors, etc.) were questioned. Based on the results of the questioning, a materiality matrix was generated and the most significant topics for disclosure in the report were identified. Topics that were highly rated by the representatives of the Bank and stakeholders were recognized as material (upper right corner of the matrix).

List of topics (topics that are considered significant are highlighted in colour):

Materiality Matrix





Economic Topics	
Economic results	1
Presence in the market	2
Indirect economic effect	3
Procurement practice	4
Anti-corruption	5
Non-competitive conduct	6
Taxation	7
Environment Topics	
Materials	8
Energy	9
Water	10
Biological diversity	11
Emission	12
Waste	13
Suppliers' environmental assessment	14

Social Topics	
Employee recruitment	15
Labour relations practice	16
On-site health and safety	17
Training and education	18
Variety and equal opportunities	19
Counteracting discrimination	20
Freedom of association and holding of collective negotiations	21
Child Labour	22
Forced or compulsory labour	23
Safety practice	24
Rights of local public	25
Assessment of social effect of suppliers	26
State (public) policy	27
Consumer health and safety	28
Products and services marking	29
Consumer privacy	30

ANNEX 2. GRI INDEX

Standard Number	Index	Report Section / Comment	Page
GRI 1: Foundation			
GRI 2: General disclosures 2021			
2-1 Organizational Profile			
2-1 a	Name of the organization	Background Information	12
2-1 b	Ownership and legal form	Background Information	12
2-1 c	Location of headquarters	Background Information, Contact Details	12, 102
2-1 d	Location of operations	Geography of Activities	19
2-2 Entities included in the organization's reports on sustainable development			
2-1 a	Legal entities controlled by organization or in which it has an interest, which are included in a report on sustainable development	Subsidiaries	18
2-1 b	Legal entities with the reports included in the organization's reports	Subsidiaries, Application 3	18, 99
2-3 Reporting period, intervals and contact point			
2-3 a	Reporting period and intervals	Report Limits	91
2-3 b	Reporting period and financial reporting intervals	Report Limits	91
2-3 c	Report publication date	Report Limits	91
2-3 d	Contact point for questions regarding the report	Contact Details	102
2-4 Repeated disclosures			
2-4 a	Repeated disclosure for previous reporting periods (restatement)	The indicators were not reworded	
2-6 Activities, value chain and other business relations			
2-6 a	Sectors (government, private / financial or other) where the organization operates	Macroeconomic environment Banking sector status	23, 25



Standard Number	Index	Report Section / Comment	Page
2-6 b	Value chain	Business model and ecosystem of the Bank Operating performance of the Bank	16, 27
2-7 Employees			
2-7 a	Total number of employees, breakdown by gender, region	Structure and quantity of personnel	76
2-7 b	Total number of permanent and temporary employees, staff members broken down by gender and region, as well as total number of part-time employees, employees working during unguaranteed working hours	Structure and quantity of personnel	76
2-7 e	Significant fluctuations in the number of employees during the reporting period and between reporting periods	Structure and quantity of personnel	76
2-9 Management structure and members			
2-9 a	Management structure, including top management committees	Members of the Board of Directors Committees under the Board of Directors	51, 55
2-9 c	Members of the supreme governing body and its committees	Members of the Management Board Committees under the Management Board	57, 62
2-10 Appointment and election of supreme governing body			
2-10 a	Processes to recommend and elect to the supreme governing body and its committees	Board of Directors Committees under the Board of Directors	51, 55
2-10 b	Criteria used to recommend and elect a supreme governing body	Board of Directors	50
2-11 Chairman of a supreme governing body			
2-11 a	Chairperson of a supreme governing body	Board of Directors	50
2-11 b	Responsibilities of a Chairperson of a supreme governing body within organization	Board of Directors	50

Standard Number	Index	Report Section / Comment	Page
2-12 Role of a supreme governing body in supervision over impact control			
2-12 a	Role of a supreme governing body and top executives in developing, approving and updating the goals, values or mission of organization. Statements, strategies, policy and objectives associated with sustainable development	Sustainable Development	63
2-12 b	Role of a supreme governing body in supervision over processes to detect and control organization's impact on economy, environment and social environment	Sustainable Development	63
2-12 c	Role of a supreme governing body in analysis of effectiveness of organization's processes (2-12 a, 2-12 b), intervals of review	Sustainable Development	63
2-13 Delegation of responsibilities for impact control			
2-13 a	Delegation by a supreme governing body of responsibilities for controlling impact on economy, environment and social environment	Proceedings of the Board of Directors	54
2-13 b	Monitoring process and intervals	Proceedings of the Board of Directors	54
2-15 Conflicts of interests			
2-15 a	Organization's processes to prevent conflict of interests by a supreme governing body	Corporate Ethics	64
2-15 b	Disclosure of a conflict of interests to stakeholders	Corporate Ethics	64
2-16 Disclosure of most important problems			
2-16 a	Process of notification of a supreme governing body of critical problems	Proceedings of the Board of Directors	54
2-17 Collective knowledge of a supreme governing body			
2-17 a	Measures taken to develop collective knowledge, skills and experience of a supreme governing body on sustainable development	Proceedings of the Board of Directors	54



Standard Number	Index	Report Section / Comment	Page
2-18 Assessment of activities of a supreme governing body			
2-18 a	Processes to assess activities of a supreme governing body	Assessment of work of the Board of Directors	56
2-18 b	Independence of assessment, assessment intervals	Assessment of work of the Board of Directors	56
2-19 Remuneration policy			
2-19 a	Policy for remunerating the members of a supreme governing body and top executives	Remuneration of executives	64
2-20 Process to determine a remuneration			
2-20 a	Process to develop a remuneration policy and determine a remuneration	Remuneration of executives	64
2-22 Report on strategy of sustainable development			
2-22 a	Report-statement of a supreme governing body or a chief executive officer of organization concerning relevancy of sustainable development for organization and its strategy of assistance in sustainable development	Sustainable Development	63
2-23 Political commitments			
2-23 a	Political commitments on responsible business conduct	Impact on the company	88
2-25 Processes to eliminate adverse effects			
2-25 a	Commitments to ensure or contribute to elimination of adverse effects	In 2021, significant cases of violation of the rules for the use of personal data resulting in damage caused to customer were not registered. There were no complaints from the customers.	
2-25 b	Approach to detect and consider complaints, including mechanisms to consider complaints	Responsibility to Customers	88
2-26 Mechanisms to receive consultations and express concern			
2-26 a	Mechanisms allowing individual persons applying for consultation on implementation of a policy and practice of organization in the field of responsible business conduct and business behaviour of organization	Communication with Stakeholders Responsibility to Customers	83, 88

Standard Number	Index	Report Section / Comment	Page
2-29 Approach to communication with stakeholders			
2-29 a	Approach to communication with stakeholders, including categories of stakeholders with which it communicate, and how they are identified; purpose of communication with stakeholders; significant communication with stakeholders	Communication with Stakeholders	83
GRI 3: Material Topics 2021			
3-1 Process to determine material topics			
3-1 a	Process to determine material topics, including detection of actual and potential, negative and positive effect on economy, environment and social environment within its activity and business relations; determination of priority of effects for reporting based on their significance.	Report Limits	91
3-2 List of material topics			
3-2 a	List of material topics	Report Limits	91
3-3 Management of material topics			
3-3 a	Actual and potential; negative and positive effect on economy, environment and social environment	Management Performance Report Sustainable Development	21, 63
3-3 c	Policy or obligations regarding topic of material	Sustainable Development	63
3-3 d	Actions taken to manage a topic and related consequences	Sustainable Development	63
3-3 e	Monitoring the effectiveness of actions taken	Sustainable Development	63
GRI 201: Economic Performance 2016			
201-1 Direct economic value generated and distributed			
201-1 a	Direct economic value generated and distributed on an accrual basis, including the basic components for the organization's global operations	Operating Performance of the Bank	25



Standard Number	Index	Report Section / Comment	Page
201-3 Defined benefit plan obligations and other retirement plans			
201-3 a	Estimated value of liabilities met by the organization's general resources	The Bank makes payments in accordance with the pension legislation	
201-3 d	Percentage of salary contributed by employee or employer		
201-3 e	Level of participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact		
GRI 202: Market Presence 2016			
202-1 Ratios of standard entry level wage by gender compared to local minimum wage			
202-1 a	When a significant proportion of employees are compensated based on wages subject to minimum wage rules, ratio of entry level wage by gender at significant locations of operation to the minimum wage	Structure and Number of Personnel	76
202-2 a	Percentage of top management at significant locations of operation hired from among local public	Board of Directors Management Board	50, 57
GRI 203: Indirect Economic Impacts 2016			
203-1	Infrastructure investments and services supported	The Bank does not invest in infrastructure and services.	
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risk related to corruption	Anti-corruption	65
205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption Compliance Control Service	65
GRI 207: Taxation 2019			
207-1	Approach to taxation	Application 3. Consolidated Financial Statements of the Bank	99
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	Consumption of Resources and Waste Recycling	87

Standard Number	Index	Report Section / Comment	Page
GRI 302: Energy 2016			
302-1	Consumption of energy within organization	Consumption of Resources and Waste Recycling	87
GRI 303: Water and waste water 2018			
303-5	Water consumption	Consumption of Resources and Waste Recycling	87
GRI 306: Waste 2020			
306-1	Waste generation and major impact related to waste	Consumption of Resources and Waste Recycling	87
306-3	Waste generated	Consumption of Resources and Waste Recycling	87
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	Employment, Personnel members and Structure	75, 76
401-3	Paternal leave (Maternity leave)	Social protection of employees	80
GRI 402: Labour/Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	Personnel management	75
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	Safety and Labour Protection	81
403-4	Worker participation, consultation, and communication on occupational health and safety	Safety and Labour Protection	81
403-5	Worker training on occupational health and safety	Safety and Labour Protection	81
403-6	Promotion of worker health	Motivation System and Personnel Assessment	77
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	Personnel Development	79



Standard Number	Index	Report Section / Comment	Page
404-2	Programs for upgrading employee skills and transition assistance program	Personnel Development	79
404-3	Percentage of employees receiving regular performance and career development reviews	Personnel Development	79
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	Members of the Board of Directors Members of the Management Board Structure and Number of Personnel	51, 57, 76
405-2	Ratio of basic salary and remuneration of women to men	Structure and Number of Personnel	76
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	In 2021, no discrimination incidents were revealed	



FORTEBANK JOINT STOCK COMPANY

Consolidated financial statements

for the year ended 31 December 2021
together with independent auditor's report

CONTENTS

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income	82
Consolidated statement of financial position	83
Consolidated statement of cash flows	83
Consolidated statement of changes in equity	85

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General	86	18. Other assets and other liabilities	130
2. Basis of preparation	86	19. Current accounts and deposits of customers	130
3. Summary of accounting policies	87	20. Amounts due to banks and other financial institutions	131
4. Significant accounting judgments and estimates	98	21. Debt securities issued	132
5. Net interest income	99	22. Subordinated debt	132
6. Fee and commission income/(expenses)	100	23. Share capital	132
7. Net gains from foreign currencies	101	24. Earnings per share	133
8. Credit loss expense	101	25. Risk management	133
9. General and administrative expenses	101	26. Maturity analysis of assets and liabilities	145
10. Other income and expenses	102	27. Offsetting of financial instruments	147
11. Corporate income tax expense	102	28. Changes in liabilities arising from financing activities	148
12. Cash and cash equivalents	104	29. Capital management	148
13. Amounts due from financial institutions	104	30. Commitments and contingencies	149
14. Trading securities	105	31. Related party transactions	150
15. Loans to customers	106	32. Segment analysis	152
16. Investment securities	128	33. Fair value of financial instruments	156
17. Property and equipment	129	34. Events after the reporting period	159



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Independent auditor's report

To the Shareholders and the Board of Directors of ForteBank Joint Stock Company

Opinion

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

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

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

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

We communicate with the Board of Directors 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.

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We also provide the Board of Directors 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 the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 partner in charge of the audit resulting in this independent auditor's report is Olga Khegay.

Ernst & Young LLP

Olga Khegay
Auditor

Auditor qualification certificate
No. МФ-0000286 dated 25 September 2015

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

9 March 2022

A member firm of Ernst & Young Global Limited



Rustamzhan Sattarov
General Director
Ernst and Young LLP

State audit license for audit activities on the
territory of the Republic of Kazakhstan: series
МФЮ-2 No. 0000003 issued by the Ministry
of finance of the Republic of Kazakhstan on
July 15, 2005



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021 (millions of tenge)

	Note	2021	2020
Interest income calculated using effective interest rate	5	191,897	184,078
Other interest revenue	5	1,147	1,426
Interest expense	5	(97,109)	(90,475)
Net interest income		95,935	95,029
Fee and commission income	6	37,293	35,473
Fee and commission expense	6	(14,809)	(14,271)
Net (losses)/gains on derecognition of investment securities at fair value through other comprehensive income		(195)	226
Net gains from foreign currencies	7	11,025	13,340
Net gains on derecognition of financial assets measured at amortized cost	20	4,079	11,209
Net gains on derecognition of financial liabilities as a result of modifications	20	–	17,956
Other income	10	4,123	3,666
Non-interest income		41,516	67,599
Credit loss expense	8	(9,883)	(38,947)
Net losses on transactions with financial instruments at fair value through profit or loss		(1,154)	(1,583)
General and administrative expenses	9	(51,282)	(48,760)
Loss from disposal of subsidiaries		–	(587)
Other expenses	10	(8,029)	(8,784)
Non-interest expense		(70,348)	(98,661)
Profit before corporate income tax expense		67,103	63,967

	Note	2021	2020
Corporate income tax expense	11	(3,043)	(11,005)
Profit for the year		64,060	52,962
Attributable to:			
- shareholders of the Bank		64,060	52,962
- non-controlling interests		–	–
		64,060	52,962
Other comprehensive income			
Other comprehensive (loss)/income to be reclassified to profit or loss in the subsequent periods			
Net change in fair value of debt instruments at fair value through other comprehensive income		(320)	3,183
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	8	(1,081)	338
Reclassification of cumulative gain/(loss) on disposal of debt instruments at fair value through other comprehensive income to profit or loss		195	(226)
Income tax relating to components of other comprehensive income		195	(226)
Other comprehensive income for the year, net of tax		136	54
Total comprehensive income for the year		(1,070)	3,349
Attributable to:			
- shareholders of the Bank		62,990	56,311
- non-controlling interests		–	–
		62,990	56,311
Basic and diluted earnings per common share (in tenge)	24	0.72	0.59

Signed and authorised for release on behalf of the Management Board of the Bank:

Reinis Rubenis
Chairman of the Management Board
9 March 2022

Stanislav Levin
Chief Accountant –
Managing Director

Прилагаемые примечания на страницах с 7 по 96 являются неотъемлемой частью настоящей консолидированной финансовой отчетности.

Прилагаемые примечания на страницах с 7 по 96 являются неотъемлемой частью настоящей консолидированной финансовой отчетности.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021 (millions of tenge)

	Note	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents	12	432,948	311,632
Amounts due from financial institutions	13	46,990	73,707
Trading securities	14	2,970	7,377
Loans to customers	15	808,948	749,742
Investment securities	16	985,109	780,095
Property and equipment	17	62,637	65,814
Intangible assets		14,071	11,162
Other assets	18	72,116	89,735
Total assets		2,425,789	2,089,264
Liabilities			
Current accounts and deposits of customers	19	1,733,759	1,387,167
Amounts due to banks and other financial institutions	20	85,189	130,470
Amounts payable under repurchase agreements	27	25,064	21,670
Debt securities issued	21	253,120	240,202
Deferred tax liabilities	11	13,987	11,171
Subordinated debt	22	20,503	20,503
Other liabilities	18	16,470	14,750
Total liabilities		2,148,092	1,825,933
Equity			
Share capital	23	332,815	332,815
Additional paid-in capital	23	23,651	21,109
Treasury shares	23	(3,465)	(5,260)
Fair value reserve	23	8,137	9,207
Accumulated losses		(83,441)	(94,540)
Total equity		277,697	263,331
Total equity and liabilities		2,425,789	2,089,264

Прилагаемые примечания на страницах с 7 по 96 являются неотъемлемой частью настоящей консолидированной финансовой отчетности.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021 (millions of tenge)

	Note	2021	2020
Cash flows from operating activities			
Interest received	5	171,680	156,774
Interest paid	5	(82,472)	(78,242)
Fee and commission received		38,402	35,414
Fee and commission paid		(14,809)	(14,271)
Net realized losses from financial instruments at fair value through profit or loss		(1,177)	(1,574)
Net realised gains from foreign currencies		12,921	12,828
General and administrative expenses paid		(45,320)	(38,472)
Other operating expenses paid		(1,413)	(10,662)
Net decrease/(increase) in operating assets			
Amounts due from financial institutions		27,667	(42,022)
Trading securities		4,181	(1,282)
Loans to customers		(74,289)	16,553
Other assets		17,459	24,250
Net increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		330,796	32,468
Amounts due to banks and other financial institutions		(30,849)	59,047
Amounts payable under repurchase agreements		3,362	(83,006)
Other liabilities		2,081	2,212
Net cash from operating activities before income tax		358,220	70,015
Net cash flow from operating activities			
Corporate income tax paid		(24)	(736)
Net cash flow from operating activities		358,196	69,279

Прилагаемые примечания на страницах с 7 по 96 являются неотъемлемой частью настоящей консолидированной финансовой отчетности.



Note	2021	2020
Cash flows from investing activities		
Proceeds from disposal of a subsidiary, net of cash disposed of	-	(37,012)
Purchase of investment securities at fair value through other comprehensive income	(708,814)	(493,004)
Proceeds from sale of investment securities at fair value through other comprehensive income	11,990	5,198
Redemption of investment securities at fair value through other comprehensive income	522,972	460,956
Purchase of investment securities at amortized cost	(66,781)	(50,085)
Redemption of investment securities at amortized cost	52,271	20,855
Purchase of property and equipment and intangible assets	(5,603)	(14,914)
Proceeds from sale of property and equipment and intangible assets	3	15
Net cash used in investing activities	(193,962)	(107,991)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	2021	2020
Cash flows from financing activities			
Repurchase of own shares	23	-	(822)
Sale of previously repurchased shares	23	4,337	-
Repayment of subordinated debt	28	-	(2.200)
Dividends paid to shareholders of the Bank	23	(52,961)	(21.110)
Issue of debt securities	28	4	1.533
Repurchase of debt securities issued	28	(1,088)	(1.264)
Redemption of debt securities issued	28	-	(3.901)
Payment of lease liabilities		(995)	(650)
Net cash used in financing activities		(50,703)	(28.414)
Effect of exchange rates changes on cash and cash equivalents		7,785	31.509
Effect of expected credit losses on cash and cash equivalents		-	7
Net change in cash and cash equivalents		121,316	(35.610)
Cash and cash equivalents, beginning		311,632	347.242
Cash and cash equivalents, ending	12	432,948	311.632
Non-monetary transactions			
Repossession of collateral on loans to customers	15	4,385	7.717

Прилагаемые примечания на страницах с 7 по 96 являются неотъемлемой частью настоящей консолидированной финансовой отчетности.

Прилагаемые примечания на страницах с 7 по 96 являются неотъемлемой частью настоящей консолидированной финансовой отчетности.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2021 (millions of tenge)

	Share capital	Additional paid-in capital	Treasury shares	Fair value reserve	Accumulated losses	Total equity
At 1 January 2020	332,815	21,109	(4,438)	5,858	(126,392)	228,952
Profit for the year	–	–	–	–	52,962	52,962
Other comprehensive income for the year	–	–	–	3,349	–	3,349
Total comprehensive income for the year	–	–	–	3,349	52,962	56,311
Transactions with owners recorded directly in equity						
Repurchase of own shares (Note 23)	–	–	(822)	–	–	(822)
Dividends declared (Note 23)	–	–	–	–	(21,110)	(21,110)
At 31 December 2020	332,815	21,109	(5,260)	9,207	(94,540)	263,331
Profit for the year	–	–	–	–	64,060	64,060
Other comprehensive income for the year	–	–	–	(1,070)	–	(1,070)
Total comprehensive income for the year	–	–	–	(1,070)	64,060	62,990
Transactions with owners recorded directly in equity						
Sale of previously repurchased shares (Note 23)	–	2,542	1,795	–	–	4,337
Dividends declared (Note 23)	–	–	–	–	(52,961)	(52,961)
At 31 December 2021	332,815	23,651	(3,465)	8,137	(83,441)	277,697

Прилагаемые примечания на страницах с 7 по 96 являются неотъемлемой частью настоящей консолидированной финансовой отчётности.



1. General

Principal activities

These consolidated financial statements include financial statements of ForteBank Joint Stock Company (hereinafter, the “Bank”) and its subsidiaries (hereinafter, the “Group”).

The Bank was formed in 1999 under the laws of the Republic of Kazakhstan. On 10 February 2015, the Bank was reregistered to ForteBank JSC (formerly, Alliance Bank JSC).

Legal address of the Bank’s head office: 010017, Republic of Kazakhstan, Nur-Sultan, Dostyk Str. 8/1. The Bank’s activities are regulated by the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan (hereinafter, the “AFM”). The Bank operates under license No. 1.2.29/197/36 for conducting banking and other activities and operations on securities market stipulated by the banking legislation, issued by the AFM on 3 February 2020, which replaces previous licenses.

The Group’s primary business is related to commercial banking activities, granting of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services. Some securities issued by the Bank are listed on the London Stock Exchange, the Luxembourg Stock Exchange and the Kazakhstan Stock Exchange (hereinafter – the “KASE”) and Astana International Exchange.

The Bank is a participant of the Kazakhstan Deposit Insurance Fund (hereinafter, the “KDIF”). The primary objective of the KDIF is to protect interests of depositors in the event of forced liquidation of the participant bank. As at 31 December 2021 and 2020, depositors can receive limited insurance coverage for deposits, depending on its amount and the currency: in tenge – up to 10 million tenge, in foreign currencies – up to 5 million tenge, savings deposits in tenge – up to 15 million tenge.

As at 31 December 2021 and 2020, the Group includes the following subsidiaries:

Name	Country of incorporation	Principal activity	Ownership, %	
			31 December 2021	31 December 2020
ForteLeasing JSC	Republic of Kazakhstan	Leasing opearions	100.0	100.0
OUSA Alliance LLP	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
OUSA-F LLP	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
ONE Technologies LLP	Republic of Kazakhstan	Software development	100.0	100.0
ForteFinance JSC	Republic of Kazakhstan	Brokerage and dealer activities, investment portfolio management activities	100.0	100.0

2. Basis of preparation

Shareholders

As at 31 December 2021, Mr. B. Zh. Utemuratov was the beneficial owner of 89.32% of the outstanding common shares of the Bank (31 December 2020: 90.60%) and was the ultimate controlling shareholder of the Group. The rest of the shares are held by other shareholders, none of which owns more than 5% of the shares.

General

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

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for trading securities, derivative financial assets, investment securities and measured at fair value through other comprehensive income carried at fair value.



2. Basis of preparation (continued)

Functional and presentation currency of consolidated financial statements

The functional currency of the financial statements of Bank and its subsidiaries is tenge as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of the Group's transactions and circumstances relevant to them affecting its activities.

The Kazakhstani tenge is also the presentation currency for the purposes of these consolidated financial statements.

All information of the consolidated financial statements has been rounded to the nearest million tenge, unless otherwise stated.

Effect of COVID-19 pandemic

Due to the rapid spread of the COVID-19 pandemic in 2020, many governments, including the Government of the Republic of Kazakhstan, have taken various measures to combat the outbreak, including enforcement of travel restrictions, quarantines, closing businesses and other institutions, and closing certain regions. Some of the above measures were also taken during the year ended 31 December 2021 and continue to impact the global supply chain, demand for goods and services, and overall business activity. It is expected that the pandemic itself, as well as the associated public health and social measures, could have an impact on the activities of institutions in various sectors of the economy. The Group continues to assess the impact of the pandemic and changes in economic conditions on its operations, financial position and financial performance.

3. Summary of accounting policies

Changes in accounting policy

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The nature and the effect of these changes are disclosed below.

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if required.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to manage the significant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all significant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights or potential voting rights belonging to the Group.



3. Summary of accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. If necessary, the accounting policies of subsidiaries are changed to bring it into conformity with the accounting policies of the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Fair value measurement

The Group measures financial instruments at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI), at fair value at each reporting date.

The fair value is a 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In the event of assets and liabilities recognized in the financial statements on a regular basis, the Group determines the fact of transfer between levels of hierarchy sources by analysing the classification once again (based on initial data of the lowest level that are significant for fair value evaluation in whole) at the end of each reporting period.

Financial instruments

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.



3. Summary of accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Due from financial institutions, loans to customers, investment securities at amortised cost

The Group only measures Due from financial institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest revenue and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The expected credit losses (ECL) for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.



3. Summary of accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Equity instruments at FVOCI

Sometimes, upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of such instruments, accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of comprehensive income, and an ECL allowance.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these liabilities are in the scope of the ECL requirements.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2021.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amount due from the National Bank of the Republic of Kazakhstan and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Receivables under repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest revenue and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties. In this case the purchase and sale transaction is recorded within gains less losses from trading securities in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.



3. Summary of accounting policies (continued)

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments, including forwards, swaps and options on currency markets and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are recorded in the consolidated statement of comprehensive income as net gain/(loss) from transactions with financial instruments at fair value through profit or loss or net gain/(loss) from foreign currencies (dealing), depending on the nature of the financial instrument.

Derivatives embedded in liabilities and non-financial host contracts are treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the consolidated statement of comprehensive income.

Financial assets are classified based on the business model and SPPI assessments.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to banks and other financial institutions, current accounts and deposits of customers, debt securities issued and other borrowed funds. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Lease

i. *Group as lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes the right-of-use assets at the commencement date of the lease (that is, the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments, which will be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



3. Summary of accounting policies (continued)

Leases (continued)

i. Group as lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of vehicles and equipment (i.e. contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option). The Group also applies the low value assets lease recognition exemption to contracts of lease of office equipment whose value is considered to be low. Lease payments on short-term leases and lease of assets of low value are recognised as lease expense on a straight-line basis over the lease term.

ii. Operating – Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

iii. Finance – Group as lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Restructuring of loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss that is presented within other income in the consolidated statement of comprehensive income, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Group also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 12-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value. In this case the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated ECL allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent reversals are charged to credit loss expenses. A write-off results in a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis

over the periods that the related costs, for which it is intended to compensate, are expensed. Such grants are deducted from the related expense when recognized in the consolidated financial statements.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

A benefit from a loan provided by the government at a below market rate of interest are treated as a government grant. The loan is recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit from using a below market rate of interest is measured as the difference between the original carrying amount of the loan determined in accordance with IFRS 9, and the proceeds received.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group. Land, construction-in-progress and assets to be installed are not depreciated. The estimated useful lives are as follows:

	Years
Buildings	10-100
Computer hardware	5-7
Vehicles	5-7
Other	2-25

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.



3. Summary of accounting policies (continued)

Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are 1 to 8 years.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated asset's selling price in the ordinary course of business of the Group, less the estimated costs to sell. Collateral received for repayment of loans to customers, which is reflected in the Group's balance sheet at the reporting date, is carried at the lower of cost and net realizable value.

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State pension system of Kazakhstan, which requires withholdings by the employer calculated as a percentage from current gross salary payments. Such expense is charged in the period the related salaries are earned, and are accounted in "General and administrative expenses" in the consolidated statement of comprehensive income. The Group contributes social tax to the budget of the Republic of Kazakhstan for its employees. The Group has no post-retirement benefits.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingent assets and liabilities

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

Equity

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury shares

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Taxation

Corporate income tax comprises current and deferred tax. Corporate income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

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

Deferred tax assets and deferred tax liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and deferred tax liabilities are not recognized in respect of the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.



3. Summary of accounting policies (continued)

Taxation (continued)

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

Income and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar revenue and expenses

The Group calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired financial assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income and expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that,

at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in “Other interest revenue” in the consolidated statement of comprehensive income.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Group’s performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Customer loyalty programs

The Group offers a number customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. For point-based programs, the Group generally recognized a liability for the accumulated points that are expected to be utilized by the customers, which is reversed to profit or loss as the points expire. Cashbacks on plastic card transactions reduce fee and commission income.

Dividend income

Dividends are recognised when the Group’s right to receive the payment is established.



3. Summary of accounting policies (continued)

Segment reporting

An operating segment is a component of a Group that is engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the 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.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into tenge at the market exchange rate established by KASE at the date of the consolidated statement of financial position. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of comprehensive income as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the KASE exchange rate on the date of the transaction are included in gains less losses from foreign currencies dealing.

As at 31 December 2021 the official exchange rate used for translation of monetary balances on foreign currency accounts was KZT 431,80 for 1 US dollar (31 December 2020: KZT 420,91 for USD 1).

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt those standards when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting

requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 Revenue from Contracts with Customers or IAS 37 Provisions, Contingent Liabilities and Contingent Assets) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current and Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation



3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

These amendments are not expected to have a significant impact on the Group’s consolidated financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – a subsidiary adopting International Financial Reporting Standards for the first time

As part of its 2018–2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 Firsttime Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018–2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.



3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Group’s accounting policies, management has used its judgements and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Collateral assessment

The Bank management performs monitoring of collateral on a regular basis. The Bank’s management uses internal valuation approaches based on Kazakhstani and international requirements or independent valuation to adjust the value of collateral in light of the current market situation.

Expected credit losses from financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances for ECL. In addition, large-scale business disruptions can lead to liquidity problems for some organizations and consumers. The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group’s internal credit grading model, which assigns PDs to the individual grades;
- The Group’s criteria for assessing if there has been a significant increase in credit risk and so ECL allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as the US dollar, inflation and the real wage index, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

Determining the lease term of contracts with renewal options

The Group defines the lease term as a lease period not prematurely terminated, together with the periods for which the renewal option is provided, if it is reasonably certain that it will be exercised, or the periods for which the termination option is provided, if it is reasonably certain that it will not be exercised.



4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Determining the lease term of contracts with renewal options (continued)

The Group has the option, under some of its leases to lease the assets for additional term of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax returns, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

The management believes that the Bank's tax position as at 31 December 2021 and 2020 was in compliance with tax laws of the Republic of Kazakhstan regulating its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

Assessment of recoverability of deferred income tax assets requires to use subjective judgements by the Group's management around the likely timing and the level of future taxable profit together with the tax planning strategy.

The management believes that deferred tax assets as at 31 December 2021 are recorded to the extent that it is probable that future taxable profits will be available to cover temporary differences, unused tax losses and unused tax benefits, and deferred tax assets are reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

5. Net interest income

Net interest income comprises::

	2021	2020
Interest income calculated using effective interest rate		
Loans to customers	117,444	125,601
Debt securities at FVOCI	46,596	37,607
Investment securities measured at amortized cost	19,054	16,957
Amounts due from financial institutions and cash equivalents	6,145	2,531
Amounts receivable under reverse repurchase agreements	2,658	1,382
	191,897	184,078
Other interest revenue		
Trading securities	3	626
Finance leases	1,144	800
	193,044	185,504
Interest expense		
Current accounts and deposits of customers	(56,347)	(51,392)
Debt securities issued	(29,699)	(28,170)
Amounts due to banks and other financial institutions	(6,974)	(7,096)
Subordinated debt	(1,616)	(2,040)
Amounts payable under repurchase agreements	(2,473)	(1,777)
	(97,109)	(90,475)
Net interest income	95,935	95,029

Interest income calculated using the effective interest rate for 2021 includes income in the amount of 8,798 million tenge representing the unwinding of discount on loans to customers (for 2020: 8,315 million tenge).



5. Net interest income (continued)

Interest income received is as follows:

	2021	2020
Interest revenue received		
Loans to customers	108,659	101,485
Debt securities at FVOCI	34,113	31,979
Investment securities measured at amortized cost	18,810	17,733
Amounts due from financial institutions and cash equivalents	6,145	2,783
Amounts receivable under reverse repurchase agreements	2,658	1,386
Finance leases	1,140	801
Trading securities	155	607
	171,680	156,774

Interest expense paid comprise:

	2021 год	2020 год
Interest expenses paid		
Current accounts and deposits of customers	(56,639)	(51,599)
Debt securities issued	(16,502)	(16,574)
Amounts due to banks and other financial institutions	(5,274)	(6,249)
Amounts payable under repurchase agreements	(2,441)	(1,883)
Subordinated debt	(1,616)	(1,937)
	(82,472)	(78,242)

6. Fee and commission income/(expenses)

Fee and commission income is as follows:

	2021	2020
Card operations	21,312	18,942
Settlement operations	7,704	8,752
Cash operations	4,469	4,451
Commissions on guarantees and letters of credits	2,247	1,783
Foreign currency operations and operations with securities	307	426
Other	1,254	1,119
	37,293	35,473

Fee and commission expense is as follows:

	2021	2020
Maintenance of card accounts	(12,888)	(12,124)
Maintenance of nostro accounts	(473)	(389)
Settlement operations	(333)	(323)
Customer accounts services by financial agents	(172)	(124)
Foreign currency operations and operations with securities	(135)	(91)
Other	(808)	(1,220)
	(14,809)	(14,271)

Revenue from contracts with customers recognized in the consolidated statement of comprehensive income for the years ended 31 December 2021 and 2020 primarily represents fee and commission income of 37,293 million tenge and 35,473 million tenge, respectively.

As at 31 December 2021 and 2020, the Group recognized contract assets related to contracts with customers in the amount of 1,443 million tenge and 2,590 million tenge in the consolidated statement of financial position within other assets, respectively.



6. Fee and commission income/(expenses) (continued)

The Group usually collects fees and commissions in advance of completion of the underlying transaction or shortly thereafter (for contracts where performance obligation is satisfied point in time, such as settlement transactions).

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

7. Net gains from foreign currencies

Net gains from foreign currencies is presented as follows:

	2021	2020
Dealing, net	12,921	12,857
Translation differences, net	(1,896)	483
	11,025	13,340

8. Credit loss expense

Credit loss expense comprised the following for 2021 and 2020:

	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Amounts due from financial institutions	92	-	-	-	92
Loans to customers	2,151	(6,749)	(3,683)	(3,733)	(12,014)
Investment securities measured at amortized cost	73	596	-	-	669
Investment securities measured at FVOCI	228	853	-	-	1,081
Other financial assets	-	-	(195)	-	(195)
Financial guarantees, letters of credit and undrawn loan commitments	9	96	379	-	484
	2,553	(5,204)	(3,499)	(3,733)	(9,883)

	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	(5)	-	-	-	(5)
Amounts due from financial institutions	(38)	-	-	-	(38)
Loans to customers	(2,118)	(10,235)	(21,020)	(3,185)	(36,558)
Investment securities measured at amortized cost	(16)	(72)	-	-	(88)
Investment securities measured at FVOCI	(345)	7	-	-	(338)
Other financial assets	-	-	(1,456)	-	(1,456)
Financial guarantees, letters of credit and undrawn loan commitments	(203)	(107)	(154)	-	(464)
	(2,725)	(10,407)	(22,630)	(3,185)	(38,947)

9. General and administrative expenses

General and administrative expenses comprise:

	2021	2020
Salary and related taxes	(29,399)	(25,109)
Depreciation and amortization	(8,070)	(7,516)
Repair and maintenance	(3,761)	(2,637)
Taxes other than corporate income tax	(2,770)	(2,698)
Advertising and marketing	(1,786)	(1,529)
Maintenance of buildings	(1,578)	(1,489)
Security	(836)	(922)
Telecommunication and information services	(681)	(734)
Charity and sponsorship	(613)	(3,020)
Encashment	(422)	(385)
Transportation services	(421)	(403)
Lease	(364)	(402)
Other professional services	(352)	(248)
Business trips	(156)	(101)
Other	(73)	(1,567)
	(51,282)	(48,760)



9. General and administrative expenses (continued)

General administrative expenses comprise:

	2021	2020
Sales and marketing	(24,279)	(20,800)
Technologies and development of new products	(9,172)	(6,476)
Other	(17,831)	(21,484)
	(51,282)	(48,760)

10. Other income and expenses

Other income and expense comprise:

	2021	2020
Other income		
Income from operating lease	1,257	1,904
Net income from sale of repossessed collateral	1,187	–
Other	1,679	1,762
	4,123	3,666
Other expenses		
Loss from change in net realizable value of repossessed collateral	(1,439)	(1,070)
Other expenses from non-banking activities	(954)	(1,097)
Expenses for SMS notification	(988)	(1,010)
Net losses from modification of loans to customers not resulting in derecognition	(207)	(2,164)
Net losses from sale of inventories	–	(1,461)
Other	(4,441)	(1,982)
	(8,029)	(8,784)

Net losses from modification of loans to customers not resulting in derecognition includes expenses from the suspension of payments of principal and interest on loans to customers affected by the state of emergency in the Republic of Kazakhstan in connection with the COVID-19 pandemic in the amount of 64 million tenge (in 2020: 2,005 million tenge) (Note 15).

11. Corporate income tax expense

Corporate income tax expense comprise the following:

	2021	2020
Current corporate income tax charge	(91)	(828)
Deferred corporate income tax charge – origination and reversal of temporary differences	(2,952)	(10,177)
Corporate income tax expense	(3,043)	(11,005)

The income of the Bank and its subsidiaries is subject to taxation in the Republic of Kazakhstan. Kazakhstan legal entities have to file corporate income tax returns to the tax authorities. The statutory corporate income tax rate in 2021 and 2020 was 20%.

Below is the reconciliation of income tax expenses based on statutory rate with income tax expenses recorded in the consolidated financial statements:

	2021	2020
Profit before corporate income tax expense	67,103	63,967
Statutory corporate income tax rate	20%	20%
Theoretical corporate income tax expense at the statutory rate	(13,421)	(12,793)
Non-taxable income on state securities and securities officially listed at KASE	13,067	10,383
Adjustment of corporate income tax charge/(credit) for prior years	183	(202)
Non-deductible credit loss expense	2,566	(2,527)
Change in tax losses carried forward and unrecognized deferred tax assets	(3,900)	(4,549)
Other	(1,538)	(1,317)
Corporate income tax expenses	(3,043)	(11,005)



11. Corporate income tax expense (continued)

Deferred tax assets and liabilities as at 31 December, as well as their movements for the respective years comprise the following:

	2019	Origination and reversal of temporary differences within profit or loss	Origination and reversal of temporary differences within other comprehen-sive income	Disposal of a subsidiary	2020	Origination and reversal of temporary differences within profit or loss	Origination and reversal of temporary differences within other comprehen- sive income	2021
Tax losses carried forward	24,413	(11,546)	-	-	12,867	(233)	-	12,634
Loans to customers	3,572	528	-	1	4,101	(756)	-	3,345
Investment securities measured at FVOCI	(344)	-	54	-	(290)	-	136	(154)
Investment securities measured at amortized cost	(1,268)	(1,379)	-	(5)	(2,652)	3	-	(2,649)
Debt securities issued	(15,179)	2,334	-	-	(12,845)	2,641	-	(10,204)
Subordinated debt	(342)	3	-	339	-	-	-	-
Amounts due to banks and other financial institutions	(4,476)	(9,740)	-	-	(14,216)	(2,512)	-	(16,729)
Property and equipment and intangible assets	2,994	1,278	-	286	4,558	1,485	-	6,043
Other	194	1,348	-	(48)	1,494	320	-	1,815
Deferred tax assets/(liabilities)	9,564	(17,174)	54	573	(6,983)	948	136	(5,899)
Unrecognised deferred tax assets	(11,185)	6,997	-	-	(4,188)	(3,900)	-	(8,088)
Deferred tax liabilities, net	(1,621)	(10,177)	54	573	(11,171)	(2,952)	136	(13,987)



12. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2021	31 December 2020
Cash on hand	68,721	65,827
Cash on current accounts with the NBRK rated at BBB-	44,867	37,855
Cash on current accounts with other banks:		
- rated from AA- to AA+	-	74
- rated from A- to A+	65,991	44,449
- rated from BBB- to BBB+	7,128	3,810
- rated from BB- to BB+	1,728	1,963
- rated below B+	521	97
- not rated	15	19
Time deposits with the NBRK rated at BBB- with up to 90 days	99,332	114,992
Reverse repurchase agreements up to 90 days (Note 27)	144,646	42,547
Cash and cash equivalents before allowance for ECL	432,949	311,633
Allowance for ECL	(1)	(1)
Cash and cash equivalents	432,948	311,632

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

As at 31 December 2021 and 2020, all balances of cash equivalents are allocated to Stage 1 for the purposes of measuring the ECL.

As at 31 December 2021, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are bonds of the Ministry of Finance of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC (hereinafter, "KSF"), the Eurasian Development Bank (EDB), shares of Halyk Savings Bank of Kazakhstan JSC and notes of the NBRK, the total fair value of which as at 31 December 2021 is 145,653 million tenge (31 December 2020: bonds of the Ministry of Finance of the Republic of Kazakhstan with a fair value of 42,545 million tenge).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 December 2021, combined minimum reserve requirements of the Bank amount to 34,544 million tenge (31 December 2020: 31,863 million tenge).

Concentration of cash and cash equivalents

As at 31 December 2021, the Group has accounts with two banks which balances exceed 10% of total cash and cash equivalents (31 December 2020: one bank). The total aggregate balance of the accounts with the above counterparties as at 31 December 2021 amounts to 188,359 million tenge (31 December 2020: 152,847 million tenge).

13. Amounts due from financial institutions

Amounts due from financial institutions comprise:

	31 December 2021	31 December 2020
Current accounts with the NBRK rated at BBB- restricted in use	4,796	34,984
Deposits with other banks:		
- not rated	614	610
Contingent deposits and deposits pledged as a collateral:		
- rated at AAA	25,794	25,245
- rated from AA- to AA+	5,489	5,347
- rated from A- to A+	328	-
- rated from BBB- to BBB+	108	105
- not rated	10,571	8,203
Amounts due from financial institutions before allowance for ECL	47,700	74,494
Allowance for ECL	(710)	(787)
Amounts due from financial institutions	46,990	73,707



13. Amounts due from financial institutions (continued)

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

As at 31 December 2021 and 2020, all balances of amounts due from financial institutions are allocated to Stage 1 for ECL measurement purposes.

Amounts on current accounts with the NBRK restricted in use include funds received by the Bank as part of participation in the state program of lending businesses. In 2020, these funds also included amounts allocated by Kazakhstan Sustainability Fund JSC (hereinafter, the “KSF”) in favor of the Bank to support small and medium businesses as part of the implementation of measures introduced by the government due to the consequences of the COVID-19 pandemic. The carrying amount of these funds as at 31 December 2020 was 27,789 million tenge. As at 31 December 2021, the program was completed (Note 20).

As at 31 December 2021 contingent deposits and deposits pledged as collateral include contingent deposits restricted for use on transactions with providers of payment operation services in the amount of 7.361 million tenge (as at 31 December 2020: 7,172 million tenge).

In accordance with the loan agreements between the Bank and European Bank of Reconstruction and Development (hereinafter, the “EBRD”), during 2020 the Bank placed escrow deposits with EBRD totalling 66 million US dollars for a period until 2023. As at 31 December 2021, the carrying amount of the escrow deposits was 25,794 million tenge (31 December 2020: 25,245 million tenge) (Note 20).

Concentration of amounts due from financial institutions

As at 31 December 2021, the Group has amounts due from four financial institutions (31 December 2020: two), which balances individually exceed 10% of total amounts due from financial institutions. The total value of these balances as at 31 December 2021 is 44,693 million tenge (as at 31 December 2020: 60,229 million tenge).

14. Trading securities

Trading securities comprise:

	31 December 2021	31 December 2020
Corporate bonds		
- rated from BB- to BB+	-	423
Total corporate bonds	-	423
Bonds of banks		
- rated from BB- to BB+	-	5,514
Total bonds of banks	-	5,514
Equity instruments	2,970	1,440
Trading securities	2,970	7,377

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



15. Loans to customers

Loans to customers comprise:

31 December 2021					
	Stage 1	Stage 2	Stage 3	POCI	Total
Individually significant loans	270,021	17,934	16,130	301	304,386
Total individually significant loans	270,021	17,934	16,130	301	304,386
Individually insignificant loans					
Corporate loans	152,614	1,301	27,746	546	182,207
Mortgage loans	16,592	206	4,827	9,464	31,089
Consumer loans	212,655	3,038	11,856	-	227,549
Car loans	4,367	3	392	-	4,762
Credit cards	3,805	99	557	-	4,461
Other loans secured by collateral	51,183	1,726	22,913	16,863	92,685
Total individually insignificant loans	441,216	6,373	68,291	26,873	542,753
Loans to customers before allowance for ECL	711,237	24,307	84,421	27,174	847,139
Allowance for ECL	(12,651)	(2,404)	(21,751)	(1,385)	(38,191)
Loans to customers	698,586	21,903	62,670	25,789	808,948

31 December 2020					
	Stage 1	Stage 2	Stage 3	POCI	Total
Individually significant loans	183,974	7,117	58,536	-	249,627
Total individually significant loans	183,974	7,117	58,536	-	249,627
Individually insignificant loans					
Corporate loans	122,538	1,620	38,055	1,366	163,579
Mortgage loans	27,662	416	16,555	10,730	55,363
Consumer loans	176,203	4,051	21,352	1	201,607
Car loans	4,657	5	485	-	5,147
Credit cards	4,224	124	1,131	-	5,479
Other loans secured by collateral	83,713	1,954	48,121	18,437	152,225
Total individually insignificant loans	418,997	8,170	125,699	30,534	583,400
Loans to customers before allowance for ECL	602,971	15,287	184,235	30,534	833,027
Allowance for ECL	(11,941)	(3,152)	(68,921)	729	(83,285)
Loans to customers	591,030	12,135	115,314	31,263	749,742



15. Loans to customers (continued)

Quality of individually significant loans

Information on the quality of individually significant loans at 31 December 2021 is presented in the table below:

	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Individually significant loans				
Stage 1 loans	270,021	(2,335)	267,686	0.86
Stage 2 and Stage 3 loans				
- not overdue	31,715	(516)	31,199	1.63
- overdue for less than 90 days	643	(420)	223	65.32
- overdue for 90 days to 360 days	-	-	-	-
- overdue for more than 360 days	1,706	(559)	1,147	32.77
Stage 2 and Stage 3 loans	34,064	(1,495)	32,569	4.39
POCI	301	-	301	0.00
Total individually significant loans	304,386	(3,830)	300,556	1.26

Information on the quality of individually significant corporate loans at 31 December 2020 is presented in the table below:

	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Individually significant loans				
Stage 1 loans	183,974	(3,336)	180,638	1.81
Stage 2 and Stage 3 loans				
- not overdue	33,423	(1,078)	32,345	3.23
- overdue for less than 90 days	14,495	-	14,495	0.00
- overdue for 90 days to 360 days	1,068	(1,068)	-	100.00
- overdue for more than 360 days	16,667	(12,332)	4,335	73.99
Stage 2 and Stage 3 loans	65,653	(14,478)	51,175	22.05
POCI	-	-	-	0.00
Total individually significant loans	249,627	(17,814)	231,813	7.14



15. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance

Analysis of movements in gross carrying amount and related ECL for individually significant loans for 2021 is as follows:

	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	183,974	7,117	58,536	-	249,627
New assets originated or purchased	330,880	-	14,851	301	346,032
Assets derecognised or repaid (excluding write-offs)	(246,552)	(5,937)	(28,613)	(12)	(281,114)
Transfers to Stage 1	4,252	-	(4,252)	-	-
Transfers to Stage 2	(2,151)	24,474	(22,323)	-	-
Transfers to Stage 3	(5,235)	(8,107)	13,342	-	-
Transfer between loan categories based on significance	2,911	(83)	(985)	-	1,843
Net change in accrued interest	253	359	(2,133)	-	(1,521)
Unwinding of discount	-	-	688	-	688
Recoveries	-	-	381	-	381
Write-off	-	-	(13,451)	-	(13,451)
Effect from changes in exchange rates	1,689	111	89	12	1,901
At 31 December	270,021	17,934	16,130	301	304,386

	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(3,336)	(12)	(14,466)	-	(17,814)
New assets originated or purchased	(5,484)	-	(635)	-	(6,119)
Assets derecognised or repaid (excluding write-offs)	3,302	11	4,830	-	8,143
Transfers to Stage 1	(5)	-	5	-	-
Transfers to Stage 2	-	(26)	26	-	-
Transfers to Stage 3	25	8	(33)	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	3,166	(17)	(3,254)	-	(105)
Transfer between loan categories based on significance	(3)	-	(68)	-	(71)
Unwinding of discount	-	-	(688)	-	(688)
Recoveries	-	-	(381)	-	(381)
Write-off	-	-	13,451	-	13,451
Effect from changes in exchange rates	-	-	(246)	-	(246)
At 31 December	(2,335)	(36)	(1,459)	-	(3,830)



15. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for individually significant loans for 2020 is as follows:

	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	188,466	7,563	38,337	–	234,366
New assets originated or purchased	238,784	–	–	–	238,784
Assets derecognised or repaid (excluding write-offs)	(196,005)	(15,238)	(4,936)	–	(216,179)
Transfers to Stage 1	540	(540)	–	–	–
Transfers to Stage 2	(28,428)	28,428	–	–	–
Transfers to Stage 3	(24,097)	(13,465)	37,562	–	–
Transfer between loan categories based on significance	(2,410)	–	(2,609)	–	(5,019)
Net change in accrued interest	2,575	135	944	–	3,654
Unwinding of discount	–	–	2,774	–	2,774
Recoveries	–	–	825	–	825
Write-off	–	–	(15,787)	–	(15,787)
Effect from changes in exchange rates	4,549	234	1,426	–	6,209
At 31 December	183,974	7,117	58,536	–	249,627

	2020			POCI	Total
	Stage 1	Stage 2	Stage 3		
ECL at 1 January	(1,250)	(35)	(26,141)	–	(27,426)
New assets originated or purchased	(3,244)	–	–	–	(3,244)
Assets derecognised or repaid (excluding write-offs)	1,694	45	1,146	–	2,885
Transfers to Stage 1	(6)	6	–	–	–
Transfers to Stage 2	35	(35)	–	–	–
Transfers to Stage 3	–	17	(17)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(477)	7	(1,009)	–	(1,479)
Transfer between loan categories based on significance	–	–	(422)	–	(422)
Unwinding of discount	–	–	(2,774)	–	(2,774)
Recoveries	–	–	(825)	–	(825)
Write-off	–	–	15,787	–	15,787
Effect from changes in exchange rates	(88)	(17)	(211)	–	(316)
At 31 December	(3,336)	(12)	(14,466)	–	(17,814)



15. Loans to customers (continued)

Quality of individually insignificant loans

The following table provides information on the credit quality of individually insignificant loans collectively assessed for impairment as at 31 December 2021:

31 December 2021				
	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Individually insignificant corporate loans				
Not overdue	160,060	(2,836)	157,224	1.77
Overdue for less than 30 days	1,842	(4)	1,838	0.22
Overdue for 30 to 89 days	557	(4)	553	0.72
Overdue for 90 to 179 days	988	(15)	973	1.52
Overdue for 180 to 360 days	2,849	(109)	2,740	3.83
Overdue more than 360 days	15,365	(4,544)	10,821	29.57
POCI	546	(117)	429	21.43
Total individually insignificant corporate loans	182,207	(7,629)	174,578	4.19
Mortgage loans				
Not overdue	16,296	(77)	16,219	0.47
Overdue for less than 30 days	557	(1)	556	0.18
Overdue for 30 to 89 days	257	(9)	248	3.5
Overdue for 90 to 179 days	210	(9)	201	4.29
Overdue for 180 to 360 days	143	(7)	136	4.90
Overdue more than 360 days	4,162	(1,408)	2,754	33.83
POCI	9,464	(575)	8,889	6.08
Total mortgage loans	31,089	(2,086)	29,003	6.71

31 December 2021				
	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Consumer loans				
Not overdue	208,510	(6,596)	201,914	3.16
Overdue for less than 30 days	4,689	(1,056)	3,633	22.52
Overdue for 30 to 89 days	3,113	(2,252)	861	72.34
Overdue for 90 to 179 days	3,042	(2,428)	614	79.82
Overdue for 180 to 360 days	5,644	(4,583)	1,061	81.20
Overdue more than 360 days	2,551	(1,979)	572	77.58
Total consumer loans	227,549	(18,894)	208,655	8.3

31 December 2021				
	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Car loans				
Not overdue	4,347	-	4,347	0.00
Overdue for less than 30 days	11	-	11	0.00
Overdue for 30 to 89 days	13	-	13	0.00
Overdue for 90 to 179 days	2	-	2	0.00
Overdue for 180 to 360 days	1	(1)	-	100
Overdue more than 360 days	388	(46)	342	11.86
Total car loans	4,762	(47)	4,715	0.99



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2021			
	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Credit cards				
Not overdue	3,580	(606)	2,974	16.93
Overdue for less than 30 days	240	(83)	157	34.58
Overdue for 30 to 89 days	93	(81)	12	87.10
Overdue for 90 to 179 days	101	(101)	-	100.00
Overdue for 180 to 360 days	191	(159)	32	83.25
Overdue more than 360 days	256	(212)	44	82.81
Total credit cards	4,461	(1,242)	3,219	27.84
Other loans secured by collateral				
Not overdue	49,254	(68)	49,186	0.14
Overdue for less than 30 days	3,234	(4)	3,230	0.12
Overdue for 30 to 89 days	2,215	(19)	2,196	0.86
Overdue for 90 to 179 days	891	(20)	871	2.24
Overdue for 180 to 360 days	2,850	(132)	2,718	4.63
Overdue more than 360 days	17,378	(3,527)	13,851	20.30
POCI	16,863	(693)	16,170	4.11
Total other loans secured by collateral	92,685	(4,463)	88,222	4.82
Total individually insignificant loans	542,753	(34,361)	508,392	6.33

Information on the quality of individually insignificant loans collectively assessed for impairment at 31 December 2020 is presented in the table below:

	31 December 2020			
	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Individually insignificant corporate loans				
Not overdue	134,407	(859)	133,548	0,64
Overdue for less than 30 days	1,715	(6)	1,709	0,35
Overdue for 30 to 89 days	3,763	(392)	3,371	10,42
Overdue for 90 to 179 days	2,322	(311)	2,011	13,39
Overdue for 180 to 360 days	1,479	(69)	1,410	4,67
Overdue more than 360 days	18,527	(7,767)	10,760	41,92
POCI	1,366	(543)	823	39,75
Total individually insignificant corporate loans	163,579	(9,947)	153,632	6,08
Mortgage loans				
Not overdue	27,177	(108)	27,069	0,40
Overdue for less than 30 days	1,249	(6)	1,243	0,48
Overdue for 30 to 89 days	518	(16)	502	3,09
Overdue for 90 to 179 days	238	(68)	170	28,57
Overdue for 180 to 360 days	451	(61)	390	13,53
Overdue more than 360 days	15,000	(10,514)	4,486	70,09
POCI	10,730	523	11,253	(4,87)
Total mortgage loans	55,363	(10,250)	45,113	18,51



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

31 December 2020				
	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Consumer loans				
Not overdue	169,848	(6,142)	163,706	3,62
Overdue for less than 30 days	7,117	(2,256)	4,861	31,70
Overdue for 30 to 89 days	4,213	(2,886)	1,327	68,50
Overdue for 90 to 179 days	5,900	(4,826)	1,074	81,80
Overdue for 180 to 360 days	7,838	(6,366)	1,472	81,22
Overdue more than 360 days	6,690	(5,368)	1,322	80,24
POCI	1	–	1	0,00
Total consumer loans	201,607	(27,844)	173,763	13,81

31 December 2020				
	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Car loans				
Not overdue	4,634	(1)	4,633	0,02
Overdue for less than 30 days	25	–	25	0,00
Overdue for 30 to 89 days	8	–	8	0,00
Overdue for 90 to 179 days	–	–	–	–
Overdue for 180 to 360 days	3	(1)	2	33,33
Overdue more than 360 days	477	(130)	347	27,25
Total car loans	5,147	(132)	5,015	2,56

31 December 2020				
	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
Credit cards				
Not overdue	3,934	(424)	3,510	10,78
Overdue for less than 30 days	245	(94)	151	38,37
Overdue for 30 to 89 days	163	(121)	42	74,23
Overdue for 90 to 179 days	206	(143)	63	69,42
Overdue for 180 to 360 days	340	(234)	106	68,82
Overdue more than 360 days	591	(358)	233	60,58
Total credit cards	5,479	(1,374)	4,105	25,08
Other loans secured by collateral				
Not overdue	84,268	(270)	83,998	0,32
Overdue for less than 30 days	7,387	(143)	7,244	1,94
Overdue for 30 to 89 days	3,099	(162)	2,937	5,23
Overdue for 90 to 179 days	1,839	(71)	1,768	3,86
Overdue for 180 to 360 days	3,364	(107)	3,257	3,18
Overdue more than 360 days	33,831	(15,920)	17,911	47,06
POCI	18,437	749	19,186	(4,06)
Total other loans secured by collateral	152,225	(15,924)	136,301	10,46
Total individually insignificant loans	583,400	(65,471)	517,929	11,22



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance

Analysis of movements in gross carrying amount and related ECL for individually insignificant corporate loans for 2021 is as follows:

Individually insignificant corporate loans	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	122,538	1,620	38,055	1,366	163,579
New assets originated or purchased	226,738	-	852	24	227,614
Assets derecognised or repaid (excluding write-offs)	(192,698)	(756)	(9,168)	(193)	(202,815)
Transfers to Stage 1	5,946	(894)	(5,052)	-	-
Transfers to Stage 2	(2,754)	3,055	(301)	-	-
Transfers to Stage 3	(4,076)	(1,797)	5,873	-	-
Transfer between loan categories based on significance	(2,911)	83	985	-	(1,843)
Net change in accrued interest	(494)	(13)	(816)	5	(1,318)
Unwinding of discount	-	-	1,083	-	1,083
Adjustment of the gross value of POCI assets	-	-	-	50	50
Recoveries	-	-	3,583	-	3,583
Write-off	-	-	(7,398)	(717)	(8,115)
Effect from changes in exchange rates	325	3	50	11	389
At 31 December	152,614	1,301	27,746	546	182,207

Individually insignificant corporate loans	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(602)	(140)	(8,662)	(543)	(9,947)
New assets originated or purchased	(976)	-	(59)	-	(1,035)
Assets derecognised or repaid (excluding write-offs)	2,117	35	1,852	-	4,004
Transfers to Stage 1	(95)	2	93	-	-
Transfers to Stage 2	19	(19)	-	-	-
Transfers to Stage 3	17	195	(212)	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(3,085)	(83)	(577)	(241)	(3,986)
Transfer between loan categories based on significance	3	-	68	-	71
Unwinding of discount	-	-	(1,083)	-	(1,083)
Adjustment of the gross value of POCI assets	-	-	-	(50)	(50)
Recoveries	-	-	(3,583)	-	(3,583)
Write-off	-	-	7,398	717	8,115
Effect from changes in exchange rates	-	-	(135)	-	(135)
At 31 December	(2,602)	(10)	(4,900)	(117)	(7,629)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for individually insignificant corporate loans for 2020 is as follows:

Individually insignificant corporate loans	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	120,258	6,758	25,803	31	152,850
New assets originated or purchased	211,353	–	–	1,159	212,512
Disposal of a subsidiary	(250)	–	–	–	(250)
Assets derecognised or repaid (excluding write-offs)	(198,588)	(4,250)	(7,026)	–	(209,864)
Transfers to Stage 1	7,297	(5,834)	(1,463)	–	–
Transfers to Stage 2	(10,132)	12,001	(1,869)	–	–
Transfers to Stage 3	(12,486)	(7,150)	19,636	–	–
Transfer between loan categories based on significance	2,410	–	2,609	–	5,019
Net change in accrued interest	1,752	82	(781)	112	1,165
Unwinding of discount	–	–	1,125	–	1,125
Recoveries	–	–	5,469	–	5,469
Write-off	–	–	(6,700)	–	(6,700)
Effect from changes in exchange rates	924	13	1,252	64	2,253
At 31 December	122,538	1,620	38,055	1,366	163,579

Individually insignificant corporate loans	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(294)	(203)	(9,103)	16	(9,584)
New assets originated or purchased	(742)	–	–	–	(742)
Assets derecognised or repaid (excluding write-offs)	435	31	5,570	8	6,044
Transfers to Stage 1	(57)	54	3	–	–
Transfers to Stage 2	18	(223)	205	–	–
Transfers to Stage 3	14	236	(250)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	77	(10)	(4,878)	(566)	(5,377)
Transfer between loan categories based on significance	–	–	422	–	422
Unwinding of discount	–	–	(1,125)	–	(1,125)
Recoveries	–	–	(5,469)	–	(5,469)
Write-off	–	–	6,700	–	6,700
Effect from changes in exchange rates	(53)	(25)	(737)	(1)	(816)
At 31 December	(602)	(140)	(8,662)	(543)	(9,947)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2021 is as follows:

Mortgage loans	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	27,662	416	16,555	10,730	55,363
New assets originated or purchased	2,666	-	17	1,512	4,195
Assets derecognised or repaid (excluding write-offs)	(12,832)	(142)	(2,310)	(2,601)	(17,885)
Transfers to Stage 1	1,212	(513)	(699)	-	-
Transfers to Stage 2	(681)	752	(71)	-	-
Transfers to Stage 3	(1,155)	(285)	1,440	-	-
Net change in accrued interest	(306)	(22)	(229)	314	(243)
Unwinding of discount	-	-	1,317	-	1,317
Adjustment of the gross value of POCI assets	-	-	-	2,541	2,541
Recoveries	-	-	1,360	-	1,360
Write-off	-	-	(12,560)	(3,047)	(15,607)
Effect from changes in exchange rates	26	-	7	15	48
At 31 December	16,592	206	4,827	9,464	31,089

Mortgage loans	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(27)	(2)	(10,744)	523	(10,250)
New assets originated or purchased	(19)	-	(11)	-	(30)
Assets derecognised or repaid (excluding write-offs)	20	2	1,100	-	1,122
Transfers to Stage 1	(50)	4	46	-	-
Transfers to Stage 2	1	(7)	6	-	-
Transfers to Stage 3	1	4	(5)	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	38	(7)	(1,694)	(1,604)	(3,267)
Unwinding of discount	-	-	(1,317)	-	(1,317)
Adjustment of the gross value of POCI assets	-	-	-	(2,541)	(2,541)
Recoveries	-	-	(1,360)	-	(1,360)
Write-off	-	-	12,560	3,047	15,607
Effect from changes in exchange rates	-	-	(50)	-	(50)
At 31 December	(36)	(6)	(1,469)	(575)	(2,086)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2020 is as follows:

Mortgage loans	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	32,797	1,463	24,627	9,311	68,198
New assets originated or purchased	4,128	–	–	1,628	5,756
Disposal of a subsidiary	(16)	–	–	–	(16)
Assets derecognised or repaid (excluding write-offs)	(9,752)	(527)	(4,123)	–	(14,402)
Transfers to Stage 1	2,221	(1,605)	(616)	–	–
Transfers to Stage 2	(1,618)	1,781	(163)	–	–
Transfers to Stage 3	(607)	(705)	1,312	–	–
Net change in accrued interest	377	6	(564)	167	(14)
Unwinding of discount	–	–	1,792	–	1,792
Recoveries	–	–	2,011	–	2,011
Write-off	–	–	(7,798)	(429)	(8,227)
Effect from changes in exchange rates	132	3	77	53	265
At 31 December	27,662	416	16,555	10,730	55,363

Mortgage loans	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(81)	(10)	(9,656)	1,112	(8,635)
New assets originated or purchased	(22)	–	–	–	(22)
Assets derecognised or repaid (excluding write-offs)	114	5	2,289	710	3,118
Transfers to Stage 1	(57)	19	38	–	–
Transfers to Stage 2	10	(18)	8	–	–
Transfers to Stage 3	–	18	(18)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	–	(40)	(7,310)	(1,728)	(9,078)
Unwinding of discount	–	–	(1,792)	–	(1,792)
Recoveries	–	–	(2,011)	–	(2,011)
Write-off	–	–	7,798	429	8,227
Effect from changes in exchange rates	9	24	(90)	–	(57)
At 31 December	(27)	(2)	(10,744)	523	(10,250)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2021 is as follows:

Consumer loans	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	176,203	4,051	21,352	1	201,607
New assets originated or purchased	162,487	-	151	-	162,638
Assets derecognised or repaid (excluding write-offs)	(115,706)	(687)	(7,682)	(1)	(124,076)
Transfers to Stage 1	5,588	(3,255)	(2,333)	-	-
Transfers to Stage 2	(11,096)	11,372	(276)	-	-
Transfers to Stage 3	(4,666)	(8,370)	13,036	-	-
Net change in accrued interest	(155)	(73)	(303)	-	(531)
Unwinding of discount	-	-	3,228	-	3,228
Recoveries	-	-	2,413	-	2,413
Write-off	-	-	(17,730)	-	(17,730)
Effect from changes in exchange rates	-	-	-	-	-
At 31 December	212,655	3,038	11,856	-	227,549

Consumer loans	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(7,329)	(2,867)	(17,648)	-	(27,844)
New assets originated or purchased	(4,918)	-	(30)	-	(4,948)
Assets derecognised or repaid (excluding write-offs)	4,309	497	6,300	-	11,106
Transfers to Stage 1	(4,694)	2,425	2,269	-	-
Transfers to Stage 2	1,123	(1,381)	258	-	-
Transfers to Stage 3	1,048	5,960	(7,008)	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	3,468	(6,885)	(5,880)	-	(9,297)
Unwinding of discount	-	-	(3,228)	-	(3,228)
Recoveries	-	-	(2,413)	-	(2,413)
Write-off	-	-	17,730	-	17,730
Effect from changes in exchange rates	-	-	-	-	-
At 31 December	(6,993)	(2,251)	(9,650)	-	(18,894)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2020 is as follows:

Consumer loans	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	182,768	3,326	4,972	1	191,067
New assets originated or purchased	106,981	–	–	–	106,981
Assets derecognised or repaid (excluding write-offs)	(96,914)	(476)	(1,222)	(1)	(98,613)
Transfers to Stage 1	6,172	(5,078)	(1,094)	–	–
Transfers to Stage 2	(16,534)	16,801	(267)	–	–
Transfers to Stage 3	(8,662)	(10,544)	19,206	–	–
Net change in accrued interest	2,392	65	343	1	2,801
Unwinding of discount	–	–	2,931	–	2,931
Recoveries	–	–	52	–	52
Write-off	–	(43)	(3,576)	–	(3,619)
Effect from changes in exchange rates	–	–	7	–	7
At 31 December	176,203	4,051	21,352	1	201,607

Consumer loans	Stage 1	Stage 2	2020	POCI	Total
			Stage 3		
ECL at 1 January	(4,006)	(1,603)	(4,307)	–	(9,916)
New assets originated or purchased	(2,879)	–	–	–	(2,879)
Assets derecognised or repaid (excluding write-offs)	2,366	134	382	–	2,882
Transfers to Stage 1	(4,162)	3,147	1,015	–	–
Transfers to Stage 2	621	(866)	245	–	–
Transfers to Stage 3	322	6,569	(6,891)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	409	(10,291)	(8,678)	–	(18,560)
Unwinding of discount	–	–	(2,931)	–	(2,931)
Recoveries	–	–	(52)	–	(52)
Write-off	–	43	3,576	–	3,619
Effect from changes in exchange rates	–	–	(7)	–	(7)
At 31 December	(7,329)	(2,867)	(17,648)	–	(27,844)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for car loans for 2021 is as follows:

Car loans	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	4,657	5	485	-	5,147
New assets originated or purchased	1,291	-	-	-	1,291
Assets derecognised or repaid (excluding write-offs)	(1,585)	-	(117)	-	(1,702)
Transfers to Stage 1	1	-	(1)	-	-
Transfers to Stage 2	(3)	3	-	-	-
Transfers to Stage 3	-	(5)	5	-	-
Net change in accrued interest	(1)	-	(4)	-	(5)
Unwinding of discount	-	-	11	-	11
Recoveries	-	-	180	-	180
Write-off	-	-	(168)	-	(168)
Effect from changes in exchange rates	7	-	1	-	8
At 31 December	4,367	3	392	-	4,762

Car loans	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(1)	-	(131)	-	(132)
New assets originated or purchased	(1)	-	-	-	(1)
Assets derecognised or repaid (excluding write-offs)	-	-	23	-	23
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	2	-	84	-	86
Unwinding of discount	-	-	(11)	-	(11)
Recoveries	-	-	(180)	-	(180)
Write-off	-	-	168	-	168
Effect from changes in exchange rates	-	-	-	-	-
At 31 December	-	-	(47)	-	(47)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for car loans for 2020 is as follows:

Car loans	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	1,495	2	458	–	1,955
New assets originated or purchased	5,986	–	–	–	5,986
Assets derecognised or repaid (excluding write-offs)	(2,880)	–	(25)	–	(2,905)
Transfers to Stage 1	4	(2)	(2)	–	–
Transfers to Stage 2	(24)	24	–	–	–
Transfers to Stage 3	–	(19)	19	–	–
Net change in accrued interest	64	–	7	–	71
Unwinding of discount	–	–	22	–	22
Recoveries	–	–	20	–	20
Write-off	–	–	(15)	–	(15)
Effect from changes in exchange rates	12	–	1	–	13
At 31 December	4,657	5	485	–	5,147

Car loans	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	–	–	(91)	–	(91)
New assets originated or purchased	(7)	–	–	–	(7)
Assets derecognised or repaid (excluding write-offs)	3	–	14	–	17
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	3	–	(26)	–	(23)
Unwinding of discount	–	–	(22)	–	(22)
Recoveries	–	–	(20)	–	(20)
Write-off	–	–	15	–	15
Effect from changes in exchange rates	–	–	(1)	–	(1)
At 31 December	(1)	–	(131)	–	(132)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for credit cards for 2021 is as follows:

Credit cards	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	4,224	124	1,131	-	5,479
New assets originated or purchased	26,537	-	164	-	26,701
Assets derecognised or repaid (excluding write-offs)	(26,381)	(221)	(315)	-	(26,917)
Transfers to Stage 1	223	(139)	(84)	-	-
Transfers to Stage 2	(595)	604	(9)	-	-
Transfers to Stage 3	(193)	(268)	461	-	-
Net change in accrued interest	(11)	(1)	-	-	(12)
Unwinding of discount	-	-	75	-	75
Recoveries	-	-	44	-	44
Write-off	-	-	(910)	-	(910)
Effect from changes in exchange rates	1	-	-	-	1
At 31 December	3,805	99	557	-	4,461

Credit cards	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(523)	(114)	(737)	-	(1,374)
New assets originated or purchased	(3,899)	-	-	-	(3,899)
Assets derecognised or repaid (excluding write-offs)	3,876	202	245	-	4,323
Transfers to Stage 1	(193)	127	66	-	-
Transfers to Stage 2	87	(94)	7	-	-
Transfers to Stage 3	28	245	(273)	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(23)	(490)	(628)	-	(1,141)
Unwinding of discount	-	-	(75)	-	(75)
Recoveries	-	-	(44)	-	(44)
Write-off	-	-	910	-	910
Effect from changes in exchange rates	-	34	24	-	58
At 31 December	(647)	(90)	(505)	-	(1,242)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for credit cards for 2020 is as follows:

Credit cards	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	4,903	168	620	–	5,691
New assets originated or purchased	29,905	–	–	–	29,905
Disposal of a subsidiary	(105)	(3)	(55)	–	(163)
Assets derecognised or repaid (excluding write-offs)	(29,264)	(6)	(3)	–	(29,273)
Transfers to Stage 1	361	(231)	(130)	–	–
Transfers to Stage 2	(743)	770	(27)	–	–
Transfers to Stage 3	(339)	(556)	895	–	–
Net change in accrued interest	104	–	25	–	129
Unwinding of discount	–	–	94	–	94
Recoveries	–	–	3	–	3
Write-off	–	–	(131)	–	(131)
Effect from changes in exchange rates	(598)	(18)	(160)	–	(776)
At 31 December	4,224	124	1,131	–	5,479

Credit cards	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(995)	(156)	(521)	–	(1,672)
New assets originated or purchased	(3,807)	(1)	–	–	(3,808)
Assets derecognised or repaid (excluding write-offs)	4,170	2	3	–	4,175
Transfers to Stage 1	(190)	83	107	–	–
Transfers to Stage 2	116	(137)	21	–	–
Transfers to Stage 3	81	160	(241)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(305)	(75)	(290)	–	(670)
Unwinding of discount	–	–	(94)	–	(94)
Recoveries	–	–	(3)	–	(3)
Write-off	–	–	131	–	131
Effect from changes in exchange rates	407	10	150	–	567
At 31 December	(523)	(114)	(737)	–	(1,374)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2021 is as follows:

Other loans secured by collateral	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	83,713	1,954	48,121	18,437	152,225
New assets originated or purchased	9,698	-	-	2,569	12,267
Assets derecognised or repaid (excluding write-offs)	(40,877)	(1,096)	(5,588)	(4,203)	(51,764)
Transfers to Stage 1	7,417	(3,058)	(4,359)	-	-
Transfers to Stage 2	(5,459)	6,786	(1,327)	-	-
Transfers to Stage 3	(2,456)	(2,842)	5,298	-	-
Net change in accrued interest	(896)	(18)	(1,202)	488	(1,628)
Unwinding of discount	-	-	2,405	-	2,405
Adjustment of the gross value of POCI assets	-	-	-	3,100	3,100
Recoveries	-	-	814	-	814
Write-off	-	-	(21,265)	(3,546)	(24,811)
Effect from changes in exchange rates	43	-	16	18	77
At 31 December	51,183	1,726	22,913	16,863	92,685

Other loans secured by collateral	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(123)	(17)	(16,533)	749	(15,924)
New assets originated or purchased	(34)	-	-	-	(34)
Assets derecognised or repaid (excluding write-offs)	45	9	1,414	-	1,468
Transfers to Stage 1	(203)	93	110	-	-
Transfers to Stage 2	26	(128)	102	-	-
Transfers to Stage 3	4	55	(59)	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	247	(23)	(6,763)	(1,888)	(8,427)
Unwinding of discount	-	-	(2,405)	-	(2,405)
Adjustment of the gross value of POCI assets	-	-	-	(3,100)	(3,100)
Recoveries	-	-	(814)	-	(814)
Write-off	-	-	21,265	3,546	24,811
Effect from changes in exchange rates	-	-	(38)	-	(38)
At 31 December	(38)	(11)	(3,721)	(693)	(4,463)



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2020 is as follows:

Other loans secured by collateral	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	124,553	6,801	58,674	13,199	203,227
New assets originated or purchased	17,003	–	–	5,526	22,529
Disposal of a subsidiary	(70)	–	–	–	(70)
Assets derecognised or repaid (excluding write-offs)	(53,481)	(1,676)	(12,596)	–	(67,753)
Transfers to Stage 1	4,957	(3,227)	(1,730)	–	–
Transfers to Stage 2	(8,492)	10,014	(1,522)	–	–
Transfers to Stage 3	(2,062)	(10,088)	12,150	–	–
Net change in accrued interest	1,145	126	1,350	260	2,881
Unwinding of discount	–	–	3,560	–	3,560
Recoveries	–	–	3,532	–	3,532
Write-off	–	–	(15,428)	(597)	(16,025)
Effect from changes in exchange rates	160	4	131	49	344
At 31 December	83,713	1,954	48,121	18,437	152,225

Other loans secured by collateral	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(132)	(28)	(16,563)	1,761	(14,962)
New assets originated or purchased	(167)	–	–	–	(167)
Assets derecognised or repaid (excluding write-offs)	26	15	3,724	160	3,925
Transfers to Stage 1	(131)	61	70	–	–
Transfers to Stage 2	14	(52)	38	–	–
Transfers to Stage 3	32	44	(76)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	235	(57)	(11,957)	(1,769)	(13,548)
Unwinding of discount	–	–	(3,560)	–	(3,560)
Recoveries	–	–	(3,532)	–	(3,532)
Write-off	–	–	15,428	597	16,025
Effect from changes in exchange rates	–	–	(105)	–	(105)
At 31 December	(123)	(17)	(16,533)	749	(15,924)

In 2021, the Bank revised the composition of key macroeconomic factors used in calculating the ECL approach to the timing of defaults, as well as the application of PIT calibration. As a result of the amendments, the ECL allowance was reduced by the Group in the amount of 2,353 million tenge.

The amounts of undiscounted ECL at initial recognition on purchased credit-impaired loans to customers that were initially recognised in 2021 and 2020 were as follows:

	2021	2020
Mortgage loans	487	629
Other loans secured by collateral	695	702
Total undiscounted ECL at initial recognition of POCI	1,182	1,331



15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

In 2020, the Group converted and forgave foreign currency loans under the state program for refinancing mortgage and housing loans to customers. At the time of conversion and forgiveness, the carrying amount of these loans was 23,768 million tenge. All loans were in Stage 3 at the time of conversion. Previously written-off loans, for which the right to claim was not terminated, were also subject to conversion and forgiveness. As a result of loan conversion and forgiveness, the Group recognized a loss on derecognition of loans to customers in the amount of 15,670 million tenge. In 2021, as part of this program, the Group forgave loans from socially vulnerable segments of the population. At the time of forgiveness, the value of the loans was 14,286 million tenge. As a result, the Group recognized a loss on derecognition of loans to customers in the amount of 10,004 million tenge.

As part of this government program, the Group attracted deposits from Kazakhstan Sustainability Fund JSC with a nominal interest rate of 0.10% to 2.99% per annum and payable at maturity in 2038–2050 (Note 20). Income on initial recognition of borrowings amounted to 14,083 million tenge (2020: 26,879 million tenge) and was recognized net of a loss as a result of derecognition of loans to customers in “Net gains on derecognition of financial assets measured at amortized cost”.

In 2020, the Group introduced certain changes in its process of estimation of expected credit losses in the context of the ongoing COVID-19 pandemic. In particular, it has revised indicators of significant increase in credit risk and does not automatically consider the credit risk to have significantly increased in the case of a loan modification being part of the government support measures. The Group also updated forward looking information, including forecasts of macroeconomic indicators. In addition, the management of the Group made additional adjustments to expected credit losses as at 31 December 2020 in the amount of 617 million tenge.

Modified and renegotiated loans

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss to the extent that an impairment loss has not already been recorded.

The Group has modified the terms and conditions of certain mortgage and consumer loans, and introduced payment holidays, as part of the measures introduced by the government related to consequences of COVID-19 pandemic. As a result, the Group

recognized a loss from the modification of the terms of loans to customers, which amounted to 64 million tenge, as part of other expenses in the consolidated statement of comprehensive income (for 2020: 2.005 million tenge) (Note 10). As at 31 December 2021, the principal and interest prolongation program has been completed.

Below is information on loans issued to customers who were granted with a delay in repayment of principal and interest during 2020–2021 due to the consequences of the COVID-19 pandemic as at 31 December 2021 and 31 December 2020:

	31 December 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Individually significant loans	10,419	14,910	9,852	–	35,181
Individually insignificant corporate loans	17,705	672	8,378	–	26,755
Mortgage loans	3,415	118	357	1,673	5,563
Consumer loans	12,884	535	3,266	–	16,685
Car loans	47	–	–	–	47
Credit cards	45	3	17	–	65
Other loans secured by collateral	17,291	851	3,746	2,568	24,456
Loans to customers before allowance for ECL	61,806	17,089	25,616	4,241	108,752

	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Individually significant loans	11,126	932	31,620	–	43,678
Individually insignificant corporate loans	31,414	1,033	10,833	–	43,280
Mortgage loans	5,811	293	610	1,818	8,532
Consumer loans	27,112	1,874	7,914	–	36,900
Car loans	103	–	–	–	103
Credit cards	80	1	52	–	133
Other loans secured by collateral	29,577	1,434	5,674	2,868	39,553
Loans to customers before allowance for ECL	105,223	5,567	56,703	4,686	172,179

As at 31 December 2021, the share of non-past due Phase 3 loans and POCI issued to customers who were granted with a delay in payment due to the COVID-19 pandemic is 62,35% (31 December 2020: 55,31%).



15. Loans to customers (continued)

Collateral and other credit enhancements

Individually significant corporate loans are subject to assessment and impairment testing on an individual basis. The creditworthiness of a corporate customer is generally the main indicator of the issued credit quality. However, collateral represents additional guarantees, and the Group generally asks corporate borrowers for its provision.

Guarantees and suretyship from individuals such as shareholders of borrowers represented by small and medium-sized businesses are not taken into account in assessing the impairment.

For certain mortgage loans and other loans to individuals, the Group updates the estimated value of collateral at inception of the loan to its current value using automatic revaluation based on analytical price bases based on current information on the real estate market. The Group may also carry out a specific individual valuation of collateral at each reporting date.

The amount and type of collateral required by the Group depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables;
- For retail lending, mortgages over residential properties.

As at 31 December 2021, loans net of ECL allowance overdue over 90 days amount to 51,889 million tenge (as at 31 December 2020: 55,157 million tenge). As at 31 December 2021, the total fair value of collateral securing such loans, limited to the gross value of the respective loans, amounted to 52.587 million tenge (31 December 2020: 69,011 million tenge).

Collateral withdrawn

In 2021, the Group received property classified within other assets with a carrying amount of 4,385 million tenge (2020: 7,717 million tenge) by obtaining control over collateral for loans issued to customers (Note 18). The Group's policy assumes sale of these assets as soon as it is practicable.

Concentration of loans to customers

As at 31 December 2021, the Group had a concentration of loans represented by 164,689 million tenge due from the ten largest independent borrowers or 19.44% of gross loan portfolio (31 December 2020: 130,709 million tenge or 15.69% of gross loan portfolio). Allowance for ECL on these loans is 1,282 million tenge (31 December 2020: 2,431 million tenge).

Industry and geographical analysis of loans

Loans were issued primarily to customers located within the Republic of Kazakhstan operating in the following economic sectors:

	31 December 2021	31 December 2020
Loans to retail customers	360,546	419,821
Metallurgy	68,633	60,180
Wholesale trading	64,154	48,433
Services provided by small and medium businesses	59,006	44,486
Retail services	45,686	35,793
Real estate activities	44,750	49,556
Financial services	34,131	20,831
Food industry	26,448	21,514
Construction	22,927	20,475
Transport	19,533	16,543
Postal and communication services	16,662	6,100
Agriculture	9,565	6,752
Textile production	8,368	7,154
Production of crude oil and natural gas	2,884	5,924
Metal products manufacturing	2,587	3,026
Chemical industry	2,454	2,326
Manufacturing	1,885	1,924
Machine-building	264	554
Other	56,656	61,635
	847,139	833,027
Allowance for ECL	(38,191)	(83,285)
	808,948	749,742



15. Loans to customers (continued)

Finance lease receivables

As at 31 December 2021 and 31 December 2020 loans to customers include finance lease receivables of 7.997 million tenge and 5.864 million tenge, respectively.

	31 December 2021	31 December 2020
Minimum lease payments receivable	10,723	7,336
Unearned finance income	(2,312)	(1,130)
Net minimum lease payments receivable	8,411	6,206
Less: ECL allowance	(414)	(342)
Net investment in finance leases	7,997	5,864
Current portion of minimum lease payments	2,794	4,010
Current portion of unearned finance income	(307)	(276)
Current portion of net minimum lease payments receivable	2,487	3,734
Non-current portion of minimum lease payments	7,929	3,326
Non-current portion of unearned finance income	(2,005)	(854)
Non-current portion of net minimum lease payments receivable	5,924	2,472
Net minimum lease payments receivable	8,411	6,206

The analysis of finance lease receivables at 31 December 2021 and 31 December 2020, is as follows:

At 31 December 2021	Up to 1 year	From 1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Minimum lease payments receivable	2,794	4,179	3,420	278	52	10,723
Unearned finance income	(307)	(869)	(1,009)	(104)	(23)	(2,312)
Net minimum lease payments receivable	2,487	3,310	2,411	174	29	8,411

At 31 December 2020	Up to 1 year	From 1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Minimum lease payments receivable	4,010	2,244	818	206	58	7,336
Unearned finance income	(276)	(470)	(265)	(87)	(32)	(1,130)
Net minimum lease payments receivable	3,734	1,774	553	119	26	6,206



16. Investment securities

Investment securities, including those pledged under repurchase agreements, comprise:

	31 December 2021	31 December 2020
Debt securities at amortized cost		
Government bonds		
Bonds of the NBRK rated BBB-	-	6,543
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	21,523	17,128
Bonds of foreign countries rated at BB- to BB+	870	848
Total government bonds	22,393	24,519
Corporate bonds		
Rated from BBB- to BBB+	177,244	82,935
Rated from BB- to BB+	83,965	160,804
Total corporate bonds	261,209	243,739
Bonds of banks		
Rated from BBB- to BBB+	1,643	-
Rated from BB- to BB+	-	1,639
Rated from B- to B+	5,310	5,208
Total bonds of banks	6,953	6,847
Investment securities measured at amortised cost before ECL allowance	290,555	275,105
Allowance for ECL	(274)	(932)
Investment securities measured at amortized cost	290,281	274,173
Debt securities at FVOCI		
Government bonds		
Bonds of the NBRK rated BBB-	49,202	91,083

	31 December 2021	31 December 2020
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	507,422	276,764
Bonds of the Sultanate of Oman rated at BB	-	1,265
Total government bonds	556,624	369,112
Corporate bonds		
Rated from BBB- to BBB+	111,770	81,341
Rated from BB- to BB+	5,765	435
Total corporate bonds	117,535	81,776
Bonds of banks		
Rated from BBB- to BBB+	17,271	12,124
Rated from BB- to BB+	303	38,455
Rated below B+	3,095	4,455
Total bonds of banks	20,669	55,034
Investment securities measured at FVOCI	694,828	505,922

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

As at 31 December 2021, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of 25,062 million tenge, were pledged under the repurchase agreements entered into at the KASE (Note 27).

As at 31 December 2020, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of 23,466 million tenge, were pledged under the repurchase agreements entered into at the KASE (Note 28).

In 2018 and 2019, the Group acquired bonds of NAC Kazatomprom JSC, Sovereign Wealth Fund Samruk-Kazyna JSC and Kazakhstan Temir Zholy JSC classified as investment securities at amortized cost. As at 31 December 2021, the total carrying amount of these bonds was 236,849 million tenge (31 December 2020: 236,933 million tenge).

The Group's debt securities issued held by SWF Samruk-Kazyna JSC (Note 21), with a total nominal value of 220,000 million tenge, serve as collateral for liabilities to the Group on the above mentioned bonds.



17. Property and equipment

The movements in property and equipment were as follows:

	Land	Buildings	Computers	Motor vehicles	Construction-in-progress and assets to be installed	Other	Right-of-use asset	Total
Cost								
At 1 January 2020	3,143	43,347	4,991	481	7,236	27,241	2,553	88,992
Additions	15	242	1,117	5	860	3,876	1,516	7,631
Transfers	–	4,162	41	–	(6,869)	1,717	–	(949)
Disposals	(30)	(19)	(152)	(7)	–	(1,173)	(929)	(2,310)
Disposals as a result of sale of a subsidiary	(486)	(3,503)	(752)	(26)	–	(959)	(252)	(5,978)
At 31 December 2020	2,642	44,229	5,245	453	1,227	30,702	2,888	87,386
Additions	–	112	495	39	712	1,655	683	3,696
Transfers	–	–	60	–	(719)	659	–	–
Disposals	–	(49)	(73)	–	–	(1,780)	(729)	(2,631)
At 31 December 2021	2,642	44,292	5,727	492	1,220	31,236	2,842	88,451
Accumulated depreciation								
At 1 January 2020	–	(3,421)	(2,374)	(299)	–	(11,425)	(818)	(18,337)
Depreciation charge for the year	–	(1,078)	(732)	(52)	–	(3,804)	(625)	(6,291)
Transfers	–	–	–	–	–	–	–	–
Disposals	–	19	109	6	–	1,032	384	1,550
Disposals as a result of sale of a subsidiary	–	330	481	7	–	556	132	1,506
At 31 December 2020	–	(4,150)	(2,516)	(338)	–	(13,641)	(927)	(21,572)
Depreciation charge for the year	–	(1,071)	(759)	(51)	–	(4,021)	(568)	(6,470)
Disposals	–	22	38	–	–	1,749	419	2,228
At 31 December 2021	–	(5,199)	(3,237)	(389)	–	(15,913)	(1,076)	(25,814)
Net book value								
At 1 January 2020	3,143	39,926	2,617	182	7,236	15,816	1,735	70,655
At 31 December 2020	2,642	40,079	2,729	115	1,227	17,061	1,961	65,814
At 31 December 2021	2,642	39,093	2,490	103	1,220	15,323	1,766	62,637

As at 31 December 2021, the cost and related accumulated depreciation of fully depreciated property and equipment amounted to 11,868 million tenge (31 December 2020: 9,561 million tenge).



18. Other assets and other liabilities

Other assets comprise:

	31 December 2021	31 December 2020
Accounts receivable for the sale of repossessed collateral	16,322	14,940
Government subsidy receivable	2,516	3,177
Accounts receivable on commission income	1,443	2,590
Other accounts receivable from bank activities	5,732	7,791
	26,013	28,498
Allowance for ECL	(3,087)	(4,294)
Other financial assets	22,926	24,204
Repossessed collateral	36,246	51,694
Prepayments and other trade receivables	4,911	4,485
Prepaid taxes other than corporate income tax	2,181	2,766
Investment property	2,469	2,908
Inventories held for sale	1,761	1,956
Inventory	786	1,001
Other	922	765
	49,276	65,575
Impairment allowance	(86)	(44)
Other non-financial assets	49,190	65,531
Total other assets	72,116	89,735

The Group took possession of collateral with an estimated value of 4,385 million tenge during 2021 (2020: 7,717 million tenge). Even though the Group is currently actively trying to sell these assets, most of them were not sold within a short period of time. Management still intends to sell the repossessed collateral.

Other liabilities comprise:

	31 December 2021	31 December 2020
Accrued expenses for employee benefits	5,902	4,469
Payables on non-banking activities	3,539	3,549
Lease liabilities	1,941	2,099
Obligations to pay mandatory contributions to the KDIF	366	445
Allowance for ECL for credit related commitments (Note 30)	658	734
Other	1,191	1,450
Other financial liabilities	13,597	12,746
Taxes payable other than corporate income tax	2,078	1,749
Other	795	255
Other non-financial liabilities	2,873	2,004
Total other liabilities	16,470	14,750

19. Current accounts and deposits of customers

Current accounts and deposits of customers comprise:

	31 December 2021	31 December 2020
Current accounts and demand deposits		
- Retail customers	91,195	84,652
- Corporate customers	439,278	369,583
Time deposits		
- Retail customers	478,679	437,787
- Corporate customers	661,904	419,687
Guarantee deposits		
- Retail customers	17,462	18,148
- Corporate customers	45,241	57,310
	1,733,759	1,387,167
Held as security against letters of credit and guarantees (Note 30)	(2,416)	(483)



19. Current accounts and deposits of customers (continued)

Concentration of current accounts and deposits of customers

As at 31 December 2021, total amount of account balances of top 10 clients amounted to 386,317 million tenge or 22.28 % of total current accounts and deposits of customers (31 December 2020: 300,912 million tenge or 21.69 %).

As at 31 December 2021, the Group's outstanding balance of accounts and deposits of individuals and individual entrepreneurs amounted to 243,073 million tenge (31 December 2020: 232,166 million tenge) with limited KDIF insurance coverage on behalf of the Government of the Republic of Kazakhstan.

In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is obliged to repay the deposit upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

20. Amounts due to banks and other financial institutions

Amounts due to banks and other financial institutions comprise:

	31 December 2021	31 December 2020
Loans and deposits from governmental organizations	48,110	45,587
Loans from other financial institutions	22,706	22,553
Liabilities due to Kazakhstan Sustainability Fund JSC	14,280	60,400
Current accounts and deposits of banks	93	1,930
	85,189	130,470

As at 31 December 2021, loans from public institutions included loans from Entrepreneurship Development Fund “Damu” JSC and Kazakhstan Development Bank JSC in the amount of 34,960 million tenge and 13,079 million tenge, respectively (31 December 2020: 32,417 million tenge and 13,015 million tenge, respectively), as part of the state program to support small and medium-sized businesses by the banking sector. Loans are denominated in tenge, have nominal interest rates from 1.00 % to 9.00 % per annum and mature in 2022–2035.

As at 31 December 2021 loans from other financial institutions include loans in the amount of 22,706 million tenge (31 December 2020: 22,553 million tenge) received from European Bank for Reconstruction and Development as part of the program for supporting of investments in micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans are denominated in tenge, bear interest rates of 10.35 % per annum and mature in 2023. As at 31 December 2021, a deposit in the amount of 25,794 million tenge placed by the Bank with the EBRD acts as collateral for these obligations (31 December 2020: 25,245 million tenge) (Note 13).

As at 31 December 2020, liabilities to the Kazakhstan Sustainability Fund JSC included funds in the amount of 46,756 million tenge received as part of the implementation of measures of the Government of the Republic of Kazakhstan to support small and medium-sized businesses affected by the COVID-19 pandemic. These liabilities include deposits denominated in tenge in the amount of 18,967 million tenge, with a nominal rate of 5.00 % per annum and maturing in 2021 and funds in the amount of 27,789 million tenge not providing for the accrual and payment of interest until the moment the said funds are utilized by the Bank (Note 13). As at 31 December 2021, the funds were returned to Kazakhstan Sustainability Fund JSC in connection with the completion of the state support program.

As at 31 December 2021, liabilities to Kazakhstan Sustainability Fund JSC include deposits in the amount of 11,734 million tenge (31 December 2020: 10,666 million tenge) as part of the governmental program for refinancing of mortgage and housing loans to customers. In 2020, this program was changed in terms of providing additional aid to mortgage borrowers belonging to the category of socially vulnerable segments of the population, as well as unilateral conversion of foreign currency mortgage loans into tenge. Deposits are denominated in tenge, have nominal interest rates from 0.10 % to 2.99 % per annum and mature in 2038–2050. The fair value of deposits attracted at initial recognition was determined by the Group using market rates ranging from 14.07 % to 14.40 % per annum (31 December 2020: from 13.50 % to 13.95 % per annum). The fair value of mortgage loans upon derecognition as a result of a significant modification was determined by the Group using market rates from 18.07 % to 18.40 % per annum (31 December 2020: from 17.50 % to 17.95 % per annum). In 2021, the Group recognized net income from government grants less loss on derecognition of loans to customers in the amount of 4,079 million tenge (2020: 11,209 million tenge) in the consolidated statement of comprehensive income.

In February 2020, the Bank entered into agreements with KSF under the program approved by NBRK to refinance the residential mortgage loans, according to which the terms of the deposits were extended to 30 years. Refunds of the deposits will be made at the end of the term. As a result of modification of the contractual terms of deposits, the Bank recognized a gain on derecognition of these instruments in the amount of 17,956 million tenge, as well as a related effect on deferred corporate income tax of 3,591 million tenge in the consolidated statement of comprehensive income.



21. Debt securities issued

Debt securities issued comprise:

	Maturity	Coupon rate	31 December 2021	31 December 2020
Bonds in US dollars				
Bonds issued in 2019	2022	3.00%	16,171	16,829
Eurobonds issued in 2010	2022	14.00%	15,497	15,136
			31,668	31,965
Bonds in tenge				
Bonds issued in 2018	2024	4.00%	172,406	159,837
Bonds issued in 2015	2025	10.13%	49,046	48,400
			221,452	208,237
			253,120	240,202

In September 2018, the Group issued debt securities with a total nominal value of 220,000 million tenge with a coupon rate of 4% per annum and maturity in 2024. The securities were acquired by Sovereign Wealth Fund Samruk-Kazyna JSC in exchange for 220,000 million tenge deposit placed with the Bank on similar terms (Note 16).

22. Subordinated debt

As at 31 December 2021 and 31 December 2020, subordinated debt includes tenge denominated subordinated debt securities issued maturing in 2022–2031 and a fixed coupon rate of 8% per annum. The coupon is paid every six months.

23. Share capital

The number of authorised, placed and outstanding ordinary shares and share capital as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Common shares		
Number of authorised shares	150,003,000,000	150,003,000,000
Number of issued shares	92,387,104,089	92,387,104,089
Number of repurchased shares	(1,934,376,697)	(3,391,835,697)
Number of outstanding shares	90,452,727,392	88,995,268,392
Total share capital, millions of tenge	329,350	327,555

Movements in outstanding, placed and fully paid shares were as follows:

	Quantity of common shares	Placement value of common shares, in million tenge
At 1 January 2021		
Sale of previously repurchased shares	1,457,459,000	1,795
At 31 December 2021	90,452,727,392	329,350
At 1 January 2020		
Purchase of treasury shares	(498,312,880)	(822)
At 31 December 2020	88,995,268,392	327,555

In December 2021, the Bank sold previously redeemed GDRs, the underlying asset of which were 1,457,459,000 common shares of the Bank representing in total 1.58% of the total issued common shares of the Bank. The total value of the transaction is 4,337 million tenge.

Subject to the decision of shareholders dated 29 March 2021, the Bank declared and paid dividends on common shares for the year ended 31 December 2020, in the amount of 52,961 million tenge.

Subject to the decision of shareholders dated 4 May 2020, the Bank declared and paid dividends on common shares for the year ended 31 December 2019, in the amount of 21,110 million tenge.

Fair value reserve

This reserve records fair value changes on financial assets at FVOCI.



23. Share capital (continued)

The movement in the fair value reserve is as follows:

	2021	2020
At 1 January	9,207	5,858
Net change in fair value of debt instruments at fair value through other comprehensive income	(320)	3,183
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	(1,081)	338
Reclassification of cumulative gain/(loss) on disposal of debt instruments at fair value through other comprehensive income to profit or loss	195	(226)
Income tax relating to components of other comprehensive income	136	54
At 31 December	8,137	9,207

24. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations.

	2021	2020
Net profit attributable to shareholders of the Bank	64,060	52,962
The average weighted number of common shares for the year ended 31 December	89,111,066,504	89,112,358,304
Basic and diluted earnings per share, tenge	0.72	0.59

As at 31 December 2021 and 2020, the Bank did not have any financial instruments diluting earnings per share.

25. Risk management

Introduction

Risk management is inherent in the bank activities and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk and operational risks.

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

Risk management structure

Board of Directors

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

Management Board

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Management Unit (Credit Risk Function, Strategic Risk Function and Collateral Function) is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Risk Committees

Credit risk is controlled by a system of credit committees. For improving the efficiency of decision-making process, the Group has established a hierarchy of credit committees depending on the type and amount of risk exposure. Market risks, liquidity risk, as well as credit risks in terms of counterparties and country risks are managed and controlled by the Asset and Liability Management Committee (hereinafter "ALMC"), both at the level of the portfolio as a whole and at the level of individual transactions. Operational risks, including information technology and information security risks, are monitored by the Operations Committee.

Credit risk function, Strategic risk function

Both external and internal risk factors are identified and managed throughout the Group. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. In addition to the standard analysis of risks to which the Group is exposed, the risk management monitors financial and non-financial risks by holding regular meetings with divisions of the first line of defense to obtain an expert judgement in certain areas of development of the Group's activities.

Bank Treasury

The Bank's Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.



25. Risk management (continued)

Risk management structure (continued)

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects the expected loss likely to arise in normal circumstances based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Except for expected losses, the Group also runs worst case scenarios that may arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committees, and the head of each business division. The reporting contains information on the total amount of credit, market, operational risks, liquidity indicator and changes in the level of risks. On a monthly basis the Management Board and collegial bodies under the Management Board and on a quarterly basis the Board of Directors receive a detailed risk report, which contains all the information necessary to assess the Group's risks and make appropriate decisions.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Discussions are regularly held at meetings of the Management Board of the Bank, authorized collegial bodies and other employees of the Group on compliance with and maintenance of established limits, investments, liquidity, as well as changes in the level of risk.

Risk mitigation

As part of risk management, the Group uses a wide range of instruments to manage exposures arising from changes in foreign exchange rates, portfolio price risk, derivative financial instruments, credit risk, and exposures arising from forecast transactions.

The Group is not active in the stock and derivatives markets and actively uses collateral to mitigate its credit risk.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The asset quality assessment procedure allows the Group to assess the amount of potential losses on the risks to which it is exposed and to take the necessary measures if necessary.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.



25. Risk management (continued)

Credit risk (continued)

The carrying amount of components of the consolidated statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 15.

Impairment assessment

The Group calculates ECL for insignificant assets on a collective basis and individually significant on the basis of several probability-weighted scenarios to estimate expected cash shortfalls, which are discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of default (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
Exposure at default (EAD)	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
The Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL

are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12m ECL.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL.
Stage 3:	Loans considered credit-impaired. The Group recognizes an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days and over 90 days (60 days and more for individual financial assets) past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower (corporate business)/counterparty bank indicating default or near-default;
- Suspension of the loan contractual interest accrual due to the deterioration of a financial condition of the borrower;
- Write-off of a portion and/or the entire outstanding amount of the borrower, which was caused by a significant increase in credit risk since a loan has been provided;
- Sale of loans at a significant discount;
- Availability of court decisions on declaring the borrower bankrupt in accordance with the legislation of the Republic of Kazakhstan (not applicable to the co-borrower);
- Blocking of the counterparty's correspondent account (by court order or otherwise);
- Withdrawal of rating assigned at the time of issuing a loan;



25. Risk management (continued)

Credit risk (continued)

- Appeal of the counterparty bank to the court, with an application for declaring it bankrupt in accordance with the legislation of the country of the counterparty bank;
- Revocation/suspension of the license of the counterparty bank;
- Decease of the borrower;
- If the borrower is the issuer of securities registered on the stock exchange, and such securities are undergoing or have gone through the procedure for canceling the issue of securities;
- Debt restructuring due to deterioration of financial condition of the borrower for the last 12 months;
- Moving the borrower to the unit working with non-performing loans.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present at the reporting date subject to a reduction of the debt on this financial instrument as a result of the repayment of its portion, as well as in the case of restructuring, at least 12 months have passed since the restructuring. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The internal rating and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. For corporate business and small and medium-sized businesses borrowers, a single rating model is used. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from the national and international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each grade. This is repeated for each economic scenario as appropriate.

Treasury and interbank relationships

The Group's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. To assess such relationships, the Group's Strategic Risks Function uses publicly available information, such as external ratings of international rating agencies, on which the ECL calculations are based.

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a financial model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Retail lending

Retail lending comprises secured and unsecured personal loans and credit cards. These products are assessed using an automated scoring system. Basic input data used in the models are the following: credit history, the ratio of the amount of the monthly loan payment to wages, as well as the ratio of the loan amount to the value of the acquired property in the case of mortgage lending and the value of collateral in case of other loans secured by collateral.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. The interest rate used to discount the ECLs for credit cards is based on the original effective interest rate that is expected to be charged over the expected period of exposure to the facilities.



25. Risk management (continued)

Credit risk (continued)

Loss given default

In case of collateralized lending, the LGD indicator is taken into account, which provides for a discount on the sale of collateral (liquidity ratio) and the expected period of sale of the collateral.

The LGD rate takes into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Where appropriate, further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, payment status or other factors that are indicative of losses in the group.

LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. LGD levels for securities issuers of the Bank's own securities portfolio are assessed on the basis of external data of the international rating agency Moody's.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. Except for loans to individuals, the Group believes that the credit risk on a financial instrument has increased significantly from the moment of initial recognition if the borrower's rating decreased in comparison with the rating at initial recognition based on an analysis of the Bank's statistics confirming the significance of such a decrease in respect of credit risk.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, for example, deterioration of the Bank's communication with the borrower, which, in the Bank's opinion, may lead to difficulties in repaying the loan or granting a grace period of more than 1 month when the client applies. In certain cases, the Group may also consider that events explained in "Definition of default" section above are a significant increase in credit risk as opposed

to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

Individually significant financial assets in the corporate business and small and medium-sized businesses portfolio of Stage 2 and Stage 3;

- The treasury and interbank financial assets (such as amounts due from banks, cash equivalents and debt investment securities at amortised cost and fair value through other comprehensive income);
- Purchased credit impaired financial assets managed on a collective basis.

Asset classes where the Group calculates ECL on a collective basis include:

- Individually insignificant loans and individually significant instruments in the portfolio of corporate business and small and medium-sized businesses of Stage 2 and 3;
- Individually significant and individually insignificant financial assets in the corporate business and small and medium-sized businesses portfolio of Stage 1;
- Mortgage loans;
- Consumer unsecured loans;
- Contingency loans;
- Car loans;
- Other loans to individuals;
- Purchased credit impaired financial assets managed on a collective basis.

The Group groups these financial assets into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example internal grade, overdue bucket, product type, loan-to-value ratios, or borrower's industry.

Forward-looking information and multiple economic scenarios

In 2021, the Group eliminated the following macro factors for the purposes of estimating ECL allowances:

- GDP growth;
- Volume of production of oil and gas condensate;
- Unemployment rates;
- Refinancing rate, %;
- Volume of gross agricultural output;
- Volume of industrial production,
- Volume of retail trade.



25. Risk management (continued)

Credit risk (continued)

As at 31 December 21, the Group uses the following forward-looking information in its ECL calculation models as economic inputs:

- Rate of inflation;
- Real salary index;
- Foreign exchange rates.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. NBRK, and international financial institutions). Experts of the Group's Strategic Risks Function determine the weights attributable to the multiple scenarios. Range of predictive values of key factors used by segments/subsegments depending on scenario weights in the ECL calculation as at 31 December 2021 are presented below:

Key drivers	ECL scenario	Assigned probabilities, %	Forecast
USD/KZT exchange rate			
	Positive	5%	392.80-400.13
	Base case	50%	453.55-462.01
	Negative	45%	459.24-467.80
Inflation, %			
	Positive	5%	4.4%
	Base case	50%	6.9%
	Negative	45%	7%
Real salary index, %			
	Positive	5%	11.4%
	Base case	50%	1.9%
	Negative	45%	0.4%

The table below shows the values of the main forecast economic variables/assumptions that were used in 2020 for the baseline forecast scenario of key macroeconomic factors for the purpose of estimating ECL. This scenario was used as a baseline scenario with a probability of 80%. In addition, the calculations also involved pessimistic and optimistic scenarios with a 10% probability each.

Key drivers

Brent oil price (Brent ICE), US dollars	20.00
GDP index, % to the previous year	99.4
Volume of oil and gas condensate extraction, million tons	90.00
Inflation, %	10.40
USD/KZT exchange rate	509.0

The amount of the ECL allowance for loans to customers recognized in the consolidated statement of financial position as at 31 December 2021 was 38,191 million tenge (31 December 2020: 83,285 million tenge). More details are provided in Note 15.

Credit quality per class of financial assets

The Group manages the credit quality of financial assets by analyzing the number of days overdue for the retail and SME segment and on the basis of internal ratings – for corporate loans, for other financial instruments – based on ratings assigned by international rating agencies according to the table below. Credit quality analysis is presented in the respective notes.

Ratings of international external rating agency (Moody's)	Ratings of international external rating agency (Fitch)	Annual PD
Aa1 to Aaa	AA+ to AAA	0.00-0.07%
Aa2	AA	
A1 to Aa3	A+ to AA-	
A3 to A2	A- to A	0.04-0.46%
Baa1	BBB+	
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	
Ba3 to Ba2	BB- to BB	0.74-9.80%
B3 to B1	B- to B+	
Caa2 to Caa1	CCC to CCC+	
Ca to Caa3	C to CCC-	22.05-39.01%
Default	D	100%



25. Risk management (continued)

Credit risk (continued)

LGD levels for securities issuers of the Bank's own securities portfolio are assessed on the basis of external data of the international rating agency Moody's according to the following table:

Securities issuer sector	LGD
Government securities	47.00%
Securities of corporate sector including banks	62.34%

Geographic information

As of 31 December 2021, the Bank's assets and liabilities are mainly concentrated in the Republic of Kazakhstan.

Market risk

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

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

Overall authority for market risk is vested in the ALCO. Market risk limits are approved by the ALMC based on recommendations of the Strategic Risk Function and subsequently agreed by the Board of Directors.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the Management Board and Board of Directors.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include risk factor stress testing, where stress movements are applied to each risk category, and ad hoc stress testing, which includes applying possible stress events to specific positions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Interest gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. As the majority of the financial instruments bear fixed interest rates the interest gap analysis is similar to the maturity analysis.

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit and equity to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis points (bp) symmetrical fall or 300 bp rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2021 and 2020 is as follows:

	2021	2020
	Effect on profit	Effect on profit
100 basis points parallel decrease	225.9	280.9
300 basis points parallel increase	(677.7)	(842.8)



25. Risk management (continued)

Market risk (continued)

Interest rate sensitivity analysis (continued)

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial instruments at fair value through profit or loss and debt securities measured at FVOCI due to changes in the interest rates based on positions existing as at 31 December 2021 and 2020 and a simplified scenario of a 100 bp symmetrical fall or 300 bp rise in all yield curves is as follows:

	2021		2020	
	Effect on profit	Impact on other comprehensive income	Effect on profit	Impact on other comprehensive income
100 basis points parallel decrease	–	13,294	111	8,255
300 basis points parallel increase	–	(37,426)	(317)	(24,534)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Despite the fact that the Group hedges its exposure to currency risk, such transactions do not qualify as hedging relationships in accordance with IFRS.

The following table shows financial assets and liabilities by foreign currencies:

31 December 2021	Tenge	USD	Euro	Other currencies	Total
Assets					
Cash and cash equivalents	196,019	218,141	11,802	6,986	432,948
Amounts due from financial institutions	4,829	42,161	–	–	46,990
Trading securities	1,452	1,485	33	–	2,970
Loans to customers	719,098	89,678	7	165	808,948
Investment securities	734,754	227,356	22,999	–	985,109
Other financial assets	22,516	400	7	3	22,926
Total financial assets	1,678,668	579,221	34,848	7,154	2,299,891
Liabilities					
Current accounts and deposits of customers	1,141,440	547,304	32,499	12,516	1,733,759
Amounts due to banks and other financial institutions	85,100	89	–	–	85,189
Amounts payable under repurchase agreements	25,064	–	–	–	25,064
Debt securities issued	221,452	31,668	–	–	253,120
Subordinated debt	20,503	–	–	–	20,503
Other financial liabilities	12,924	286	380	7	13,597
Total financial liabilities	1,506,483	579,347	32,879	12,523	2,131,232
Net position	172,185	(126)	1,969	(5,369)	168,659
Impact of derivative instruments held for the purpose of risk management	1,127	(5,152)	(1,565)	5,590	–
Net position adjusted for impact of derivative instruments held for the purpose of risk management	173,312	(5,278)	404	221	168,659



25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The following table shows financial assets and liabilities by foreign currencies:

31 December 2020	Tenge	USD	Euro	Other currencies	Total
Assets					
Cash and cash equivalents	126,169	170,038	11,369	4,056	311,632
Amounts due from financial institutions	34,969	38,738	–	–	73,707
Trading securities	1,440	5,937	–	–	7,377
Loans to customers	659,285	90,077	6	374	749,742
Investment securities	521,639	233,794	24,662	–	780,095
Other financial assets	24,172	–	29	3	24,204
Total financial assets	1,367,674	538,584	36,066	4,433	1,946,757
Liabilities					
Current accounts and deposits of customers	805,034	543,580	33,050	5,503	1,387,167
Amounts due to banks and other financial institutions	128,539	1,840	91	–	130,470
Amounts payable under repurchase agreements	21,670	–	–	–	21,670
Debt securities issued	208,237	31,965	–	–	240,202
Subordinated debt	20,503	–	–	–	20,503
Other financial liabilities	12,014	444	254	34	12,746
Total financial liabilities	1,195,997	577,829	33,395	5,537	1,812,758
Net position	171,677	(39,245)	2,671	(1,104)	133,999
Impact of derivative instruments held for the purpose of risk management	(27,105)	27,989	(2,584)	1,700	–
Net position adjusted for impact of derivative instruments held for the purpose of risk management	144,572	(11,256)	87	596	133,999

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. This analysis is on a net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. Negative amounts in the table reflect a potential net reduction in income or equity, while a positive amount reflects a net potential increase.

Currency	2021		2020	
	Increase in currency rate in %	Effect on profit before tax	Increase in currency rate in %	Effect on profit before tax
US dollar	13	(686)	14	(1,576)
Euro	13	53	14	12

Валютный риск (продолжение)

Currency	2021		2020	
	Decrease in currency rate, %	Effect on profit before tax	Decrease in currency rate, %	Effect on profit before tax
US dollar	(10)	528	(11)	1,238
Euro	(10)	(40)	(11)	(10)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Liquidity risk

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



25. Risk management (continued)

Liquidity risk (continued)

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Liquidity risk management policy is reviewed and approved by the Board of Directors.

The Group seeks to actively support a diversified and stable funding base comprising issued debt securities, long-term and short-term loans from other banks, deposits of the main corporate customers and individuals as well as diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Liquidity risk management policy includes:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Managing the duration of the securities' portfolio;
- Maintaining debt financing plans;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Developing a financing plan in case of a liquidity crisis;
- Monitoring liquidity ratios against regulatory requirements.

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

The daily liquidity position is monitored by the Treasury and regular liquidity stress testing under a variety of scenarios covering both normal and more unfavorable market conditions is performed by the strategic risks function. Under normal market conditions, liquidity reports are provided to the Management Board and the ALMC on a monthly basis, and to the Board of Directors on a quarterly basis. Decisions on liquidity management are made by the ALMC as advised by the risk management and implemented by the Treasury.

The following tables show the undiscounted contractual cash flows on financial assets, liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be claimed.



25. Risk management (continued)

Liquidity risk (continued)

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2021 is as follows:

31 December 2021	On demand and less than 1 month	From 1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Non-derivative financial assets							
Cash and cash equivalents	433,206	-	-	-	-	433,206	432,948
Amounts due from financial institutions	-	-	-	31,304	15,686	46,990	46,990
Trading securities	1,452	-	-	-	1,518	2,970	2,970
Loans to customers	79,003	70,008	290,787	965,354	177,764	1,582,916	808,948
Investment securities	49,216	40,148	165,137	869,915	68,694	1,193,110	985,109
Other financial assets	1,133	11	5,958	15,453	371	22,926	22,926
Total non-derivative financial assets	564,010	110,167	461,882	1,882,026	264,033	3,282,118	2,299,891
Non-derivative financial liabilities							
Current accounts and deposits of customers	(1,030,317)	(151,819)	(356,355)	(210,102)	(14,379)	(1,762,972)	(1,733,759)
Amounts due to banks and other financial institutions	(179)	(916)	(3,931)	(38,477)	(75,447)	(118,950)	(85,189)
Amounts payable under repurchase agreements	(25,180)	-	-	-	-	(25,180)	(25,064)
Debt securities issued	(2,530)	-	(40,746)	(242,917)	-	(286,193)	(253,120)
Subordinated debt	(119)	-	(7,360)	(9,683)	(10,300)	(27,462)	(20,503)
Other financial liabilities	(8,518)	(38)	(2,945)	(1)	(2,095)	(13,597)	(13,597)
Total non-derivative financial liabilities	(1,066,843)	(152,773)	(411,337)	(501,180)	(102,221)	(2,234,354)	(2,131,232)
Net liquidity gap on financial assets and financial liabilities	(502,833)	(42,606)	50,545	1,380,846	161,812	1,047,764	168,659
Contingent liabilities	(6,258)	(8,587)	(10,400)	(34,524)	(390)	(60,159)	

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest income. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay. Accordingly, in the above table, deposits of individuals are presented in accordance with contractual terms with consideration of this assumption.



25. Risk management (continued)

Liquidity risk (continued)

Management expects that the repayment of liabilities and disposal of assets may be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows on these financial assets and liabilities may differ from contractual terms.

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2020 is as follows:

31 December 2020	On demand and less than 1 month	From 1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Non-derivative financial assets							
Cash and cash equivalents	311,756	–	–	–	–	311,756	311,632
Amounts due from financial institutions	–	–	27,858	30,568	15,281	73,707	73,707
Trading securities	7,377	–	–	–	–	7,377	7,377
Loans to customers	76,015	64,299	215,135	754,848	137,386	1,247,683	749,742
Investment securities	51,331	69,512	121,657	596,897	88,173	927,570	780,095
Other financial assets	1,489	639	8,967	12,793	316	24,204	24,204
Total non-derivative financial assets	447,968	134,450	373,617	1,395,106	241,156	2,592,297	1,946,757
Non-derivative financial liabilities							
Current accounts and deposits of customers	(735,672)	(66,728)	(454,045)	(161,933)	(4,644)	(1,423,022)	(1,387,167)
Amounts due to banks and other financial institutions	(1,968)	(937)	(13,404)	(37,929)	(113,074)	(167,312)	(130,470)
Amounts payable under repurchase agreements	(21,718)	–	–	–	–	(21,718)	(21,670)
Debt securities issued	(2,530)	–	(11,200)	(273,184)	–	(286,914)	(240,202)
Subordinated debt	(118)	–	(1,498)	(13,713)	(13,748)	(29,077)	(20,503)
Other financial liabilities	(7,458)	(50)	(2,098)	(234)	(2,906)	(12,746)	(12,746)
Total non-derivative financial liabilities	(769,464)	(67,715)	(482,245)	(486,993)	(134,372)	(1,940,789)	(1,812,758)
Net liquidity gap on financial assets and financial liabilities	(321,496)	66,735	(108,628)	908,113	106,784	651,508	133,999
Contingent liabilities	(5,717)	(4,802)	(12,483)	(27,527)	(444)	(50,973)	



26. Maturity analysis of assets and liabilities

The following table shows the expected maturities of assets and liabilities as at 31 December 2021 and 2020:

31 December 2021	On demand and less than 1 month	From 1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount	Bcero
Assets								
Cash and cash equivalents	432,948	-	-	-	-	-	-	432,948
Amounts due from financial institutions	-	-	-	31,304	15,686	-	-	46,990
Trading securities	1,452	-	-	-	1,518	-	-	2,970
Loans to customers	38,954	53,134	206,315	419,216	55,712	-	35,617	808,948
Investment securities	47,971	38,692	133,660	714,306	50,480	-	-	985,109
Property and equipment	-	-	-	-	-	62,637	-	62,637
Intangible assets	-	-	-	-	-	14,071	-	14,071
Other assets	973	8	62,368	2,975	1,173	3,664	955	72,116
Total assets	522,298	91,834	402,343	1,167,801	124,569	80,372	36,572	2,425,789
Liabilities								
Current accounts and deposits of customers	(1,027,399)	(147,516)	(345,974)	(199,494)	(13,376)	-	-	(1,733,759)
Amounts due to banks and other financial institutions	(149)	(443)	(1,382)	(30,861)	(52,354)	-	-	(85,189)
Amounts payable under repurchase agreements	(25,064)	-	-	-	-	-	-	(25,064)
Debt securities issued	(2,151)	-	(32,035)	(218,934)	-	-	-	(253,120)
Deferred tax liabilities	-	-	-	(13,987)	-	-	-	(13,987)
Subordinated debt	(119)	-	(6,180)	(5,396)	(8,808)	-	-	(20,503)
Other liabilities	(8,548)	(38)	(5,765)	(1)	(2,095)	-	(23)	(16,470)
Total liabilities	(1,063,430)	(147,997)	(391,336)	(468,673)	(76,633)	-	(23)	(2,148,092)
Net position	(541,132)	(56,163)	11,007	699,128	47,936	80,372	36,549	277,697
Net accumulated position	(541,132)	(597,295)	(586,288)	112,840	160,776	241,148	277,697	



26. Maturity analysis of assets and liabilities (continued)

31 December 2020	On demand and less than 1 month	From 1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount	Bcero
Assets								
Cash and cash equivalents	311,632	-	-	-	-	-	-	311,632
Amounts due from financial institutions	-	-	27,858	30,568	15,281	-	-	73,707
Trading securities	7,377	-	-	-	-	-	-	7,377
Loans to customers	37,936	55,599	156,913	412,110	50,495	-	36,689	749,742
Investment securities	50,649	66,571	98,543	496,611	67,721	-	-	780,095
Property and equipment	-	-	-	-	-	65,814	-	65,814
Intangible assets	-	-	-	-	-	11,162	-	11,162
Other assets	394	24	66,116	17,985	948	2,908	1,360	89,735
Total assets	407,988	122,194	349,430	957,274	134,445	79,884	38,049	2,089,264
Liabilities								
Current accounts and deposits of customers	(733,227)	(62,219)	(441,229)	(147,300)	(3,192)	-	-	(1,387,167)
Amounts due to banks and other financial institutions	(1,945)	(351)	(10,811)	(28,883)	(88,480)	-	-	(130,470)
Amounts payable under repurchase agreements	(21,670)	-	-	-	-	-	-	(21,670)
Debt securities issued	(2,151)	-	(568)	(237,483)	-	-	-	(240,202)
Deferred tax liabilities	-	-	-	(11,171)	-	-	-	(11,171)
Subordinated debt	(117)	-	(192)	(8,809)	(11,385)	-	-	(20,503)
Other liabilities	(7,398)	(264)	(3,900)	(236)	(2,906)	-	(46)	(14,750)
Total liabilities	(766,508)	(62,834)	(456,700)	(433,882)	(105,963)	-	(46)	(1,825,933)
Net position	(358,520)	59,360	(107,270)	523,392	28,482	79,884	38,003	263,331
Net accumulated position	(358,520)	(299,160)	(406,430)	116,962	145,444	225,328	263,331	



27. Offsetting of financial instruments

Disclosures in the tables below include information on financial assets and financial liabilities, which are:

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

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

The Group receives and provides collateral in the form of cash and marketable securities in respect of the repurchase and reverse repurchase agreements.

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

As at 31 December 2021, the Group has payables under repurchase agreements in the amount of 25,064 million tenge, which are collateralized by investment securities with a total fair value of 25,062 million tenge (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan) (Note 16).

As at 31 December 2020, the Group has payables under repurchase agreements in the amount of 21.670 million tenge, which are collateralized by investment securities with a total fair value of 23,466 million tenge (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan) (Note 16).

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

31 December 2021	Gross amount of recognized financial assets/ (liabilities)	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets/ (liabilities) presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position	Net amount
				Financial instruments	
Receivables under reverse repurchase agreements (Note 12)	144,646	-	144,646	(145,653)	(1,007)
Accounts payable under repurchase agreements (Note 16)	(25,064)	-	(25,064)	25,062	(2)
	119,582	-	119,582	(120,591)	(1,009)

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

31 December 2020	Gross amount of recognized financial assets/ (liabilities)	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets/ (liabilities) presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position	Net amount
				Financial instruments	
Receivables under reverse repurchase agreements (Note 12)	42,547	-	42,547	(42,545)	2
Accounts payable under repurchase agreements (Note 16)	(21,670)	-	(21,670)	23,466	1,796
	20,877	-	20,877	(19,079)	1,798



28. Changes in liabilities arising from financing activities

	Debt securities issued	Subordinated debt	Total liabilities arising from financing activities
Carrying amount as at 31 December 2019	229,263	25,951	255,214
Disposal of a subsidiary	–	(3,386)	(3,386)
Proceeds from issue	1,533	–	1,533
Repurchase	(1,264)	–	(1,264)
Redemption	(3,901)	(2,200)	(6,101)
Accrual of interest	16,506	2,040	18,546
Repayment of interest	(16,618)	(1,937)	(18,555)
Foreign exchange differences	3,019	35	3,054
Unwinding of discount	11,664	–	11,664
Carrying amount as at 31 December 2020	240,202	20,503	260,705
Proceeds from issue	4	–	4
Repurchase	(1,088)	–	(1,088)
Redemption	–	–	–
Accrual of interest	16,494	1,616	18,110
Repayment of interest	(16,502)	(1,616)	(18,118)
Foreign exchange differences	805	–	805
Unwinding of discount	13,205	–	13,205
Carrying amount as at 31 December 2021	253,120	20,503	273,623

The Group classifies interest paid as cash flows from operating activities.

29. Capital management

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

As at 31 December 2021 and 2020 the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The NBRK sets and monitors capital requirements for the Bank.

In accordance with the requirements set by the NBRK and effective from 1 July 2021, banks have to maintain:

- A ratio of core capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k1) in the value not less than 7.5%;
- A ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1-2) of not less than 8.5%;
- A ratio of own capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k2) in the value not less than 10%.

Investments for the purposes of calculation of the above ratios represent investments into share capital (participation in the charter capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of tier 1 and tier 2 capital of the Bank.



29. Capital management (continued)

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 31 December 2021 and 2020:

	31 December 2021	31 December 2020
Tier 1 capital	252,085	244,336
Tier 2 capital	12,885	14,839
Total regulatory capital	264,970	259,175
Risk-weighted statutory assets, contingent liabilities, operational and market risk	1,089,944	1,164,668
Ratio k1	23.1 %	21.0 %
Ratio k1-2	23.1 %	21.0 %
Ratio k2	24.3 %	22.3 %

30. Commitments and contingencies

Operating and economic environment

Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Due to the rapid development of the coronavirus pandemic (COVID-19), many countries, including the Republic of Kazakhstan, have introduced quarantine measures that have a significant impact on the level and scale of business activity of market participants. The pandemic and measures to minimize its consequences had a significant impact on the activities of companies from various industries. Since March 2020, there has been significant volatility in the capital, currency and commodity markets, including a decrease in oil prices and a depreciation of tenge against US dollar and euro, which has led to increased uncertainty about further economic growth, which could negatively affect the financial situation, results of operations and economic prospects of the Group.

The management of the Bank believes that it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

Credit related commitments

The Group has contingent liabilities to provide credit resources. These credit related contingencies take the form of approved loan and credit card limits and overdraft facilities.

The Group provides bank guarantees and issues letters of credit to ensure that their customers' obligations to third parties are met. These agreements have fixed limits and generally extend for a period of up to five years.

In providing financial guarantees, credit related contingencies and letters of credit, the Group applies the same risk management policies and procedures used when issuing loans to customers.

The contractual amounts of credit related contingencies are set out in the table by category.

	31 December 2021	31 December 2020
Undrawn loan commitments	132,972	147,045
Guarantees issued	57,325	47,522
Letters of credit	2,835	764
	193,132	195,331
Less: amounts due to customers held as security against letters of credit and guarantees (Note 19)	(2,416)	(483)
Less: allowance for expected losses	(658)	(734)
	190,058	194,114

The loan commitment agreements stipulate the right of the Group to unilaterally withdraw from the agreement should any conditions unfavourable to the Group arise, including deterioration of the borrower's financial condition, change of the refinancing rate, inflation, exchange rates and other conditions.

The total outstanding contractual amount of commitments on issuance of loans, letters of credit and guarantees does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.



30. Commitments and contingencies (continued)

Legal proceedings

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

Management is unaware of any significant actual, pending or threatened claims against the Group.

Contingent tax liabilities

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. The adequacy of tax assessment in the reporting period may be reviewed during the next five calendar years. However, under certain circumstances a tax year may remain open for a longer period of time.

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

31. Related party transactions

Remuneration of members of the Board of Directors and the Management Board

Total remuneration to 13 members of the Management Board and Board of Directors (2020: 17 members) included in general and administrative expenses for 2021 and 2020 is as follows:

	2021	2020
Members of the Board of Directors and the Management Board of the Group	4.502	3.148
	4.502	3.148

These amounts include cash benefits in respect of the members of the Board of Directors and the Management Board and related taxes.

As at 31 December 2021, the total amount of the Group’s liabilities to pay remuneration to members of the Board of Directors and the Management Board amounted to 1.800 million tenge (31 December 2020: 1.800 million tenge) and, in accordance with the NBRK Resolution No. 74 dated 24 February 2012, is payable over a period of at least three years, subject to the established conditions.

Transactions with other related parties

Other related parties include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the related average effective interest rates as at 31 December 2021 and related profit or loss amounts of transactions for 2021 with related parties are as follows:



31. Related party transactions (continued)

Transactions with other related parties

	2021						
	Shareholders	Entities under common control		Other related parties		Total	
	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge
Assets							
Loans to customers	-	-	-	-	4,395	5.53	4,395
Other assets	-	-	126	-	3	-	129
Liabilities							
Current accounts and deposits of customers	23,316	1.00	44,905	2.51	8,389	1.42	76,610
Other liabilities	-	-	186	-	-	-	186
Contingent liabilities	-	-	-	-	71	-	71
Guarantees issued	-	-	-	-	73	-	73
	2021						
	Shareholders	Entities under common control	Other related parties		Total		
Income/(expenses)							
Interest revenue	-	-	239		239		
Interest expense	(330)	(692)	(105)		(1,127)		
Fee and commission income	-	23	6		29		
General and administrative expenses	-	(731)	(35)		(766)		
Other expenses	-	(725)	-		(725)		

The outstanding balances and the related average effective rates as at 31 December 2020 and related profit or loss on transactions with other related parties for 2020 are as follows:

	2020						
	Shareholders	Entities under common control		Other related parties		Total	
	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge
Assets							
Loans to customers	-	-	-	-	4,245	3.00-17.50	4,245
Other assets	-	-	19	-	1	-	20
Liabilities							
Current accounts and deposits of customers	12,159	1.00	12,841	1.53	12,026	0.28	37,026
Other liabilities	-	-	16	-	-	-	16
Contingent liabilities	-	-	-	-	192	-	192
	2020						
	Shareholders	Entities under common control	Other related parties		Total		
Income/(expenses)							
Interest revenue	-	-	275		275		
Interest expense	(173)	(78)	(770)		(1,021)		
Fee and commission income	-	10	9		19		
Net gain from foreign currencies	-	-	26		26		
Other expenses	-	(158)	(867)		(1,025)		



32. Segment analysis

The Group has five reporting segments and business lines ("Other" segment is indicated separately with description of transactions, which are not related to activities of business lines). These segments / business lines offer a variety of products and services in the financial/banking area. The following is a brief description of transactions of each segment.

- Corporate business (CB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large entities and individual entrepreneurs).
- Small and medium businesses (SMB) – extension of loans, deposit sourcing, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities and individual entrepreneurs).
- Retail banking (RB) – extension of loans, deposit sourcing, settlement and cash services, exchange transactions and other transactions with retail clients (individuals).
- Investing activities – responsible for financing the Group's operations (repo operations, raising funds from banks and financial institutions, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and foreign currency transactions.
- Other – other transactions with debtors/creditors on non-core activities, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Investing activities).

Performance of each reportable segment is presented below. Performance results of segment / business line are evaluated on the basis of derived profit, which includes the effective management of a portfolio of borrowed and placed funds. Profit from segment / business line is used to measure performance. Pricing is performed on the basis of borrowing / placement rates approved by the authorized body of the Bank.

31 December 2021	CB	SMB	RB	Investing activities	Other	Total
Assets						
Cash and cash equivalents	66,481	49,460	67,451	243,234	6,322	432,948
Amounts due from financial institutions	794	3,609	394	42,193	-	46,990
Trading securities	-	-	-	2,970	-	2,970
Loans to customers	188,752	270,656	310,168	-	39,372	808,948
Investment securities	-	-	-	985,109	-	985,109
Property and equipment	-	-	-	-	62,637	62,637
Intangible assets	-	-	-	-	14,071	14,071
Other assets	47	261	2,183	-	69,625	72,116
Total assets	256,074	323,986	380,196	1,273,506	192,027	2,425,789

31 December 2021	CB	SMB	RB	Investing activities	Other	Total
Liabilities						
Current accounts and deposits of customers	699,189	440,566	594,003	-	1	1,733,759
Amounts due to banks and other financial institutions	10,569	55,435	8,608	99	10,478	85,189
Amounts payable under repurchase agreements	-	-	-	25,064	-	25,064
Debt securities issued	-	-	16,170	172,406	64,544	253,120
Deferred tax liabilities	-	-	-	-	13,987	13,987
Subordinated debt	-	-	-	-	20,503	20,503
Other liabilities	25	62	2,331	37	14,015	16,470
Total liabilities	709,783	496,063	621,112	197,606	123,528	2,148,092
Equity						
Share capital	-	-	-	-	332,815	332,815
Additional paid-in capital	-	-	-	-	23,651	23,651
Treasury shares	-	-	-	-	(3,465)	(3,465)
Fair value reserve	-	-	-	-	8,137	8,137
Accumulated losses	-	-	-	-	(83,441)	(83,441)
Total equity attributable to shareholders of the Bank	-	-	-	-	277,697	277,697



32. Segment analysis (continued)

Information on the main reporting segments for 2021 is presented as follows:

	2021						Total
	CB	SMB	RB	Investing activities	Other	Elimination	
Interest income	14,856	31,746	66,556	74,015	5,871	-	193,044
Transfer income	35,433	26,178	30,039	23,508	8,443	(123,601)	-
Interest expenses	(26,783)	(13,066)	(22,699)	(24,592)	(9,969)	-	(97,109)
Transfer expenses	(10,548)	(19,822)	(30,770)	(76,210)	(3,891)	141,241	-
Net interest income	12,958	25,036	43,126	(3,279)	454	17,640	95,935
Fee and commission income	2,492	19,783	14,980	17	21	-	37,293
Fee and commission expense	(1,296)	(9,007)	(4,241)	(222)	(43)	-	(14,809)
Net losses on derecognition of investment securities at fair value through other comprehensive income	-	-	-	(195)	-	-	(195)
Net gains /(losses) from foreign currencies	3,663	5,547	2,710	(2,083)	1,188	-	11,025
Net (losses)/gains on derecognition of financial assets measured at amortized cost	-	-	(2,910)	-	6,989	-	4,079
Other income	(158)	644	221	3	3,413	-	4,123
Non-interest income	4,701	16,967	10,760	(2,480)	11,568	-	41,516

	2021						Total
	CB	SMB	RB	Investing activities	Other	Elimination	
Credit loss expense	2,026	(1,917)	(10,610)	1,836	(1,218)	-	(9,883)
Net losses on transactions with financial instruments at fair value through profit or loss	-	-	-	(1,154)	-	-	(1,154)
General and administrative expenses	(2,897)	(12,260)	(28,047)	(1,344)	(6,734)	-	(51,282)
Other expenses	(221)	(272)	(3,544)	(56)	(3,936)	-	(8,029)
Non-interest expense	(1,092)	(14,449)	(42,201)	(718)	(11,888)	-	(70,348)
Other transfer income and expenses	(2,783)	521	(2,476)	36,361	(13,983)	(17,640)	-
Profit/(loss) before corporate income tax expense	13,784	28,075	9,209	29,884	(13,849)	-	67,103
Corporate income tax expenses	(231)	(470)	(154)	(501)	(1,687)	-	(3,043)
Profit/(loss) for the year	13,553	27,605	9,055	29,383	(15,536)	-	64,060



32. Segment analysis (continued)

31 December 2020	CB	SMB	RB	Investing activities	Other	Total
Assets						
Cash and cash equivalents	48,041	38,994	60,537	156,031	8,029	311,632
Amounts due from financial institutions	2,497	31,890	597	38,723	-	73,707
Trading securities	-	-	-	7,377	-	7,377
Loans to customers	143,901	209,286	332,956	-	63,599	749,742
Investment securities	-	-	-	780,095	-	780,095
Property and equipment	-	-	-	-	65,814	65,814
Intangible assets	-	-	-	-	11,162	11,162
Other assets	35	430	2,214	1,135	85,921	89,735
Total assets	194,474	280,600	396,304	983,361	234,525	2,089,264
Liabilities						
Current accounts and deposits of customers	525,121	313,218	548,827	-	1	1,387,167
Amounts due to banks and other financial institutions	12,677	99,258	5,156	2,955	10,424	130,470
Amounts payable under repurchase agreements	-	-	-	21,670	-	21,670
Debt securities issued	-	-	16,827	159,837	63,538	240,202
Deferred tax liabilities	-	-	-	-	11,171	11,171
Subordinated debt	-	-	-	-	20,503	20,503
Other liabilities	331	482	2,800	22	11,115	14,750
Total liabilities	538,129	412,958	573,610	184,484	116,752	1,825,933

31 December 2020	CB	SMB	RB	Investing activities	Other	Total
Equity						
Share capital	-	-	-	-	332,815	332,815
Additional paid-in capital	-	-	-	-	21,109	21,109
Treasury shares	-	-	-	-	(5,260)	(5,260)
Fair value reserve	-	-	-	-	9,207	9,207
Accumulated losses	-	-	-	-	(94,540)	(94,540)
Total equity attributable to shareholders of the Bank	-	-	-	-	263,331	263,331



32. Segment analysis (continued)

Information on the main reporting segments for 2020 may be presented as follows:

	2020						Total
	CB	SMB	RB	Investing activities	Other	Elimination	
Interest income	10,648	25,002	70,097	60,992	18,765	-	185,504
Transfer income	30,121	20,932	28,595	21,396	9,652	(110,696)	-
Interest expenses	(20,774)	(9,472)	(23,013)	(23,003)	(14,213)	-	(90,475)
Transfer expenses	(8,693)	(15,780)	(33,892)	(61,405)	(5,331)	125,101	-
Net interest income	11,302	20,682	41,787	(2,020)	8,873	14,405	95,029
Fee and commission income	2,283	17,019	14,565	469	1,137	-	35,473
Fee and commission expense	(1,146)	(7,046)	(5,052)	(430)	(597)	-	(14,271)
Net gains on derecognition of investment securities at fair value through other comprehensive income	-	-	-	226	-	-	226
Net gains /(losses) from foreign currencies	3,236	6,221	3,418	(3,587)	4,052	-	13,340
Net gains/(losses) on derecognition of financial assets measured at amortized cost	-	(109)	1,173	-	10,145	-	11,209
Net gains on derecognition of financial liabilities as a result of modifications	-	-	561	-	17,395	-	17,956
Other income/(expenses)	21	321	3,989	77	(742)	-	3,666
Non-interest income	4,394	16,406	18,654	(3,245)	31,390	-	67,599

	2020						Total
	CB	SMB	RB	Investing activities	Other	Elimination	
Credit loss expense	(1,140)	(2,785)	(21,583)	(686)	(12,753)	-	(38,947)
Net losses on transactions with financial instruments at fair value through profit or loss	-	-	-	(1,583)	-	-	(1,583)
Loss from disposal of subsidiaries	-	-	-	-	(587)	-	(587)
General and administrative expenses	(2,743)	(10,399)	(23,718)	(2,853)	(9,047)	-	(48,760)
Other expenses	(63)	(570)	(1,970)	(186)	(5,995)	-	(8,784)
Non-interest expense	(3,946)	(13,754)	(47,271)	(5,308)	(28,382)	-	(98,661)
Other transfer income and expenses	(1,646)	(658)	(3,399)	36,909	(16,801)	(14,405)	-
Profit/(loss) before corporate income tax expense	10,104	22,676	9,771	26,336	(4,920)	-	63,967
Corporate income tax expenses	(1,148)	(2,577)	(1,110)	(3,010)	(3,160)	-	(11,005)
Profit/(loss) for the year	8,956	20,099	8,661	23,326	(8,080)	-	52,962



33. Fair value of financial instruments

Accounting classification and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2021:

31 December 2021					
	Assets and liabilities measured at fair value	Assets and liabilities whose fair value is disclosed	Total carrying amount	Fair values	Unrecognised gain/(loss)
Cash and cash equivalents	-	432,948	432,948	432,948	-
Amounts due from financial institutions	-	46,990	46,990	46,990	-
Trading securities	2,970	-	2,970	2,970	-
Loans to customers	-	808,948	808,948	798,266	(10,682)
Investment securities measured at FVOCI	694,828	-	694,828	694,828	-
Investment securities measured at amortized cost	-	290,281	290,281	282,825	(7,456)
Other financial assets	-	22,926	22,926	22,926	-
	697,798	1,602,093	2,299,891	2,281,753	(18,138)
Current accounts and deposits of customers	-	1,733,759	1,733,759	1,737,214	(3,455)
Amounts due to banks and other financial institutions	-	85,189	85,189	81,131	4,058
Amounts payable under repurchase agreements	-	25,064	25,064	25,062	2
Debt securities issued	-	253,120	253,120	245,296	7,824
Subordinated debt	-	20,503	20,503	16,852	3,651
Other financial liabilities	-	13,597	13,597	13,597	-
	-	2,131,232	2,131,232	2,119,152	12,080
					(6,058)

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

	31 December 2020				
	Assets and liabilities measured at fair value	Assets and liabilities whose fair value is disclosed	Total carrying amount	Fair values	Unrecognised gain/(loss)
Cash and cash equivalents	-	311,632	311,632	311,632	-
Amounts due from financial institutions	-	73,707	73,707	73,707	-
Trading securities	7,377	-	7,377	7,377	-
Loans to customers	-	749,742	749,742	753,405	3,663
Investment securities measured at FVOCI	505,922	-	505,922	505,922	-
Investment securities measured at amortized cost	-	274,173	274,173	272,813	(1,360)
Other financial assets	-	24,204	24,204	24,204	-
	513,299	1,433,458	1,946,757	1,949,060	2,303
Current accounts and deposits of customers	-	1,387,167	1,387,167	1,389,323	(2,156)
Amounts due to banks and other financial institutions	-	130,470	130,470	119,642	10,828
Amounts payable under repurchase agreements	-	21,670	21,670	23,466	(1,796)
Debt securities issued	-	240,202	240,202	234,866	5,336
Subordinated debt	-	20,503	20,503	16,369	4,134
Other financial liabilities	-	12,746	12,746	12,746	-
	-	1,812,758	1,812,758	1,796,412	16,346
					18,649



33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

The estimate of fair value is intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

The fair value of financial assets and financial liabilities that are traded in active markets is based on quoted market quotes or dealers' prices. The Group determines fair value of all other financial instruments using various valuation techniques.

The purpose of valuation techniques is to achieve a method of fair value measurement that reflects the price of a transaction on an organized market for the sale of an asset or transfer a liability between market participants at the measurement date.

Valuation techniques include net present value valuation models and discounting of cash flows, comparison with similar instruments with known market quotations, as well as other valuation models. Assumptions and inputs used in valuation techniques include risk-free and base interest rates, credit spreads and other adjustments used in estimating discount rates, shares and bonds quotations, and expected price movements and their comparison. Valuation techniques focused on determining the fair value, which reflects the value of a financial instrument as at the reporting date that would have been determined by independent market participants.

The Group uses widely recognised valuation techniques for determining the fair value of standard and more simple financial instruments, such as interest rate and currency swaps, and such techniques use only observable market data and do not require management judgements or estimates. Observable quotations and model inputs are usually available in the market for publicly traded debt and equity securities, derivatives traded on the stock exchange, as well as simple off-market financial derivatives, such as interest rate swaps.

The Group uses its own valuation models for more sophisticated instruments. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Certain loans and securities for which there is no active market can be an example of instruments the estimation of which is based on the use of unobservable inputs.

Assets for which fair value approximates to carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities accounted for at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from financial institutions, deposits of banks and other financial institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The following assumptions are used by the management to estimate the fair values of financial instruments:

- The discount rate in the range from 4.84% to 14.51% was used to discount the future cash flows from loans to corporate customers (31 December 2020: 5.20% to 13.88%).
- The discount rate of 28.73% was used to calculate the future cash flows from loans to individuals (31 December 2020: 3.85% to 20.78%).

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table analyses financial instruments carried at fair value as at 31 December 2021, by fair value hierarchy, into which the fair value measurement is categorised.

	Note	Level 1	Level 2	Level 3	Total
Assets					
Trading securities	14	1,518	-	1,452	2,970
Investment securities measured at FVOCI	16	579,407	115,421	-	694,828
		580,925	115,421	1,452	697,798



33. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments carried at fair value as at 31 December 2020, by fair value hierarchy, into which the fair value measurement is categorised. The amounts are based on amounts carried in the consolidated statement of financial position

	Note	Level 1	Level 2	Level 3	Total
Assets					
Trading securities	14	5,937	–	1,440	7,377
Investment securities measured at FVOCI	16	388,114	117,808	–	505,922
		394,051	117,808	1,440	513,299

As of 31 December 2021, KSF debt securities valued under the FVOCI in the amount of KZT 95,705 million were assigned to Level 2 of the fair value hierarchy (as of 31 December 2020: KZT 56,208 million). These investment securities are treated as high-quality liquid assets for regulatory purposes, but are classified in Level 2 due to the insufficient volume of transactions with these securities in the active market.

The following table shows a reconciliation for fair value measurements in Level 3 of the fair value hierarchy for 2021:

Trading securities	
At 1 January 2021	1,440
Net gain from transactions with financial instruments at fair value through profit or loss	12
Net gains/(losses) on transactions with financial instruments at fair value through other comprehensive income	–
At 31 December 2021	1,452

The following table shows a reconciliation for fair value measurements in Level 3 of the fair value hierarchy for 2020:

At 1 January 2020	1,440
Net gains/(losses) on transactions with financial instruments at fair value through profit or loss	–
Net gains/(losses) on transactions with financial instruments at fair value through other comprehensive income	–
At 31 December 2020	1,440

The following table analyses financial instruments not measured at fair value as at 31 December 2021, by fair value hierarchy, into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Assets					
Cash and cash equivalents	–	432,948	–	432,948	432,948
Amounts due from financial institutions	–	46,990	–	46,990	46,990
Loans to customers	–	–	798,266	798,266	808,948
Investment securities measured at amortized cost	30,720	26,514	225,591	282,825	290,281
Other financial assets	–	–	22,926	22,926	22,926
Liabilities					
Current accounts and deposits of customers	–	1,737,214	–	1,737,214	1,733,759
Amounts due to banks and other financial institutions	–	81,131	–	81,131	85,189
Amounts payable under repurchase agreements	–	25,062	–	25,062	25,064
Debt securities issued	–	245,296	–	245,296	253,120
Subordinated debt	–	16,852	–	16,852	20,503
Other financial liabilities	–	13,597	–	13,597	13,597



33. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

As of 31 December 2021, KSF debt securities measured at amortized cost in the amount of 4,528 million tenge are assigned to Level 2 of the fair value hierarchy. These investment securities are treated as high-quality liquid assets for regulatory purposes, but are classified in Level 2 due to the insufficient volume of transactions with these securities in the active market.

The following table analyses financial instruments not measured at fair value as at 31 December 2020, by fair value hierarchy, into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Assets					
Cash and cash equivalents	–	311,632	–	311,632	311,632
Amounts due from financial institutions	–	73,707	–	73,707	73,707
Loans to customers	–	–	753,405	753,405	749,742
Investment securities measured at amortized cost	34,721	9,440	228,652	272,813	274,173
Other financial assets	–	–	24,204	24,204	24,204
Liabilities					
Current accounts and deposits of customers	–	1,389,323	–	1,389,323	1,387,167
Amounts due to banks and other financial institutions	–	119,642	–	119,642	130,470
Amounts payable under repurchase agreements	–	23,466	–	23,466	21,670
Debt securities issued	–	234,866	–	234,866	240,202
Subordinated debt	–	16,369	–	16,369	20,503
Other financial liabilities	–	12,746	–	12,746	12,746

34. Events after the reporting period

On 2 January 2022 protests started in Mangystau region of Kazakhstan related to significant increase in the liquified natural gas retail price. These protests spread to other cities and resulted in riots, damage to property and loss of life. On 5 January 2022 the government declared a state of emergency.

As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling and stabilizing the inflation rate and the tenge exchange rate.

As at 9 March 2022, the state of emergency was lifted. The Group is currently unable to quantify what the impact, if any, may be on the Group's financial position of any new measures the government may take or any impact from the effect on the Kazakhstan economy as a result of the above protests and state of emergency.

In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions have been announced by majority of western countries against the Russian Federation. These sanctions are targeted to have a negative economic impact on the Russian Federation.

Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the ruble against the US dollar and the euro.

On 24 February 2022, the Monetary Policy Committee of the NBRK made an extraordinary decision to raise the base rate to 13.5% per annum with an interest rate collar of +/- 1%.

In order to manage country risk, the Bank controls transactions with counterparties within the limits established by the collegial body of the Bank, which are reviewed regularly. As at 31 December 2021, the concentration of amounts due from Russian counterparties amounted to 4,431 million tenge, which comprised amounts in accounts with financial institutions and investments securities at fair value through other comprehensive income. The Bank has taken measures to reduce risks, including minimizing such concentration.

The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence.

Currently, the Group's management is analyzing the possible impact of changing micro- and macroeconomic conditions on the Company's financial position and results of operations.



GLOSSARY

ForteBank JSC, ForteBank, Forte, Bank – ForteBank Joint-Stock Company

AQR – asset quality review

GRI – Global Reporting Initiative

MAU – number of active users visiting the Bank’s mobile application at least once a month

NPL – non-performing loans with a principal debt and/or interest past due over 90 days

KPI – key performance indicators

ROA – return on assets

ROE – return on equity

VaR – value at risk

AO – joint-stock company

АФП – Agency of the Republic of Kazakhstan for regulation and development of financial market

NSB of the RK ASP&R – National Statistics Bureau under the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

GDP – gross domestic product

Gcal – gigacalorie

MP – monetary policy

EBRD – European Bank for Reconstruction and Development

IE – individual entrepreneur

CPI – consumer price index

PVI – physical volume index

kW*h – kilowatt-hour

CGC – Corporate Governance Code

SMB – small and medium-sized business

IFRS – International Financial Reporting Standards

RK NB – National Bank of the Republic of Kazakhstan

OJSC – open joint-stock company

UN – United Nations Organization

PJSC – public joint-stock company

AML/CTF – anti-money laundering and counter terrorism financing

IAS – Internal Audit Service (subdivision)

LLP – limited liability partnership

ES – emergency situation

individuals – individuals

l.e. – legal entities

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Registration certificate dated February 10, 2015

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