

ForteBank Joint Stock Company

Interim condensed consolidated financial statements

31 March 2022
with report on review of the interim financial information

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Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of ForteBank Joint Stock Company and its subsidiaries, which comprise the interim condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2022, the interim condensed consolidated statement of financial position as at 31 March 2022, the interim condensed consolidated statements of cash flows and changes in equity for the three-month period ended 31 March 2022, and selected explanatory notes (interim financial information).

Management of ForteBank Joint Stock Company is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of ForteBank Joint Stock Company and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP

Olga Khegay
Auditor



Auditor Qualification Certificate
No. МФ-0000286 dated 25 September 2015

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31 May 2022

Rustamzhan Sattarov
General Director
Ernst & Young LLP



State Audit License for audit activities on
the territory of the Republic of Kazakhstan:
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Kazakhstan on 15 July 2005

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2022

(millions of tenge)

	Note	For the three months ended 31 March	
		2022 (unaudited)	2021 (unaudited)
Interest revenue calculated using effective interest rate	4	53,593	45,156
Other interest revenue	4	351	248
Interest expense	4	(26,105)	(21,633)
Net interest income		27,839	23,771
Fee and commission income	5	7,350	9,137
Fee and commission expense	5	(2,677)	(4,347)
Net income on transactions with financial instruments at fair value through profit or loss		2,910	402
Net gain/(loss) from derecognition of investment securities at fair value through other comprehensive income		26	(94)
Net gain from foreign currencies	6	6,214	2,188
Other income	9	620	924
Non-interest income		14,443	8,210
Credit loss expenses	7	(8,801)	(2,704)
Net loss upon derecognition of financial assets measured at amortized cost	18	(388)	(112)
General and administrative expenses	8	(14,259)	(11,157)
Other expenses	9	(927)	(1,151)
Non-interest expense		(24,375)	(15,124)
Profit before corporate income tax expenses		17,907	16,857
Corporate income tax expenses	10	(1,695)	(433)
Profit for the period		16,212	16,424
Attributable to:			
- Shareholders of the Bank		16,212	16,424
- Non-controlling interests		—	—
		16,212	16,424
Other comprehensive income			
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in the subsequent periods</i>			
Net change in fair value of debt instruments at fair value through other comprehensive income		(26,489)	980
Income tax relating to components of other comprehensive income		617	110
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		6	(66)
Reclassification of cumulative (loss)/gain on disposal of debt instruments at fair value through other comprehensive income to the income statement		(26)	94
Other comprehensive (loss)/income for the period, net of tax		(25,892)	1,118
Total comprehensive income for the period		(9,680)	17,542
Attributable to:			
- Shareholders of the Bank		(9,680)	17,542
- Non-controlling interests		—	—
		(9,680)	17,542
Basic and diluted earnings per common share (in tenge)	22	0.18	0.18

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

Reinis Rubenis

Chairman of the Management Board

31 May 2022

Stanislav Levin

Chief Accountant – Managing Director

The accompanying selected notes on pages 6 to 49 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

(millions of tenge)

	Note	31 March 2022 (unaudited)	31 December 2021
Assets			
Cash and cash equivalents	11	561,849	432,948
Amounts due from financial institutions	12	47,653	46,990
Trading securities	13	2,684	2,970
Loans to customers	14	890,757	808,948
Investment securities	15	942,314	985,109
Property and equipment		61,988	62,637
Intangible assets		14,084	14,071
Other assets	16	68,755	72,116
Total assets		2,590,084	2,425,789
Liabilities			
Current accounts and deposits of customers	17	1,892,822	1,733,759
Amounts due to banks and other financial organizations	18	85,431	85,189
Amounts payable under repurchase agreements		30,187	25,064
Debt securities issued	19	260,778	253,120
Deferred tax liabilities	10	15,059	13,987
Subordinated debt	20	20,789	20,503
Other liabilities	16	17,001	16,470
Total liabilities		2,322,067	2,148,092
Equity			
Share capital	21	332,815	332,815
Additional paid-in capital		23,651	23,651
Treasury shares	21	(3,465)	(3,465)
Fair value reserve		(17,755)	8,137
Accumulated losses		(67,229)	(83,441)
Total equity		268,017	277,697
Total equity and liabilities		2,590,084	2,425,789

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2022

(millions of tenge)

	Note	For the three months ended 31 March	
		2022 (unaudited)	2021 (unaudited)
Cash flows from operating activities			
Interest income received	4	54,471	42,376
Interest expenses paid	4	(22,686)	(17,073)
Fee and commission income received		7,291	10,206
Fee and commission expenses paid		(2,677)	(4,347)
Net realized income from financial instruments at fair value through profit or loss		2,916	434
Net realised gains from foreign currencies		6,900	2,376
Other operating expenses less income paid		(156)	(1,696)
General and administrative expenses paid		(12,129)	(9,303)
Decrease/(increase) in operating assets			
Amounts due from financial institutions		1,858	(12,802)
Trading securities		280	5,330
Loans to customers		(85,355)	6,635
Other assets		742	3,502
Increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		121,928	194,845
Amounts due to banks and other financial institutions		718	13,308
Amounts payable under repurchase agreements		5,074	(3,567)
Other liabilities		156	2,231
Net cash from operating activities before corporate income tax		79,331	232,455
Corporate income tax paid		(6)	(19)
Net cash flow from operating activities		79,325	232,436
Cash flows from investing activities			
Acquisition of investment securities at amortized cost		(6,810)	(49,813)
Proceeds from redemption of investment securities measured at amortized cost		888	20,951
Purchase of investment securities at fair value through other comprehensive income		(30,897)	(170,207)
Proceeds from sale of investment securities at fair value through other comprehensive income		—	2,448
Proceeds from redemption of investment securities at fair value through other comprehensive income		70,026	118,307
Purchase of property and equipment and intangible assets		(755)	(913)
Proceeds from sale of property and equipment and intangible assets		2	—
Net cash used in investing activities		32,454	(79,227)
Cash flows from financing activities			
Dividends paid to shareholders of the Bank	21	—	(52,961)
Repayment of lease liabilities		(522)	(154)
Net cash used in financing activities		(522)	(53,115)
Net change in cash and cash equivalents		111,257	100,094
Effect of exchange rates changes on cash and cash equivalents		17,669	3,735
Effect of ECL on cash and cash equivalents		(25)	(1)
Cash and cash equivalents, beginning		432,948	311,632
Cash and cash equivalents, ending		561,849	415,460
Non-cash transactions			
Repossession of collateral on loans to customers	14	229	1,073

The accompanying selected notes on pages 6 to 49 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2022

(millions of tenge)

	Equity attributable to shareholders of the Bank					
	Share capital	Additional paid-in capital	Treasury shares	Fair value reserve	Accumulated losses	Total equity
As at 1 January 2022	332,815	23,651	(3,465)	8,137	(83,441)	277,697
Profit for the period (unaudited)	–	–	–	–	16,212	16,212
Other comprehensive income for the period (unaudited)	–	–	–	(25,892)	–	(25,892)
Total comprehensive income for the period (unaudited)	–	–	–	(25,892)	16,212	(9,680)
At 31 March 2022 (unaudited)	332,815	23,651	(3,465)	(17,755)	(67,229)	268,017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	<i>Equity attributable to shareholders of the Bank</i>					
	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Treasury shares</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>	<i>Total equity</i>
At 1 January 2021	332,815	21,109	(5,260)	9,207	(94,540)	263,331
Profit for the period (unaudited)	—	—	—	—	16,424	16,424
Other comprehensive income for the period (unaudited)	—	—	—	1,118	—	1,118
Total comprehensive income for the period (unaudited)	—	—	—	1,118	16,424	17,542
Dividends declared (<i>Note 21</i>) (unaudited)	—	—	—	—	(52,961)	(52,961)
At 31 March 2021 (unaudited)	332,815	21,109	(5,260)	10,325	(131,077)	227,912

(millions of tenge)

1 General

Principal activities

These interim condensed 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 debt 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 March 2022 and 31 December 2021, depositors can receive limited insurance coverage for deposits, depending on the currency and type of the deposit: in tenge – up to 10 million tenge, in foreign currencies – up to 5 million tenge, savings deposits in tenge – up to 20 million tenge (31 December 2021 – up to 15 million tenge).

As at 31 March 2022 and 31 December 2021, the Group includes the following subsidiaries:

Name	Country of incorporation	Principal activity	Ownership, %	
			31 March 2022 (unaudited)	31 December 2021
ForteLeasing JSC	Republic of Kazakhstan	Leasing operations	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

Shareholders

As at 31 March 2022, Mr. B. Zh. Utemuratov is beneficial owner of 89.32% of the outstanding common shares of the Bank and is an ultimate controlling shareholder of the Group (31 December 2021: 89.32%). The rest of the shares are held by other shareholders, none of which owns more than 5% of the shares.

2 Basis of preparation

General

The interim condensed consolidated financial statements for the three-month period ended 31 March 2022 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

The interim condensed consolidated financial statements are presented in millions of Kazakh tenge ("tenge" or "KZT"), unless otherwise is stated.

(millions of tenge)

2 Basis of preparation (continued)

Functional and presentation currency of consolidated financial statements

The functional currency of the 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 interim condensed consolidated financial statements.

Financial information of the interim condensed consolidated financial statements is rounded to the nearest million.

Impact of the 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 March 2022 and continue to impact the global supply chain, demand for goods and services, and overall business activity. It is expected that both the pandemic itself and related public health and social measures may influence the business of the entities in a wide range of industries. The Group continues to assess the impact of the pandemic and changes in economic conditions on its operations, financial position and financial performance.

Influence of domestic political and geopolitical events in the world

On 2 January 2022, protests began in the Mangystau region of the Republic of Kazakhstan after a significant increase in the retail price of liquefied natural gas. These protests spread to other cities and led to riots, property damage and loss of life. On 5 January 2022, the Government declared a state of emergency. As a result of the above protests and the imposition of a state of emergency, the President of Kazakhstan made a number of public statements on possible measures, including changes to tax laws, the introduction of measures to support financial stability, control and stabilization of inflation and the tenge exchange rate. As at 31 March 2022, the state of emergency has been 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 were announced against the Russian Federation by most Western countries. These sanctions are intended 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 in the stock and currency markets, as well as a significant volatility of tenge against the US dollar and euro. On 25 April 2022, the Monetary Policy Committee of the NBRK made an extraordinary decision to raise the base rate to 14% per annum with an interest rate collar of +/- 1%.

For the purpose of managing the country risk, the Bank controls transactions with counterparties within the limits set by the Bank's collegial body, which are reviewed regularly. The Group continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance.

Changes in accounting policy

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The nature and the effect of these changes are disclosed below.

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*.

These amendments had no significant impact on the Group's interim condensed consolidated financial statements.

(millions of tenge)

2 Basis of preparation (continued)

Changes in accounting policy (continued)

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.

These amendments had no significant impact on the Group's interim condensed 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.

These amendments had no significant impact on the Group's interim condensed consolidated financial statements.

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 *First-time 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.

These amendments had no significant impact on the Group's interim condensed consolidated financial statements.

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.

These amendments had no significant impact on the Group's interim condensed consolidated financial statements.

3 Significant accounting judgments and estimates

Estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual outcomes could differ from these estimates.

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

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 interim condensed 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 interim condensed 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 input 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.

(millions of tenge)

3 Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Collateral assessment

The Group management performs monitoring of collateral on a regular basis. The management of the Group uses experienced judgements or an independent assessment in order to adjust the cost of collateral considering 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;
- Identification of relationships between macroeconomic scenarios and economic data, such as the US dollar exchange rate, inflation, and the real wage index, and the effect on Probability of Default (PD), Exposure at Default (EAD), and Loss on Default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

Forward-looking information and multiple economic scenarios

For the purpose of ECL allowance calculation as at 31 March 2022, the Group took into account the following:

- 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. A range of forecast values of key factors used by segments/subsegments depending on scenario weights in the ECL calculation as at 31 March 2022 are presented below:

<i>Key drivers</i>	<i>ECL scenario</i>	<i>Assigned probabilities, %</i>	<i>Forecast</i>
USD/KZT exchange rate	Positive	5%	469.53
	Base-case	50%	526.34
	Negative	45%	536.59
Rate of inflation, %	Positive	5%	5.0%
	Base-case	50%	7.0%
	Negative	45%	7.1%
Real salary index, %	Positive	5%	11.0%
	Base-case	50%	2.0%
	Negative	45%	2.0%

(millions of tenge)

3 Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Forward-looking information and multiple economic scenarios (continued)

As at 31 March 2022, the Group has updated key macroeconomic factors used in ECL calculations. As a result of the amendments, the allowance for ECL was increased by 625 million tenge.

The amount of allowance for ECL on loans to customers recognized in the interim condensed consolidated statement of financial position as at 31 March 2022 was 45,836 million tenge (31 December 2021: 38,191 million tenge). More details are provided in *Note 14*.

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.

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).

Taxes

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 declarations, 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 interest charges. 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 Group's tax position as at 31 March 2022 and 31 December 2021 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 income tax assets as at 31 March 2022 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, and deferred income tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

(millions of tenge)

4 Net interest income

Net interest income comprises:

	<i>For the three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income calculated using effective interest rate		
Loans to customers	31,756	27,892
Debt investment securities at FVOCI	14,465	11,042
Investment securities measured at amortized cost	4,475	5,076
Receivables under reverse repurchase agreements	2,576	468
Amounts due from financial institutions and cash equivalents	321	678
	53,593	45,156
Other interest revenue		
Trading securities	—	1
Finance lease receivables	351	247
	53,944	45,404
Interest expense		
Current accounts and deposits of customers	(15,904)	(12,042)
Debt securities issued	(7,644)	(7,175)
Amounts due to banks and other financial institutions	(1,274)	(1,691)
Subordinated debt	(404)	(404)
Amounts payable under repurchase agreements	(879)	(321)
	(26,105)	(21,633)
Net interest income	27,839	23,771

Interest income calculated using the effective interest rate for the three months ended 31 March 2022 includes income of 1,506 million tenge representing the unwinding of discount on loans to customers (for the three months ended 31 March 2021: 2,117 million tenge).

Interest income received is as follows:

	<i>For the three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income received		
Loans to customers	29,800	26,746
Debt investment securities at FVOCI	21,220	13,946
Receivables under reverse repurchase agreements	2,576	468
Finance lease receivables	337	239
Amounts due from financial institutions	321	678
Investment securities measured at amortized cost	217	146
Trading securities	—	153
	54,471	42,376

Interest expense paid comprise:

	<i>For the three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest expenses paid		
Current accounts and deposits of customers	(18,221)	(12,925)
Debt securities issued	(2,501)	(2,521)
Amounts due to banks and other financial institutions	(1,016)	(1,199)
Amounts payable under repurchase agreements	(830)	(310)
Subordinated debt	(118)	(118)
	(22,686)	(17,073)

(millions of tenge)

5 Fee and commission income and expenses

Fee and commission income is as follows:

	<i>For the three months ended 31 March</i>	
	<i>2022</i> <i>(unaudited)</i>	<i>2021</i> <i>(unaudited)</i>
Card operations	3,806	5,340
Settlement transactions	1,686	1,970
Cash transactions	1,026	925
Commissions on guarantees and letters of credits	509	482
Foreign currency transactions and transactions with securities	67	69
Other	256	351
	<u>7,350</u>	<u>9,137</u>

Fee and commission expense is as follows:

	<i>For the three months ended 31 March</i>	
	<i>2022</i> <i>(unaudited)</i>	<i>2021</i> <i>(unaudited)</i>
Maintenance of card accounts	(2,172)	(3,937)
Maintenance of nostro accounts	(114)	(102)
Settlement transactions	(109)	(97)
Foreign currency transactions and transactions with securities	(34)	(17)
Customer accounts services by financial agents	(28)	(39)
Other	(220)	(155)
	<u>(2,677)</u>	<u>(4,347)</u>

Revenue from contracts with customers recognized in the interim condensed consolidated statement of comprehensive income for the three months ended 31 March 2022 and 2021 primarily represents fee and commission income of 7,350 million tenge and 9,137 million tenge, respectively.

At 31 March 2022 and 31 December 2021, the Bank recognized contract assets related to contracts with customers in the amount of 1,504 million tenge and 1,443 million tenge in the interim condensed consolidated statement of financial position within other assets, respectively.

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.

6 Net gain from foreign currencies

Net gains from foreign currencies comprise:

	<i>For the three months ended 31 March</i>	
	<i>2022</i> <i>(unaudited)</i>	<i>2021</i> <i>(unaudited)</i>
Foreign exchange revaluation, net	(686)	(188)
Dealing transactions, net	6,900	2,376
	<u>6,214</u>	<u>2,188</u>

*(millions of tenge)***7 Credit loss expenses**

Credit loss expenses comprised the following:

	<i>For the three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Amounts due from financial institutions	(497)	11
Loans to customers <i>(Note 14)</i>	(7,647)	(2,351)
Investment securities measured at amortized cost	10	239
Investment securities measured at FVOCI	(6)	66
Other financial assets	499	6
Financial guarantees, letters of credit and undrawn loan commitments	(1,160)	(675)
	<u>(8,801)</u>	<u>(2,704)</u>

8 General and administrative expenses

General and administrative expenses comprise:

	<i>For the three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Salary and related taxes	(9,069)	(6,077)
Depreciation and amortization	(2,032)	(1,999)
Repair and maintenance	(790)	(636)
Taxes other than corporate income tax	(588)	(618)
Maintenance of buildings	(443)	(436)
Advertising and marketing	(356)	(318)
Security	(221)	(222)
Telecommunication and information services	(172)	(157)
Transportation	(122)	(103)
Encashment	(94)	(107)
Lease	(89)	(92)
Insurance	(84)	(78)
Other professional services	(71)	(68)
Charity and sponsorship	(36)	(74)
Business trips	(14)	(13)
Other	(78)	(159)
	<u>(14,259)</u>	<u>(11,157)</u>

General and administrative expenses comprise the following:

	<i>For the three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales and marketing	(7,884)	(5,416)
Development of technologies and new products	(2,685)	(1,605)
Other	(3,690)	(4,136)
	<u>(14,259)</u>	<u>(11,157)</u>

*(millions of tenge)***9 Other income and expenses**

Other income and expense comprise:

	<i>For the three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Other income		
Income from operating lease	308	367
Net income from sale of repossessed collateral	103	–
Other	209	557
	<u>620</u>	<u>924</u>
Other expenses		
Other expenses from non-banking activities	(224)	(213)
Net loss from sale of inventories	–	(25)
Expenses for SMS notification	(195)	(224)
Other	(508)	(689)
	<u>(927)</u>	<u>(1,151)</u>

10 Corporate income tax expenses

Corporate income tax expenses comprise the following:

	<i>For the three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current corporate income tax expenses	(6)	(19)
Deferred corporate income tax charge – origination and reversal of temporary differences	(1,689)	(414)
	<u>(1,695)</u>	<u>(433)</u>

As at 31 March 2022, deferred corporate income tax liabilities comprised 15,059 million tenge (as at 31 December 2021: 13,987 million tenge).

11 Cash and cash equivalents

Cash comprises:

	<i>31 March</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash on hand	54,476	68,721
Cash on current accounts with the NBRK rated at BBB-	131,884	44,867
Cash on current accounts with other banks:		
- rated from A- to A+	37,999	65,991
- rated from BBB- to BBB+	19,066	7,128
- rated from BB- to BB+	–	1,728
- rated below B+	3,088	521
- not rated	329	15
Time deposits with the NBRK rated at BBB- with contractual maturity of 90 days or less	205,559	99,332
Time deposits with other banks with contractual maturity of 90 days or less:		
- rated below B+	7,413	–
Accounts receivable under reverse repurchase agreements with contractual maturity of 90 days and less	102,061	144,646
Cash and cash equivalents before allowance for ECL	<u>561,875</u>	<u>432,949</u>
Allowance for ECL	(26)	(1)
Cash and cash equivalents	<u>561,849</u>	<u>432,948</u>

(millions of tenge)

11 Cash and cash equivalents (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, all balances of cash equivalents are allocated to Stage 1 for the purposes of measuring the ECL. During the three months ended 31 March 2022, funds in the accounts of two entities registered in the Russian Federation were transferred from Stage 1 to Stage 2. As at 31 March 2022, the total amount of funds in the accounts of all counterparties before the allowance for ECL is 59,596 million tenge, the corresponding allowance for ECL amounted to 20 million tenge.

As at 31 March 2022, 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 and shares of Halyk Savings Bank of Kazakhstan JSC, the fair value of which as at 31 March 2022 is 104,448 million tenge (31 December 2021: bonds of the Ministry of Finance of the Republic of Kazakhstan, KSF, Eurasian Development Bank, shares of Halyk Savings Bank of Kazakhstan JSC and notes of the NBRK with a fair value of 145,653 million tenge).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified second-tier banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and on accounts with the NBRK) equal or in excess of the average minimum requirements. As at 31 March 2022, minimum reserve requirements of the Group amount to 37,220 million tenge (31 December 2021: 34,544 million tenge).

Concentration of cash and cash equivalents

As at 31 March 2022, the Group has accounts with one bank whose balances exceed 10% of total cash and cash equivalents (31 December 2021: two banks). The total balance on the accounts with the above counterparty as at 31 March 2022 amounts to 337,443 million tenge (31 December 2021: 188,359 million tenge).

12 Amounts due from financial institutions

Amounts due from financial organizations comprise:

	31 March 2022 (unaudited)	31 December 2021
Current accounts with the NBRK rated at BBB- restricted in use	3,437	4,796
Deposits with other banks:		
- rated from BB- to BB+	30	—
- not rated	1,169	614
Contingent deposits and deposits pledged as a collateral:		
- rated at AAA	25,288	25,794
- rated from AA- to AA+	5,928	5,489
- rated from A- to A+	—	328
- rated from BBB- to BBB+	117	108
- not rated	12,915	10,571
Amounts due from financial organizations before allowance for ECL	48,884	47,700
Allowance for ECL	(1,231)	(710)
Amounts due from financial institutions	47,653	46,990

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, all balances of amounts due from financial organizations are allocated to Stage 1 for ECL measurement purposes. As at 31 March 2022, the balances of one bank registered in the Russian Federation in the amount of 519 million tenge before allowance for ECL were referred to Stage 3, the corresponding allowance for ECL amounted to 409 million tenge. The specified amount was returned to the Bank in April 2022.

As at 31 March 2022 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 9,441 million tenge (as at 31 December 2021: 7,361 million tenge).

*(millions of tenge)***12 Amounts due from financial organizations (continued)**

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 March 2022, the carrying amount of the escrow deposits was 25,288 million tenge (31 December 2021: 25,794 million tenge) (*Note 18*).

As at 31 March 2022, the Group has amounts due from three financial organizations (31 December 2021: four) whose balances exceed 10% of total due from financial organizations. As at 31 March 2022, the total amount of funds due from these financial organizations is 40,519 million tenge (31 December 2021: 44,693 million tenge).

13 Trading securities

Trading securities comprise:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Equity instruments	2,684	2,970
Trading securities	2,684	2,970

14 Loans to customers

Loans to customers comprise:

	<i>31 March 2022 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans	338,653	19,003	15,276	1,187	374,119
Total individually significant loans	338,653	19,003	15,276	1,187	374,119
Individually insignificant loans					
Corporate loans	155,720	2,815	26,799	547	185,881
Mortgage loans	15,133	267	4,353	9,305	29,058
Consumer loans	233,153	3,934	15,131	—	252,218
Car loans	4,342	1	431	—	4,774
Credit cards	3,809	140	667	—	4,616
Other loans secured by collateral	44,986	2,806	21,082	17,053	85,927
Total individually insignificant loans	457,143	9,963	68,463	26,905	562,474
Loans to customers before allowance for ECL	795,796	28,966	83,739	28,092	936,593
Allowance for ECL	(19,521)	(2,954)	(22,328)	(1,033)	(45,836)
Loans to customers	776,275	26,012	61,411	27,059	890,757

(millions of tenge)

14 Loans to customers (continued)

	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

Quality of individually significant loans

Information on the quality of individually significant loans at 31 March 2022 is presented in the table below:

	31 March 2022 (unaudited)			
	Loans before allowance for ECL	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross loans before allowance for ECL, (%)
<i>Individually significant loans</i>				
Stage 1 loans				
- not overdue	338,653	(7,213)	331,440	2.13
	338,653	(7,213)	331,440	2.13
Stage 2 and Stage 3 loans				
- not overdue	30,881	(351)	30,530	1.14
- overdue less than 90 days	1,007	—	1,007	0.00
- overdue for 90 days to 360 days	650	(444)	206	68.31
- overdue for more than 360 days	1,741	(597)	1,144	34.29
Total Stage 2 and Stage 3 loans	34,279	(1,392)	32,887	4.06
POCI	1,187	(161)	1,026	13.56
Total individually significant loans	374,119	(8,766)	365,353	2.34

(millions of tenge)

14 Loans to customers (continued)

Quality of individually significant loans (continued)

Information on the quality of individually significant loans at 31 December 2021 is presented in the table below:

<i>Individually significant loans</i>	<i>Loans before allowance for ECL</i>	<i>Allowance for ECL</i>	<i>Loans less allowance for ECL</i>	<i>Allowance for ECL to gross loans before allowance for ECL, (%)</i>
Stage 1 loans				
- not overdue	270,021	(2,335)	267,686	0.86
	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

Analysis of movements in allowance for ECL

An analysis of movements in the allowance for ECL on individually significant loans for the three months ended 31 March 2022 is as follows:

<i>Individually significant loans</i>	<i>For the three months ended 31 March 2022 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2022	(2,335)	(36)	(1,459)	—	(3,830)
New assets originated or purchased	(5,179)	—	—	—	(5,179)
Assets derecognised or repaid (excluding write-offs)	803	1	93	—	897
Transfers to Stage 1	(19)	19	—	—	—
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	(315)	(3)	51	(161)	(428)
Transfer between loan materiality categories	(3)	—	—	—	(3)
Unwinding of discount	—	—	(38)	—	(38)
Recoveries	—	—	—	—	—
Write-off	—	—	38	—	38
Effect from changes in exchange rates	(165)	(1)	(57)	—	(223)
At 31 March 2022	(7,213)	(20)	(1,372)	(161)	(8,766)

(millions of tenge)

14 Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in allowance for ECL (continued)

An analysis of movements in the allowance for ECL on individually significant loans for the three months ended 31 March 2021 is as follows:

<i>Individually significant loans</i>	<i>For the three months ended 31 March 2021</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2021	(3,336)	(12)	(14,466)	—	(17,814)
New assets originated or purchased	(1,402)	—	—	—	(1,402)
Assets derecognised or repaid (excluding write-offs)	417	—	381	—	798
Transfers to Stage 1	(50)	—	50	—	—
Transfers to Stage 2	10	5	(15)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	673	6	(286)	—	393
Transfer between loan materiality categories	(19)	—	(565)	—	(584)
Unwinding of discount	—	—	(281)	—	(281)
Recoveries	—	—	(381)	—	(381)
Write-off	—	—	1,814	—	1,814
Effect from changes in exchange rates	—	—	(232)	—	(232)
At 31 March 2021	(3,707)	(1)	(13,981)	—	(17,689)

(millions of tenge)

14 Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in allowance for ECL (continued)

Information on the quality of individually insignificant loans at 31 December 2022 is presented in the table below:

	31 March 2022 (unaudited)			
<i>Individually insignificant corporate loans</i>	<i>Loans before allowance for ECL</i>	<i>Allowance for ECL</i>	<i>Loans less allowance for ECL</i>	<i>Allowance for ECL to gross loans before allowance for ECL, (%)</i>
Not overdue	160,470	(2,691)	157,779	1.68
Overdue for less than 30 days	3,941	(61)	3,880	1.55
Overdue for 30 to 89 days	2,415	(189)	2,226	7.83
Overdue for 90 to 179 days	517	(2)	515	0.39
Overdue for 180 to 360 days	1,342	(27)	1,315	2.01
Overdue more than 360 days	16,649	(5,319)	11,330	31.95
POCI	547	(132)	415	24.13
Total individually insignificant corporate loans	185,881	(8,421)	177,460	4.53
Mortgage loans				
Not overdue	14,825	(41)	14,784	0.28
Overdue for less than 30 days	666	(13)	653	1.95
Overdue for 30 to 89 days	236	(2)	234	0.85
Overdue for 90 to 179 days	279	(8)	271	2.87
Overdue for 180 to 360 days	130	(6)	124	4.62
Overdue more than 360 days	3,617	(876)	2,741	24.22
POCI	9,305	(226)	9,079	2.43
Total mortgage loans	29,058	(1,172)	27,886	4.03
Consumer loans				
Not overdue	226,841	(7,954)	218,887	3.51
Overdue for less than 30 days	7,233	(1,691)	5,542	23.38
Overdue for 30 to 89 days	3,819	(2,772)	1,047	72.58
Overdue for 90 to 179 days	3,643	(2,929)	714	80.4
Overdue for 180 to 360 days	5,352	(4,271)	1,081	79.8
Overdue more than 360 days	5,330	(4,346)	984	81.54
Total consumer loans	252,218	(23,963)	228,255	9.50

(millions of tenge)

14 Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in allowance for ECL (continued)

	31 March 2022 (unaudited)			
	<i>Loans before allowance for ECL</i>	<i>Allowance for ECL</i>	<i>Loans less allowance for ECL</i>	<i>Allowance for ECL to gross loans before allowance for ECL, (%)</i>
Car loans				
Not overdue	4,296	—	4,296	0.00
Overdue for less than 30 days	47	—	47	0.00
Overdue for 30 to 89 days	—	—	—	0.00
Overdue for 90 to 179 days	9	—	9	0.00
Overdue for 180 to 360 days	1	—	1	0.00
Overdue more than 360 days	421	(74)	347	17.58
Total car loans	4,774	(74)	4,700	1.55
Credit cards				
Not overdue	3,609	(437)	3,172	12.11
Overdue for less than 30 days	247	(73)	174	29.55
Overdue for 30 to 89 days	116	(102)	14	87.93
Overdue for 90 to 179 days	122	(102)	20	83.61
Overdue for 180 to 360 days	189	(172)	17	91.01
Overdue more than 360 days	333	(317)	16	95.20
Total credit cards	4,616	(1,203)	3,413	26.06
Other loans secured by collateral				
Not overdue	43,387	(46)	43,341	0.11
Overdue for less than 30 days	3,782	(11)	3,771	0.29
Overdue for 30 to 89 days	1,794	(4)	1,790	0.22
Overdue for 90 to 179 days	1,161	(8)	1,153	0.69
Overdue for 180 to 360 days	1,418	(35)	1,383	2.47
Overdue more than 360 days	17,332	(1,619)	15,713	9.34
POCI	17,053	(514)	16,539	3.01
Total other loans secured by collateral	85,927	(2,237)	83,690	2.60
Total individually insignificant loans	562,474	(37,070)	525,404	6.59

(millions of tenge)

14 Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in allowance for ECL (continued)

Information on the quality of individually insignificant loans at 31 December 2021 is presented in the table below:

	31 December 2021			
	<i>Loans before allowance for ECL</i>	<i>Allowance for ECL</i>	<i>Loans less allowance for ECL</i>	<i>Allowance for ECL to gross loans before allowance for ECL, (%)</i>
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
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
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

(millions of tenge)

14 Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in allowance for ECL (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

An analysis of movements in the allowance for ECL on individually insignificant corporate loans for the three months ended 31 March 2022 is as follows:

	For the three months ended 31 March 2022 (unaudited)				
Individually insignificant corporate loans	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2022	(2,602)	(10)	(4,900)	(117)	(7,629)
New assets originated or purchased	(109)	—	(19)	—	(128)
Assets derecognised or repaid (excluding write-offs)	918	7	2,727	—	3,652
Transfers to Stage 1	(2)	2	—	—	—
Transfers to Stage 2	3	(51)	48	—	—
Transfers to Stage 3	1	7	(8)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(816)	(59)	(2,009)	(15)	(2,899)
Transfer between loan materiality categories	3	—	—	—	3
Unwinding of discount	—	—	(177)	—	(177)
Recoveries	—	—	(2,170)	—	(2,170)
Write-off	—	—	997	—	997
Effect from changes in exchange rates	(24)	—	(46)	—	(70)
At 31 March 2022	(2,628)	(104)	(5,557)	(132)	(8,421)

(millions of tenge)

14 Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in allowance for ECL (continued)

An analysis of movements in the allowance for ECL on individually insignificant corporate loans for the three months ended 31 March 2021 is as follows:

<i>Individually insignificant corporate loans</i>	<i>For the three months ended 31 March 2021 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2021	(602)	(140)	(9,074)	(131)	(9,947)
New assets originated or purchased	(413)	—	—	—	(413)
Assets derecognised or repaid (excluding write-offs)	219	4	667	16	906
Transfers to Stage 1	—	—	—	—	—
Transfers to Stage 2	—	—	—	—	—
Transfers to Stage 3	2	136	(138)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(16)	(56)	(551)	(559)	(1,182)
Transfer between loan materiality categories	19	—	565	—	584
Unwinding of discount	—	—	(320)	—	(320)
Recoveries	—	—	(664)	(1)	(665)
Write-off	—	—	600	233	833
Effect from changes in exchange rates	—	—	—	—	—
At 31 March 2021	(791)	(56)	(8,915)	(442)	(10,204)

An analysis of movements in the allowance for ECL on mortgage loans for the three months ended 31 March 2022 is as follows:

<i>Mortgage loans</i>	<i>For the three months ended 31 March 2022 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2022	(36)	(6)	(1,469)	(575)	(2,086)
New assets originated or purchased	(18)	—	—	—	(18)
Assets derecognised or repaid (excluding write-offs)	2	1	320	24	347
Transfers to Stage 1	(2)	2	—	—	—
Transfers to Stage 2	3	(6)	3	—	—
Transfers to Stage 3	1	6	(7)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	17	1	(81)	341	278
Unwinding of discount	—	—	(35)	—	(35)
Recoveries	—	—	(235)	(24)	(259)
Write-off	—	—	618	8	626
Effect from changes in exchange rates	(1)	—	(24)	—	(25)
At 31 March 2022	(34)	(2)	(910)	(226)	(1,172)

(millions of tenge)

14 Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in allowance for ECL (continued)

An analysis of movements in the allowance for ECL on mortgage loans for the nine months ended 31 March 2021 is as follows:

<i>Mortgage loans</i>	<i>For the three months ended 31 March 2021 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2021	(27)	(2)	(10,722)	501	(10,250)
New assets originated or purchased	(49)	—	—	—	(49)
Assets derecognised or repaid (excluding write-offs)	3	85	221	116	425
Transfers to Stage 1	(13)	1	12	—	—
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	68	(83)	(117)	(492)	(624)
Unwinding of discount	—	—	(462)	—	(462)
Recoveries	—	—	(272)	(6)	(278)
Write-off	—	—	569	431	1000
Effect from changes in foreign exchange rates	—	—	—	—	—
At 31 March 2021	(18)	1	(10,771)	550	(10,238)

An analysis of movements in the allowance for ECL on consumer loans for the three months ended 31 March 2022 is as follows:

<i>Consumer loans</i>	<i>For the three months ended 31 March 2022 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2022	(6,993)	(2,251)	(9,650)	—	(18,894)
New assets originated or purchased	(1,852)	—	(2)	—	(1,854)
Assets derecognised or repaid (excluding write-offs)	1,063	169	204	—	1,436
Transfers to Stage 1	(1,341)	1,323	18	—	—
Transfers to Stage 2	1,156	(1,733)	577	—	—
Transfers to Stage 3	47	3,118	(3,165)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(1,199)	(3,338)	(117)	—	(4,654)
Unwinding of discount	—	—	(806)	—	(806)
Recoveries	—	—	(32)	—	(32)
Write-off	—	—	842	—	842
Effect from changes in exchange rates	—	—	(1)	—	(1)
At 31 March 2022	(9,119)	(2,712)	(12,132)	—	(23,963)

(millions of tenge)

14 Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in allowance for ECL (continued)

An analysis of movements in the allowance for ECL on consumer loans for the three months ended 31 March 2021 is as follows:

<i>Consumer loans</i>	<i>For the three months ended 31 March 2021</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2021	(7,329)	(2,867)	(17,593)	(55)	(27,844)
New assets originated or purchased	(625)	—	—	—	(625)
Assets derecognised or repaid (excluding write-offs)	279	15	836	77	1,207
Transfers to Stage 1	(1,240)	682	558	—	—
Transfers to Stage 2	158	(236)	78	—	—
Transfers to Stage 3	132	1,551	(1,683)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	1,728	(1,770)	(1,586)	(22)	(1,650)
Unwinding of discount	—	—	(1,025)	—	(1,025)
Recoveries	—	—	(788)	—	(788)
Write-off	—	—	6,678	—	6,678
Effect from changes in foreign exchange rates	—	—	—	—	—
At 31 March 2021	(6,897)	(2,625)	(14,525)	—	(24,047)

An analysis of movements in the allowance for ECL on car loans for the three months ended 31 March 2022 is as follows:

<i>Car loans</i>	<i>For the three months ended 31 March 2022</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2022	—	—	(47)	—	(47)
New assets originated or purchased	—	—	—	—	—
Assets derecognised or repaid (excluding write-offs)	—	—	1	—	1
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	—	—	10	—	10
Unwinding of discount	—	—	(2)	—	(2)
Recoveries	—	—	(37)	—	(37)
Write-off	—	—	4	—	4
Effect from changes in exchange rates	—	—	(3)	—	(3)
At 31 March 2022	—	—	(74)	—	(74)

(millions of tenge)

14 Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in allowance for ECL (continued)

An analysis of movements in the allowance for ECL on car loans for the three months ended 31 March 2021 is as follows:

<i>Car loans</i>	<i>For the three months ended 31 March 2021</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2021	(1)	—	(131)	—	(132)
New assets originated or purchased	—	—	—	—	—
Assets derecognised or repaid (excluding write-offs)	—	—	36	—	36
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	1	—	(30)	—	(29)
Unwinding of discount	—	—	(6)	—	(6)
Recoveries	—	—	(36)	—	(36)
Write-off	—	—	7	—	7
Effect from changes in exchange rates	—	—	—	—	—
At 31 March 2021	—	—	(160)	—	(160)

An analysis of movements in the allowance for ECL on credit card loans for the three months ended 31 March 2022 is as follows:

<i>Credit cards</i>	<i>For the three months ended 31 March 2022</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2022	(647)	(90)	(505)	—	(1,242)
New assets originated or purchased	(196)	(4)	(12)	—	(212)
Assets derecognised or repaid (excluding write-offs)	765	—	21	—	786
Transfers to Stage 1	(74)	65	9	—	—
Transfers to Stage 2	62	(102)	40	—	—
Transfers to Stage 3	9	120	(129)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(415)	(91)	(21)	—	(527)
Unwinding of discount	—	—	(8)	—	(8)
Recoveries	—	—	(1)	—	(1)
Write-off	—	—	12	—	12
Effect from changes in exchange rates	(6)	(1)	(4)	—	(11)
At 31 March 2022	(502)	(103)	(598)	—	(1,203)

(millions of tenge)

14 Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in allowance for ECL (continued)

An analysis of movements in the allowance for ECL on credit card loans for the three months ended 31 March 2021 is as follows:

<i>Credit cards</i>	<i>For the three months ended 31 March 2021 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2021	(523)	(114)	(737)	—	(1,374)
New assets originated or purchased	(60)	—	—	—	(60)
Assets derecognised or repaid (excluding write-offs)	223	4	9	—	236
Transfers to Stage 1	(47)	23	24	—	—
Transfers to Stage 2	4	(4)	—	—	—
Transfers to Stage 3	8	36	(44)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(131)	(71)	(187)	—	(389)
Unwinding of discount	—	—	(25)	—	(25)
Recoveries	—	—	—	—	—
Write-off	—	—	26	—	26
Effect from changes in exchange rates	—	—	—	—	—
At 31 March 2021	(526)	(126)	(934)	—	(1,586)

An analysis of movements in the allowance for ECL on other loans secured by collateral for the three months ended 31 March 2022 is as follows:

<i>Other loans secured by collateral</i>	<i>For the three months ended 31 March 2022 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2022	(38)	(11)	(3,721)	(693)	(4,463)
New assets originated or purchased	(28)	—	(5)	—	(33)
Assets derecognised or repaid (excluding write-offs)	4	2	479	40	525
Transfers to Stage 1	(5)	5	—	—	—
Transfers to Stage 2	2	(16)	14	—	—
Transfers to Stage 3	1	10	(11)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	39	(3)	144	173	353
Unwinding of discount	—	—	(102)	—	(102)
Recoveries	—	—	(380)	(40)	(420)
Write-off	—	—	1,946	6	1,952
Effect from changes in exchange rates	—	—	(49)	—	(49)
At 31 March 2022	(25)	(13)	(1,685)	(514)	(2,237)

(millions of tenge)

14 Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in allowance for ECL (continued)

An analysis of movements in the allowance for ECL on other loans secured by collateral for the three months ended 31 March 2021 is as follows:

<i>Other loans secured by collateral</i>	<i>For the three months ended 31 March 2021</i>				
	<i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2021	(72)	(17)	(16,247)	412	(15,924)
New assets originated or purchased	(84)	—	—	—	(84)
Assets derecognised or repaid (excluding write-offs)	98	94	123	353	668
Transfers to Stage 1	(6)	1	5	—	—
Transfers to Stage 2	4	(23)	19	—	—
Transfers to Stage 3	—	2	(2)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(22)	(135)	(932)	576	(513)
Unwinding of discount	—	—	(824)	—	(824)
Recoveries	—	—	(119)	(305)	(424)
Write-off	—	—	1,231	936	2,167
Effect from changes in foreign exchange rates	—	—	—	—	—
At 31 March 2021	(82)	(78)	(16,746)	1,972	(14,934)

The amounts of undiscounted ECL at initial recognition on purchased credit-impaired loans to customers that were initially recognised for the three months ended 31 March 2022 and 2021 were as follows:

	<i>For the three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Mortgage loans	27	61
Other loans secured by collateral	23	104
Total undiscounted ECL at initial recognition of POCI	50	165

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.

(millions of tenge)

14 Loans to customers (continued)

Modified and renegotiated loans (continued)

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 March 2022 and 31 December 2021.

	31 March 2022 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Individually significant loans	9,744	15,726	9,606	283	35,359
Individually insignificant corporate loans	14,880	584	8,066	—	23,530
Mortgage loans	3,045	89	381	1,639	5,154
Consumer loans	10,703	521	3,496	—	14,720
Car loans	41	—	—	—	41
Credit cards	39	4	19	—	62
Other loans secured by collateral	15,088	851	3,711	2,515	22,165
Loans to customers before allowance for ECL	53,540	17,775	25,279	4,437	101,031

	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

As at 31 March 2022, 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 55.06% (31 December 2021: 62.35%).

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 including 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 Bank 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 March 2022, loans net of ECL allowance overdue over 90 days amount to 52,251 million tenge (as at 31 December 2021: 51,889 million tenge). As at 31 March 2022, total fair value of collateral securing such loans, limited to the gross value of the respective loans, was equal to 53,096 million tenge (31 December 2021: 52,587 million tenge).

Repossession collateral

For the three months ended 31 March 2021, the Group received a property with the carrying amount of 229 million tenge (three months ended 31 March 2021: 1,073 million tenge) by obtaining control over collateral for loans issued to customers (Note 16). The Group's policy assumes sale of these assets as soon as it is practicable.

*(millions of tenge)***14 Loans to customers (continued)**

Concentration of loans to customers

As at 31 March 2022, the Group had a concentration of loans represented by 213,197 million tenge due from the ten largest independent borrowers or 22.76% of gross loan portfolio (31 December 2021: 164,689 million tenge or 19.44% of gross loan portfolio). Allowance for ECL on these loans is 5,518 million tenge (31 December 2021: 1,282 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:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Loans to retail customers	376,592	360,546
Metallurgy	120,306	68,633
Wholesale trading	73,587	64,154
Services provided by small and medium businesses	57,327	59,006
Retail services	48,103	45,686
Real estate activities	45,905	44,750
Financial services	44,553	34,131
Food industry	28,198	26,448
Construction	23,484	22,927
Transportation services	20,545	19,533
Post and communication services	15,521	16,662
Agriculture	9,380	9,565
Textile production	7,858	8,368
Metal products manufacturing	2,998	2,587
Production of crude oil and natural gas	2,798	2,884
Industrial manufacturing	1,928	1,885
Chemical industry	1,413	2,454
Machine-building	289	264
Other	55,808	56,656
	<u>936,593</u>	<u>847,139</u>
Allowance for ECL	(45,836)	(38,191)
	<u>890,757</u>	<u>808,948</u>

Finance lease receivables

As at 31 March 2022 and 31 December 2021 loans to customers include finance lease receivables of 9,273 million tenge and 7,997 million tenge, respectively.

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Minimum lease payments receivable	11,526	10,723
Unearned finance income	(1,814)	(2,312)
Net minimum lease payments receivable	<u>9,712</u>	<u>8,411</u>
Less: ECL allowance	(439)	(414)
Net investment in finance leases	<u>9,273</u>	<u>7,997</u>
Current portion of minimum lease payments	5,857	2,794
Current portion of unearned finance income	(536)	(307)
Current portion of net minimum lease payments receivable	<u>5,321</u>	<u>2,487</u>
Non-current portion of minimum lease payments	5,668	7,929
Non-current portion of unearned finance income	(1,277)	(2,005)
Non-current portion of net minimum lease payments receivable	<u>4,391</u>	<u>5,924</u>
Net minimum lease payments receivable	<u>9,712</u>	<u>8,411</u>

*(millions of tenge)***14 Loans to customers (continued)**

Finance lease receivables (continued)

The analysis of finance lease receivables at 31 March 2022 and 31 December 2021, is as follows:

<i>At 31 March 2022</i>	<i>Up to 1 year</i>	<i>From 1 to 2 years</i>	<i>From 2 to 3 years</i>	<i>From 3 to 4 years</i>	<i>From 4 to 5 years</i>	<i>Total</i>
Minimum lease payments receivable	5,857	4,373	1,059	199	38	11,526
Unearned finance income	(536)	(872)	(312)	(76)	(18)	(1,814)
Net minimum lease payments receivable	5,321	3,501	747	123	20	9,712
<i>As at 31 December 2021</i>	<i>Up to 1 year</i>	<i>From 1 to 2 years</i>	<i>From 2 to 3 years</i>	<i>From 3 to 4 years</i>	<i>From 4 to 5 years</i>	<i>Total</i>
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

15 Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Debt investment securities at amortized cost		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	30,537	21,523
Bonds of foreign countries rated at BB- to BB+	950	870
Total government bonds	31,487	22,393
Corporate bonds		
Rated from BBB- to BBB+	187,337	177,244
Rated from BB- to BB+	86,334	83,965
Total corporate bonds	273,671	261,209
Bonds of banks		
Rated from BBB- to BBB+	1,782	1,643
Rated from B- to B+	4,706	5,310
Total bonds of banks	6,488	6,953
Investment securities measured at amortised cost before ECL allowance	311,646	290,555
Allowance for ECL	(282)	(274)
Investment securities measured at amortized cost	311,364	290,281

(millions of tenge)

15 Investment securities (continued)

	31 March 2022 (unaudited)	31 December 2021
Debt securities at FVOCI		
Government bonds		
Bonds of the NBRK rated BBB-	2,887	49,202
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	492,698	507,422
Total government bonds	495,585	556,624
Corporate bonds		
Rated from BBB- to BBB+	107,795	111,770
Rated from BB- to BB+	5,678	5,765
Total corporate bonds	113,473	117,535
Bonds of banks		
Rated from BBB- to BBB+	18,114	17,271
Rated from BB- to BB+	—	303
Rated below B+	3,343	3,095
Not rated	325	—
Total bonds of banks	21,782	20,669
Investments in equity instruments		
Corporate shares	110	—
Total investments in equity instruments	110	—
Investment securities measured at FVOCI	630,950	694,828

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 March 2022, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of 29,668 million tenge, were pledged as collateral under the repurchase agreements entered into at the KASE.

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.

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 March 2022, the total carrying amount of these bonds was 247,443 million tenge (31 December 2021: 236,849 million tenge).

The Group's debt securities issued held by SWF Samruk-Kazyna JSC (*Note 19*), with a total nominal value of 220,000 million tenge, serve as collateral for liabilities to the Group on the above mentioned bonds.

*(millions of tenge)***16 Other assets and other liabilities**

Other assets comprise:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Accounts receivable from sale of collateral	15,029	16,322
Government grant receivable	2,259	2,516
Accounts receivable on fee and commission income	1,504	1,443
Other accounts receivable from bank activities	4,758	5,732
	<u>23,550</u>	<u>26,013</u>
Allowance for ECL	(2,503)	(3,087)
Other financial assets	<u>21,047</u>	<u>22,926</u>
Repossessed collateral	34,962	36,246
Prepayments and deferred expenses	5,631	4,911
Taxes prepaid other than corporate income tax	2,043	2,181
Investment property	1,953	2,469
Inventories held for sale	1,761	1,761
Other inventories	688	786
Other	843	922
	<u>47,881</u>	<u>49,276</u>
Impairment allowance	(173)	(86)
Other non-financial assets	<u>47,708</u>	<u>49,190</u>
Total other assets	<u>68,755</u>	<u>72,116</u>

During the three months ended 31 March 2022, the Group took possession of collaterals with a total value of 229 million tenge (three months ended 31 March 2021: 1,073 million tenge). Even though the Group is currently working actively to dispose repossessed collateral held for sale, most of them have not been sold within short period of time. Management still intends to sell the repossessed collateral.

Other liabilities comprise:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Accrued expenses for employee benefits	5,242	5,902
Payables on non-banking activities	3,983	3,539
Lease liabilities	2,133	1,941
Obligations to pay mandatory contributions to the KDIF	381	366
Allowance for ECL for credit related commitments (<i>Note 24</i>)	1,651	658
Other	946	1,191
Other financial liabilities	<u>14,336</u>	<u>13,597</u>
Taxes payable other than corporate income tax	2,107	2,078
Other	558	795
Other non-financial liabilities	<u>2,665</u>	<u>2,873</u>
Total other liabilities	<u>17,001</u>	<u>16,470</u>

*(millions of tenge)***17 Current accounts and deposits of customers**

Current accounts and deposits of customers comprise:

	31 March 2022 (unaudited)	31 December 2021
Current accounts and demand deposits		
- Retail customers	102,551	91,195
- Corporate customers	622,096	439,278
Time deposits		
- Retail customers	478,289	478,679
- Corporate customers	625,882	661,904
Guarantee deposits		
- Retail customers	18,901	17,462
- Corporate customers	45,103	45,241
	1,892,822	1,733,759
Held as security against letters of credit and guarantees (<i>Note 24</i>)	(1,955)	(2,416)

Concentration of current accounts and deposits of customers

As at 31 March 2022, total amount of account balances of top 10 customers amounted to 417,022 million tenge or 22.03% of total current accounts and deposits of customers (31 December 2021: 386,317 million tenge or 22.28%).

As at 31 March 2022, the Group's outstanding balance of accounts and deposits of individuals and individual entrepreneurs amounted to 226,183 million tenge (31 December 2021: 243,073 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.

18 Amounts due to banks and other financial organizations

Amounts due to banks and other financial organizations comprise:

	31 March 2022 (unaudited)	31 December 2021
Loans from governmental organizations	48,373	48,110
Loans from other financial organizations	22,697	22,706
Liabilities due to Kazakhstan Sustainability Fund JSC	14,254	14,280
Current accounts and deposits of banks	107	93
	85,431	85,189

As at 31 March 2022, loans from public institutions included loans from Entrepreneurship Development Fund "Damu" JSC and Kazakhstan Development Bank JSC in the amount of 35,176 million tenge and 13,138 million tenge, respectively (31 December 2021: 34,960 million tenge and 13,079 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 March 2022 loans from other financial organizations include loans in the amount of 22,697 million tenge (31 December 2021: 22,706 million tenge) received from European Bank for Reconstruction and Development (EBRD) 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 9.95% per annum and mature in 2023. As at 31 March 2021, a deposit in the amount of 25,288 million tenge placed by the Bank with the EBRD acts as collateral for these obligations (31 December 2021: 25,794 million tenge).

*(millions of tenge)***18 Amounts due to banks and other financial institutions (continued)**

As at 31 March 2022, liabilities to Kazakhstan Sustainability Fund JSC include deposits in the amount of 11,863 million tenge (31 December 2021: 11,734 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 at initial recognition for the three months ended 31 March 2022 was determined by the Group using a market rate of 14.07% per annum.

During the three months ended 31 March 2022, the fair value of mortgage loans recognized as a result of significant modification was determined by the Group using a market rate of 19.77% per annum (for the three months ended 31 March 2021: 18.07% per annum). In 2022, the Group recognized a net loss on government grants, net of loss on derecognition of loans to customers in the amount of 388 million tenge (for the three months ended 31 March 2021: loss on government grants, net of loss on derecognition of loans to customers in the amount of 112 million tenge) in the interim condensed consolidated statement of comprehensive income.

19 Debt securities issued

Debt securities issued comprise:

	<i>Maturity</i>	<i>Coupon rate</i>	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Bonds in US dollars				
Bonds issued in 2019	2022	3.00%	17,592	16,171
Eurobonds issued in 2010	2022	14.00%	17,319	15,497
			<u>34,911</u>	<u>31,668</u>
Bonds in tenge				
Bonds issued in 2018	2024	4.00%	177,911	172,406
Bonds issued in 2015	2025	10.13%	47,956	49,046
			<u>225,867</u>	<u>221,452</u>
			<u>260,778</u>	<u>253,120</u>

In September 2018, the Bank 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.

20 Subordinated debt

As at 31 March 2022 and 31 December 2021, subordinated debt includes subordinated debt securities issued, represented by tenge-denominated subordinated bonds maturing in 2022-2031 and a fixed coupon rate of 8% per annum. The coupon is paid every six months.

21 Share capital

The number of authorised, placed and outstanding common shares and share capital as at 31 March 2022 and 31 December 2021 are as follows:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
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)	(1,934,376,697)
Number of outstanding shares	90,452,727,392	90,452,727,392
Total share capital, millions of tenge	<u>329,350</u>	<u>329,350</u>

(millions of tenge)

21 Share capital (continued)

Movements in common shares outstanding, issued and fully paid were as follows:

	<i>Quantity of common shares</i>	<i>Placement value of common shares</i>
As at 1 January 2022	90,452,727,392	329,350
Repurchase of own shares (unaudited)	—	—
At 31 March 2022 (unaudited)	90,452,727,392	329,350
At 1 January 2021	88,995,268,392	327,555
Repurchase of own shares (unaudited)	—	—
At 31 March 2021 (unaudited)	88,995,268,392	327,555

During the three months ended 31 March 2022, the Bank did not declare and pay dividends. 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.

22 Earnings per share

The following reflects the net profit and share information used in the basic and diluted earnings per share computations:

	<i>For the three months ended 31 March 2022 (unaudited)</i>	<i>2021 (unaudited)</i>
Net profit attributable to shareholders of the Bank	16,212	16,424
Weighted average number of common shares	90,452,727,392	88,995,268,392
Basic and diluted earnings per common share in tenge	0.18	0.18

As at 31 March 2022 and 31 March 2021, the Bank did not have any financial instruments diluting earnings per share.

23 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 norms established by the NBRK in supervising the Bank.

As at 31 March 2022 and 31 December 2021, 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 (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.

*(millions of tenge)***23 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 March 2022 and 31 December 2021:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Tier 1 capital	242,091	252,085
Tier 2 capital	12,562	12,885
Total capital	<u>254,653</u>	<u>264,970</u>
Total risk-weighted statutory assets, contingent liabilities, operational and market risk	1,205,993	1,089,944
Ratio k1	20.1%	23.1%
Ratio k1-2	20.1%	23.1%
Ratio k2	21.1%	24.3%

24 Commitments and contingencies**Political 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 minimise 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 lower oil prices and the depreciation of the tenge against the US dollar and euro. This has resulted in increased uncertainty about further economic growth, which, in turn, may negatively affect the Group's financial position, results of operations and economic prospects.

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.

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2021</i>
Undrawn loan commitments	128,383	132,972
Guarantees issued	65,606	57,325
Letters of credit	2,421	2,835
	<u>196,410</u>	<u>193,132</u>
Less: current accounts and deposits of customers, held as collateral under letters of credit and guarantees (<i>Note 17</i>)	(1,955)	(2,416)
Less allowance for ECL (<i>Note 16</i>)	(1,651)	(658)
	<u>192,804</u>	<u>190,058</u>

*(millions of tenge)***24 Commitments and contingencies (continued)****Credit related commitments (continued)**

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.

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 in these interim condensed consolidated financial statements 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 interim condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

25 Related party transactions**Remuneration of members of the Board of Directors and the Management Board**

Total remuneration to 14 members of the Management Board and Board of Directors included in general and administrative expenses for the three months ended 31 March 2022 and 2021 is as follows:

	<i>For the three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Members of the Board of Directors and the Management Board of the Group	967	227
	<u>967</u>	<u>227</u>

These amounts include cash benefits in respect of the members of the Board of Directors and the Management Board and related taxes.

(millions of tenge)

25 Related party transactions (continued)

Transactions with other related parties

Other related parties in the table below include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the average effective interest rates as at 31 March 2022 and related profit or loss for the three months ended 31 March 2022 from transactions with related parties are as follows:

	31 March 2022 (unaudited)						
	Shareholders		Entities under common control		Other related parties		Total
	Average annual effective		Average annual effective		Average annual effective		
	In millions of tenge	interest rate (%)	In millions of tenge	interest rate (%)	In millions of tenge	interest rate (%)	In millions of tenge
Assets							
Loans to customers	—	—	—	—	4,727	5.43	4,727
Other assets	—	—	40	—	3	—	43
Liabilities							
Current accounts and deposits of customers	3,799	1.00	33,936	4.27	13,378	1.22	51,113
Other liabilities	—	—	19	—	—	—	19
Contingent liabilities	—	—	—	—	91	—	91
Guarantees issued	—	—	—	—	79	—	79

	For the three months ended 31 March 2022 (unaudited)			
	Shareholders		Entities under common control	Other related parties
	Total			
Income/(expenses)				
Interest revenue			—	64
Interest expenses			(24)	(238)
General and administrative expenses			—	(19)
Fee and commission income			—	12
Other expenses			—	(42)

The outstanding balances and the related average effective rates as at 31 December 2021, and related income or loss from transactions with related parties for three months ended 31 March 2021, are as follows:

	31 December 2021						
	Shareholders		Entities under common control		Other related parties		Total
	Average annual effective		Average annual effective		Average annual effective		
	In millions of tenge	interest rate (%)	In millions of tenge	interest rate (%)	In millions of tenge	interest rate (%)	In millions of 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

(millions of tenge)

25 Related party transactions (continued)

Transactions with other related parties (continued)

	<i>For the three months ended 31 March 2021 (unaudited)</i>			<i>Total</i>
	<i>Shareholders</i>	<i>Entities under common control</i>	<i>Other related parties</i>	
Income/(expenses)				
Interest revenue	—	—	58	58
Interest expenses	(22)	(27)	(28)	(77)
Fee and commission income		9	2	11
Other expenses	—	(66)	(161)	(227)

26 Segment information

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) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities and individual entrepreneurs);
- Retail banking (RB) – includes issuance of loans, attracting deposits, 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 organizations, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and related foreign currency transactions;
- Other – other transactions with debtors/creditors, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Investment Activities).

(millions of tenge)

26 Segment information (continued)

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 March 2022 (unaudited)					
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Assets						
Cash and cash equivalents	91,629	64,194	82,955	314,805	8,266	561,849
Amounts due from financial institutions	556	2,543	338	44,186	30	47,653
Trading securities	—	—	—	2,684	—	2,684
Loans to customers	248,731	278,538	329,137	—	34,351	890,757
Investment securities	—	—	—	942,314	—	942,314
Property and equipment	—	—	—	—	61,988	61,988
Intangible assets	—	—	—	—	14,084	14,084
Other assets	49	267	922	20	67,497	68,755
Total assets	340,965	345,542	413,352	1,304,009	186,216	2,590,084
Liabilities						
Current accounts and deposits of customers	825,306	461,371	606,070	—	75	1,892,822
Amounts due to banks and other financial organizations	10,561	55,089	5,688	112	13,981	85,431
Amounts payable under repurchase agreements	—	—	—	30,187	—	30,187
Debt securities issued	—	—	17,591	177,911	65,276	260,778
Deferred tax liabilities	—	—	—	—	15,059	15,059
Subordinated debt	—	—	—	—	20,789	20,789
Other liabilities	1,206	134	964	22	14,675	17,001
Total liabilities	837,073	516,594	630,313	208,232	129,855	2,322,067
Equity						
Share capital	—	—	—	—	332,815	332,815
Treasury shares	—	—	—	—	(3,465)	(3,465)
Additional paid-in capital	—	—	—	—	23,651	23,651
Fair value reserve	—	—	—	—	(17,755)	(17,755)
Accumulated losses	—	—	—	—	(67,229)	(67,229)
Total equity attributable to shareholders of the Bank	—	—	—	—	268,017	268,017

(millions of tenge)

26 Segment information (continued)

	31 December 2021					
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
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
Liabilities						
Current accounts and deposits of customers	699,189	440,566	594,003	—	1	1,733,759
Amounts due to banks and other financial organizations	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

(millions of tenge)

26 Segment information (continued)

Information on the main reporting segments for the three months ended 31 March 2022 and 2021 may be presented as follows:

	For the three months ended 31 March 2022 (unaudited)						
	CB	SMB	RB	Investing activities	Other	Elimi- nation	Total
Interest income	4,668	9,079	17,312	21,710	1,175	—	53,944
Transfer income	11,933	9,197	7,989	6,955	4,365	(40,439)	—
Interest expenses	(7,411)	(4,111)	(5,458)	(6,384)	(2,741)	—	(26,105)
Transfer expenditures	(3,224)	(6,060)	(7,897)	(22,086)	(611)	39,878	—
Net interest income	5,966	8,105	11,946	195	2,188	(561)	27,839
Fee and commission income	608	3,644	3,089	6	3	—	7,350
Fee and commission expense	(327)	(1,240)	(1,009)	(47)	(54)	—	(2,677)
Net income on transactions with financial instruments at fair value through profit or loss	—	—	—	2,910	—	—	2,910
Net gains from derecognition of investment securities at fair value through other comprehensive income	—	—	—	26	—	—	26
Net gain/(loss) from foreign currencies	1,135	4,783	2,529	(2,338)	105	—	6,214
Net loss upon derecognition of financial assets measured at amortized cost	—	—	(90)	—	(298)	—	(388)
Other income	36	8	(24)	1	599	—	620
Non-interest income	1,452	7,195	4,495	558	355	—	14,055
Credit loss expenses	(4,296)	(1,023)	(4,875)	(493)	1,886	—	(8,801)
General and administrative expenses	(734)	(3,884)	(7,294)	(357)	(1,990)	—	(14,259)
Other expenses	(6)	(21)	(668)	(16)	(216)	—	(927)
Non-interest expense	(5,036)	(4,928)	(12,837)	(866)	(320)	—	(23,987)
Other transfer income and expenditures	(559)	(456)	(535)	4,313	(3,324)	561	—
Profit/(loss) before corporate income tax expense	1,823	9,916	3,069	4,200	(1,101)	—	17,907
Corporate income tax expenses	(163)	(884)	(274)	(374)	—	—	(1,695)
Profit/(loss) for the period	1,660	9,032	2,795	3,826	(1,101)	—	16,212

(millions of tenge)

26 Segment information (continued)

For the three months ended 31 March 2021
(unaudited)

	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Elimi- nation</i>	<i>Total</i>
Interest income	3,100	7,307	17,063	17,189	745	—	45,404
Transfer income	7,968	5,420	7,091	5,325	2,188	(27,992)	—
Interest expenses	(5,702)	(2,492)	(5,375)	(5,425)	(2,639)	—	(21,633)
Transfer expenditures	(2,273)	(4,430)	(7,952)	(17,316)	(1,082)	33,053	—
Net interest income	3,093	5,805	10,827	(227)	(788)	5,061	23,771
Fee and commission income	562	5,136	3,433	5	1	—	9,137
Fee and commission expense	(224)	(2,738)	(1,342)	(40)	(3)	—	(4,347)
Net income on transactions with financial instruments at fair value through profit or loss	—	—	—	402	—	—	402
Net loss from derecognition of investment securities at fair value through other comprehensive income	—	—	—	(94)	—	—	(94)
Net gain from foreign currencies	800	899	442	44	3	—	2,188
Other income	136	150	169	—	469	—	924
Non-interest income	1,274	3,447	2,702	317	470	—	8,210
Credit loss expenses	(330)	(1,290)	(3,064)	316	1,664	—	(2,704)
Net loss upon derecognition of financial assets measured at amortized cost	—	—	(110)	—	(2)	—	(112)
General and administrative expenses	(630)	(2,369)	(5,448)	(436)	(2,274)	—	(11,157)
Other expenses	(6)	(46)	(698)	(14)	(387)	—	(1,151)
Non-interest expense	(966)	(3,705)	(9,320)	(134)	(999)	—	(15,124)
Other transfer income and expenditures	(846)	434	(961)	10,074	(3,640)	(5,061)	—
Profit/(loss) before corporate income tax expense	2,555	5,981	3,248	10,030	(4,957)	—	16,857
Corporate income tax expenses	(51)	(119)	(64)	(199)	—	—	(433)
Profit/(loss) for the period	2,504	5,862	3,184	9,831	(4,957)	—	16,424

(millions of tenge)

27 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 March 2022:

	31 March 2022 (unaudited)				
	<i>Assets and liabilities measured at fair value</i>	<i>Assets and liabilities whose fair value is disclosed</i>	<i>Total carrying amount</i>	<i>Fair values</i>	<i>Unrecognised gain/(loss)</i>
Cash and cash equivalents	—	561,849	561,849	561,849	—
Amounts due from financial organizations	—	47,653	47,653	47,653	—
Trading securities	2,684	—	2,684	2,684	—
Loans to customers	—	890,757	890,757	876,868	(13,889)
Investment securities measured at FVOCI	630,950	—	630,950	630,950	—
Investment securities measured at amortized cost	—	311,364	311,364	301,454	(9,910)
Other financial assets	—	21,047	21,047	21,047	—
	633,634	1,832,670	2,466,304	2,442,505	(23,799)
Current accounts and deposits of customers	—	1,892,822	1,892,822	1,889,091	3,731
Amounts due to banks and other financial institutions	—	85,431	85,431	80,016	5,415
Amounts payable under repurchase agreements	—	30,187	30,187	29,668	519
Debt securities issued	—	260,778	260,778	239,753	21,025
Subordinated debt	—	20,789	20,789	16,454	4,335
Other financial liabilities	—	14,336	14,336	14,336	—
	—	2,304,343	2,304,343	2,269,318	35,025
					11,226

(millions of tenge)

27 Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

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				
	<i>Assets and liabilities measured at fair value</i>	<i>Assets and liabilities whose fair value is disclosed</i>	<i>Total carrying amount</i>	<i>Fair values</i>	<i>Unrecognised gain/(loss)</i>
Cash and cash equivalents	—	432,948	432,948	432,948	—
Amounts due from financial organizations	—	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 estimate of fair value is intended to approximate the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, 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.

*(millions of tenge)***27 Fair value of financial instruments (continued)****Accounting classification and fair value (continued)***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 the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities carried 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 organizations, deposits of banks and other financial organizations, 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:

- To discount the future cash flows from loans to corporate customers a discount rate in the range from 4.72% p.a. to 14.64% p.a. (31 December 2021: 4.84% p.a. to 14.51% p.a.) was used;
- The discount rate of 29.82% per annum was used to calculate the future cash flows from loans to individuals (31 December 2021: 28.73% per annum).

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 March 2022, by fair value hierarchy, into which the fair value measurement is categorised.

	<i>Note</i>	<i>31 March 2022 (unaudited)</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Assets					
Trading securities	13	372	40	2,272	2,684
Investment securities measured at FVOCI	15	534,212	96,738	–	630,950
		534,584	96,778	2,272	633,634

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.

	<i>Note</i>	<i>31 December 2021</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Assets					
Trading securities	13	1,518	–	1,452	2,970
Investment securities measured at FVOCI	15	579,407	115,421	–	694,828
		580,925	115,421	1,452	697,798

As at 31 March 2022, KSF debt securities measured FVOCI in the amount of 93,351 million tenge are classified in Level 2 of the fair value hierarchy (as at 31 December 2021: 95,705 million tenge). These investment securities are considered for regulatory purposes as high-quality liquid assets, but are classified in Level 2 due to insufficient amount of transactions with these securities in an active market.

(millions of tenge)

27 Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments not measured at fair value as at 31 March 2022, by fair value hierarchy, into which the fair value measurement is categorised:

	31 March 2022 (unaudited)			Total fair value	Total carrying value
	Level 1	Level 2	Level 3		
Assets					
Cash and cash equivalents	—	561,849	—	561,849	561,849
Amounts due from financial institutions	—	47,653	—	47,653	47,653
Loans to customers	—	—	876,868	876,868	890,757
Investment securities measured at amortized cost	59,456	4,335	237,663	301,454	311,364
Other financial assets	—	—	21,047	21,047	21,047
Liabilities					
Current accounts and deposits of customers	—	1,889,091	—	1,889,091	1,892,822
Amounts due to banks and other financial organizations	—	80,016	—	80,016	85,431
Amounts payable under repurchase agreements	—	29,668	—	29,668	30,187
Debt securities issued	—	239,753	—	239,753	260,778
Subordinated debt	—	16,454	—	16,454	20,789
Other financial liabilities	—	14,336	—	14,336	14,336

As at 31 March 2022, KSF debt securities measured at amortized cost in the amount of 4,643 million tenge are classified in Level 2 of the fair value hierarchy (as at 31 December 2021: 4,528 million tenge). These investment securities are considered for regulatory purposes as high-quality liquid assets, but are classified in Level 2 due to insufficient amount of transactions with these securities in an active market.

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:

	31 December 2021			Total fair value	Total carrying value
	Level 1	Level 2	Level 3		
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 organizations	—	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