Jusan Technologies Ltd

Annual Report and Financial Statements

Year ended 31 December 2021

CONTENTS

Name	Jusan Technologies Ltd
Company Number	12538192
Date of Incorporation	30 March 2020
Country of incorporation	England and Wales
Company domicile	United Kingdom
Registered office	22a St. James's Square London United Kingdom SW1Y 4JH
Directors	Christian Boerner David Charles the Lord Evans of Watford Wahid Masudul Rony
Secretary	C&G Holding Services (UK) Limited

Jusan Technologies Limited ("the Company") is an investment holding company which was established on 30 March 2020, under the Companies Act 2006 and is registered in England and Wales, with business interests in Kazakhstan and Kyrgyzstan.

The Company's subsidiaries are comprised of large, growing and market leading private companies operating in various sectors (mainly in Kazakhstan) including banking, e-commerce, telecommunication, logistics & retail and other financial sectors such as brokerage, insurance, and wealth management.

The Company's largest assets by value are financial organisations, which account around 80% of the total assets of the Company. Among them is First Heartland Jusan Bank JSC ("Jusan Bank"), which is the fifth-largest bank by total assets in Kazakhstan specializing in a) retail banking and payment services; b) corporate and SME banking; and c) private banking and wealth management.

Our operational structure

The Company directly owns two subsidiaries ("Group") in Kazakhstan: First Heartland Securities JSC ("FHS") and Jusan Ventures LLP ("JV"). FHS is a banking holding company registered in Kazakhstan that has a controlling interest (78.73% as of 31 December 2021) in Jusan Bank, while JV is an investment holding company registered in Kazakhstan which owns subsidiaries that operate in the fields of e-commerce, IT/technology, telecommunication, logistics & retail. The Company also directly owns a subsidiary in Luxembourg: JT International S.A.R.L. which is an investment company that is in the early stage of development and does not hold any significant assets/investments yet. The Company is also the limited partner of Pioneer Horizon East SCS, a partnership registered in Luxembourg.

Our business models

Since inception, the Group has expanded through a combination of substantial organic growth and a series of strategic acquisitions.

At the Group we invest in technology driving business with high growth potential, moderate level of risks, price and profitability, prioritizing liquid assets that ensure an inflow of recurring income. Priority sectors for the Group are banking, e-commerce, logistics and telecommunication in CIS region (excluding Russia).

We focus on transforming the existing portfolio of traditional businesses to become a technology-driven organization to better serve customers, gain a competitive advantage and create new products /services which reflect our changing market and customers.

The Company does not operate as a purely financial or institutional investor. We maintain active management and solid financial discipline in all our investment by focusing on creating value, with long-term and non-speculative approaches that help grow value for the business and customers.

We carefully select investments, to which we demand high standards of corporate governance in terms of sustainability, transparency of business conduct and risk management.

Our strategic direction

The Company's strategic goal is to build a digital ecosystem by integrating financial and non-financial services including e-commerce, marketplace, telecom, and fintech that will offer quality services to customers in Kazakhstan, and further expand to other CIS (excluding Russia) countries and Turkey. This overall strategic goal is based on the following two pillars:

To make Jusan Bank #1 choice for retail and SME customers, high-net-worth individuals in Kazakhstan by developing digital banking with focus on building and promoting three online platforms: Jusan Retail, Jusan Business and Jusan Private Banking. Jusan Bank within less than two years transformed from a traditional bank with a focus to corporate lending of midsize/large corporations in agriculture, industrial, mining, and oil & gas sectors to online retail lending & SME financial service provider. Jusan Bank is growing its business by leveraging the AI and big data analytics.

Aggressively expand non-banking business with a focus to marketplace (e-commerce) and logistics. The Company's subsidiaries already built and successfully tested customer-focused digital ecosystem "Jusan Super App" and JMart marketplace that eliminates the conventional offline/online boundaries between payments, shopping and finance.

Key corporate events

2022

Q1 2022 - marketplace platform (JMart) has become one of the leading e-commerce platforms operated by the banking group in terms of GMV and number of merchants in Kazakhstan.

Q1 2022 – Jusan Bank's subsidiaries has become #1 online brokerage firm by number of retail clients in Kazakhstan (more than 122K customers (25.3x YoY) and #4 insurance company by the volume of gross and #3 by the volume of net written premium in Kazakhstan (more than 510K (+70% YoY) active insurance contracts)

Our strategic direction, ***continued***

2021

Sep 2021 - merger of Jusan Bank and ATF Bank JSC completed.

Sep 2021 - Jusan Bank lost control of Kvant Mobile Bank PJSC by entering into a purchase and sale agreement with Pioneer Capital Invest LLP.

Jun 2021 – the Company received 20 million USD from an independent legal entity, as payment for the issuance of 7,959,497 shares by the Company.

Feb 2021 - Jusan Bank acquired 0,12% shares of ATF Bank JSC from minority shareholders.

Jan-Mar 2021 – JV (a fully owned subsidiary of the Company) acquired 100% of Jusan Mobile JSC (previously KazTransCom JSC) (one of the leading providers of telecommunication services in Kazakhstan).

Financial performance review

As at year end 2021, net assets were US$1.6 billion Net profit for the year was US$76.9 million.

As at year end 2020, net assets were US$1.6 billion. Net profit for the year was US$557.6 million.

The Group demonstrated following result bellow:

FHS

FHS Group assets went down by 8.6% to KZT 3.050 billion (equivalent of US$ 7.06 billion) vs. prior year due to decrease in client funds and equity. Deposits and current accounts of legal entities and individuals decreased by 7.3% to KZT 1.803.6 billion (equivalent of US$ 4.18 billion). Accordingly, loans to customers decreased by 14.9% to KZT 954.1 billion (US$ 2.21 billion) following a weak market environment in 2021 combined with considerable uncertainty after COVID-19 in 2020.

Net Profit for the year 2021 went down by 82% to KZT 46.8 billion (equivalent of US$ 110 million) compared to KZT 250.6 billion (equivalent of US$ 557 million) due to material one off revenues in 2020.

JV

As at year end 2021, total assets increased by 7.8 times to KZT 59.1 billion (equivalent of US$ 136.8 million) vs. 2020 due to the acquisitions of several subsidiaries by JV. Fixed assets represent around 43% of the total assets of JV. Net loss for the year was KZT 3.1 billion (equivalent of US$ 7.3 million).

JT International S.A.R.L

JT International S.A.R.L was established on April 29, 2021. As at year end 2021, total assets were EUR 0.013 million. JT International S.A.R.L was not active during 2021.

Key performance indicators

Given the stage of development of the Company, the key performance indicators used by the management for monitoring progress and strategic objectives for the business is cash balance and increase of net asset value.

Cash balance

On 31 December 2021 the Group held cash and cash equivalents amounting to US$2,682,264,000 (US$2.6 billion).

On 31 December 2020 the Group held cash and cash equivalents amounting to US$3,346,805,000 (US$3.4 billion).

Net assets

The net assets of the Group as of 31 December 2021 were US$1,566,144,000 of which US$270,956,000 was attributable to non-controlling interests.

The net assets of the Group as of 31 December 2020 were US$1,601,126,000 of which US$256,005,000 was attributable to non-controlling interests.

Principal risk and uncertainties faced by the Company's biggest subsidiary by asset size - Jusan Bank

- Market risk
- Credit risks
- Liquidity risk
- Operational risk

Risk management

The Board of Directors of Jusan Bank has overall responsibility for the establishment and oversight of Jusan Bank's risk management framework, overseeing the management of key risks and approving its risk management policies and procedures as well as approving significant large exposures.

The risk management policies aim to identify, analyse and manage the risks faced by Jusan Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures of Jusan Bank are reviewed regularly to reflect changes in market conditions and emerging best practice.

Both external and internal risk factors are identified and managed throughout Jusan Bank. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures.

Jusan Bank group of companies are subject to strict regulatory monitoring and control on standalone and consolidated basis and must comply with wide range of daily, weekly, monthly and quarterly prudential requirements set by regulator to financial institutions.

The Board of Directors of Jusan Bank monitors following risks by holding regular meetings with operational units in order to obtain expert judgements in their areas of expertise.

Market risk

Market risk is the probability of financial losses on balance sheet and off-balance sheet items, due to adverse changes in the market situation, expressed in changes in market interest rates, foreign exchange rates, market value of financial instruments, goods. The main types of market risk are interest rate, currency and price risks.

Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

Jusan Bank manages market risk through performance of the following tasks:

- determining and establishing the levels of market risk appetite and developing action plans in case of breaches of the established levels, including responsibility for taking risks that have been determined to be high.
- building up an effective market risk management system of Jusan Bank.
- ensuring an optimal ratio between profitability and the level of risk assumed.
- identifying the participants to the process and determining the procedure for their interaction while managing market risk.
- ensuring continuous monitoring and control of established levels of risk appetite and internal limits of market risk.
- minimising risks related to the failure of Jusan Bank's staff to comply with the established limits and market risk powers.
- developing mechanisms to address unexpected or extraordinary situations of Jusan Bank related to a significant change in market indicators resulting in increase in market risk.

Credit risks

Credit risk is the probability of financial loss to Jusan Bank if a customer or counterparty fails to meet its contractual obligations according to agreed terms. Jusan Bank has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee of Jusan Bank to actively monitor credit risk. The credit policy is reviewed and approved by the Board of Directors of Jusan Bank.

The credit policy establishes and determines the major requirements to be followed in lending activity, including:

- aims and objectives Jusan Bank's lending activity.
- priorities and restrictions in lending.
- credit risk allowable level.
- system of the credit risk limits.
- terms of granting loans to the individuals and legal entities, including entities having special relations with Jusan Bank.
- stages and participants of the lending process.
- decision–making system.
- key principles and methods of credit risk management in Jusan Bank.
- internal control system for the credit risk management process.

Credit risks, *continued*

On the basis of the Credit Policy, which covers the key directions of Jusan Bank's activity and the system of the credit risk management instruments, Jusan Bank has built a more efficient lending process in the segments of the corporate business, small– and medium–size business and retail business.

Overall to ensure the effective risk management at the portfolio level Jusan Bank uses such methods as diversification of the loan portfolio and system of management reporting, which allows exercising the regular monitoring of Jusan Bank lending activity, identifying the major problems and implementing the risk minimization instruments as well as stress–testing of credit risk.

Liquidity risk

Liquidity risk is the risk that Jusan Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

Jusan Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Jusan Bank's liquidity policy is reviewed by the Management Board and approved by the Board of Directors of Jusan Bank.

The key objectives of Jusan Bank's liquidity risk management are as follows:

- to ensure that Jusan Bank is able to discharge its liabilities in time and in full scope.
- to invest Jusan Bank's free cash flows in high income earning and highly liquid assets.

In the process of liquidity risk management, Jusan Bank is governed by the following principles:

- liquidity is managed on a day–to–day basis and continuously.
- sound management of assets and liabilities.
- management of access to the interbank market.
- diversification and stability of liabilities.
- application of the methods and instruments for the liquidity risk assessment, which do not contradict the regulatory legal acts.
- clear split of powers and responsibility for liquidity management between the bodies of Jusan Bank, its officials and business units.
- setting of limits that ensure the adequate level of liquidity and meet the size, nature of business and financial position of Jusan Bank.
- in case of a conflict between the liquidity and returns, to make decision in favour of liquidity.
- planning of the liquidity requirements.
- regular monitoring of the decisions to provide liquidity, which have been made before.

Operational risk

Operational risk is the probability of loss arising from a wide variety of causes associated with Jusan Bank's processes, personnel, technology and infrastructure, and from external factors, such as those arising from legal and regulatory requirements (excluding strategic risk and reputational risk).

Jusan Bank uses automated systems for the collection and analysis of information about operation risk events. Risk coordinators collect the information about operation risk events, each event is evaluated by the risk management department together with process holders and then directed to the specialized collegial body.

Additional instrument of operational risk management is the process of self–assessment of operational risk in the departments of Jusan Bank. Separate operational risk assessment is conducted before implementation of new products, processes and systems.

On a monthly basis, Management Board and Board of Directors of Jusan Bank review the information on operational risk.

Operating environment

We pay close attention to the environment in which we operate, scanning the horizon for risks and opportunities, and adapting our strategy accordingly.

At the end of 2021, Kazakhstan's GDP grew by 4% compared to 2020. In 2021 there has been a positive dynamic of economic growth in Kazakhstan. The growth of real GDP was 4% compared to previous year of moderate decline. After suffering a pandemic-driven slump in 2020, strong growth in aggregate demand supported real GDP.

However, in 2021 inflation surged to 8,4% its highest recorded level since 2016, driven mostly by food price inflation and prolonged disruptions in global supply chains. The inflation rate exceeded the central bank's target range and prompted a tighter monetary policy stance. The base rate was raised from 9% to 9,75% by the end of year.

In 2021, the government introduced a countercyclical fiscal policy that included additional spending on healthcare, support to SMEs, and infrastructure projects. Despite additional fiscal support measures, higher oil and non-oil revenues facilitated narrower budget deficit.

Against the backdrop of economic recovery and increased consumer activity of the population, retail trade turnover in real terms grew by 6,5% year-on-year in 2021, the highest value since 2015.

In 2021, the Kazakh banking system's assets grew by 34%. The growth of deposits was 21% and there were issued 47% more loans to economy including an increase in consumer lending by 42% year-on-year and 20% increase in corporate lending. Due to significant state support for the real estate sector and launch of a program which allows to utilize citizens' pension savings for improving living conditions, the volume of mortgage loans in 2021 increased by 40%.

On 2 January 2022 protests started in Western Kazakhstan related to a significant increase in the liquefied natural gas price. These protests spread to other cities and resulted in mass disorders, 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 state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including making amendments to tax legislation, introduction of measures to support financial stability, control measures and stabilisation of the inflation rate and tenge exchange rate.

Section 172(1) Statement

Company directors are required by law to promote the success of their organisation for the benefit of both shareholders and their wider stakeholders, including employees, suppliers and the community. This statement aligns to such requirements, as set out in Section 172 and Section 414CZA of the Companies Act 2006 and indicates how, during the year, the Directors addressed the matters set out in Section 172(1) (a) to (f) of the Act when performing their duties.

Section 172(1) of the Companies Act 2006 requires Directors of the company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. As part of decision-making process, the Directors have considered the following:

As members of the board of directors in the company:

- the likely consequences of any decision in the long term,
- the need to foster the company's business relationships with suppliers, consultants, new investors, partners and subsidiaries,
- the interests of the company's employees,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company and subsidiaries

Where directors are also members of the board of directors in subsidiary companies they also consider the following as part of their decision-making process:

- the need to focus on priority areas of activity of subsidiaries and corresponding strategies for subsidiaries
- the legislative acts and the views and rules of local regulators of the countries, where the Group operates
- awareness of making good investments given their authority to make decisions on the acquisition (or disposals) by subsidiaries of ten or more percent of shares of other legal entities
- the need to form a well-balanced Management Board, given their authority to determine the number of the Management Board members and elect members of the Management Board. As in tern members of the Management Board conduct day to day activities and control subsidiaries' operating activities.

The Board considers that the statement focuses on those risks and opportunities that are strategically important to the Company, and consistent with the Group's size and complexity. This allows it to build trust and fully understand the potential impacts of the decisions it makes on all stakeholders. More information on the issues, factors and stakeholders that the Board considers relevant to complying with Section 172(1) (a) to (f) of the Act can be found earlier in the Strategic Report under the areas of Operational Structure, Business Models, Strategic Direction and Risk Management.

This Strategic Report was approved on behalf of the Board on 26 October 2022 by

David Evans

Director
Lord David Evans of Watford

The Directors present the audited consolidated financial statements of the Group for the period ended 31 December 2021. The principal activity of the Company is that of a holding company. A complete list of the company's subsidiary undertakings is included in note 51 to the financial statements. A review of the business and future developments is included in the Strategic Report.

Relations with stakeholders in a business relationship with the Company

The directors value the company's suppliers, customers and other stakeholders. The Company regularly engages in communication with stakeholders and honours all the commitment/bill payments accordingly. As a result, the company receives services of a good quality from suppliers/consultants and maintains good relations with them.

Disclosures concerning greenhouse gas emissions and energy consumption

The activities of the Group in the United Kingdom have consumed less than 40,000 kWh of energy and therefore the Directors' Report does not contain information on greenhouse gas emissions and energy use.

Dividends

During 2021 Directors proposed to pay dividends in the total amount of US$ 20.98mln. From the beginning of 2022 up to the date of signing the financial statements Directors proposed to pay dividends in the amount of US$ 12.39mln.

Political donations

The Group made no political contribution during the period.

Financial instruments

Detailed disclosures regarding the risks that financial instruments present to the Group and how those risks are managed are disclosed in the Strategic Report and notes 43, 45 and 47 to the accounts.

Activities in the field of research and development

Certain of the Company's subsidiary undertakings engage in software development and computer programming.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

- Yerbol Orynbayev (resigned 31 August 2022)
- Aslan Sarinzhipov (resigned 26 March 2021)
- Yevgeniy Pan (resigned 30 November 2021)
- Zhanara Orynbayeva (resigned 3 August 2021)
- Rustem Khamzin (appointed 29 March 2021, resigned 26 September 2022)
- David Charles the Lord Evans of Watford (appointed 28 June 2022)
- Christian Martin Boerner (appointed 11 July 2022)
- Wahid Masudul Rony (appointed 24 August 2022)

Future developments

The Company's strategic goal is to build a digital ecosystem by integrating financial, e-commerce/marketplace, telecommunication and logistics & retail that will offer quality services to customers in Kazakhstan, and further expand to other CIS (excluding Russia) countries and Turkey. This overall strategic goal is based on the following two pillars:

- To make Jusan Bank #1 choice for retail and SME customers, high-net-worth individuals in Kazakhstan by developing digital banking with focus on building and promoting three online platforms: Jusan Retail, Jusan Business and Jusan Private Banking.

- Aggressively expand non-banking business with a focus to marketplace (e-commerce) and logistics.

Events after the end of the reporting period

Information on events occurring after the end of the reporting period is disclosed in note 48 to the financial statements.

Audit information

In the case of each director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

This Directors' Report was approved on behalf of the Board on 26 October 2022 by:

Director: David Evans

Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards and Interpretations ("collectively IFRSs") as adopted in the United Kingdom ("UK-adopted IFRS") in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that year. In preparing the financial statements, International Accounting Standard 1 requires that the directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Groups' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report
To the Members of Jusan Technologies Ltd

Opinion on the financial statements

We have audited the financial statements of Jusan Technologies Limited ("the Company") and its subsidiaries ("the Group") for the period ended 31 December 2021, which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the Company statement of financial position, the Company statement of cash flows, Company statement of changes in equity including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the United Kingdom ("UK adopted IFRS").

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2021, and of its profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted IFRS;
- the Company financial statements have been properly prepared in accordance with UK adopted IFRS and as applied in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's or Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the year ended 31 December 2021 for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the Group and Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements such as the Companies Act 2006 and applicable tax legislation.
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and revieing accounting estimates for bias;
- Enquiry of management to identify any instances of known or suspected instances of fraud;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

R Shaunak

Rakesh Shaunak FCA, CTA

(Senior Statutory Auditor)

For and on behalf of MHA MacIntyre Hudson, Statutory Auditor

London, United Kingdom

27 October 2022

(In thousands of US dollar unless otherwise stated)

	Note	2021	2020*
		US$'000	**US$'000**
Interest income calculated using the effective interest rate	6	494,633	279,038
Other interest income	6	11,387	11,199
Interest expense	6	(299,315)	(185,875)
Net interest income		206,705	104,362
Credit loss (expenses)/income	7	(9,793)	(85,245)
Net interest income net of allowance for expected credit losses		**196,912**	**19,117**
Fee and commission income	8	82,149	26,771
Fee and commission expenses	8	(55,486)	(17,532)
Net fee and commission income		**26,663**	**9,239**
Gross insurance premiums written		61,873	32,908
Written premiums ceded to reinsurers		(8,750)	(4,645)
Net insurance premiums written		53,123	28,263
Change in the gross provision for unearned premiums		(13,940)	(7,195)
Reinsurers' share -change in gross provision for unearned premiums		1,076	(356)
Net earned insurance premiums	11	**40,259**	**20,712**
Insurance claims incurred		(12,121)	(6,689)
Reinsurers' share of insurance claims incurred		3,650	2,134
Insurance claims incurred, net of reinsurance		(8,471)	(4,555)
Change in gross insurance contract provisions		(9,669)	(3,060)
Change in reinsurers' share in insurance contract provisions		1,479	5
Net insurance claims incurred	12	**(16,661)**	**(7,610)**
(Loss)/gain on business combination	49	**(24,195)**	**412,737**
Net gain/(losses) on financial instruments measured at FVTPL	10	17,465	(6,136)
Net gain on change in fair value of loans to customers FVTOCI		1,242	813
Gain/(loss) on derecognition of investment securities at FVTOCI		178	(6,275)
Net foreign exchange gain	13	49,983	38,146
Gain on modification and initial recognition of the financial liabilities to government institutions	35,36	8,701	301,413
Other investment income		2,687	85
Other operating income		80,256	328,046
Revenue from contracts with customers	14	101,206	74,274
		181,462	**402,320**
Total income less direct costs		**404,440**	**856,515**
Operating expenses – banking and insurance		(143,458)	(154,279)
Impairments of PPE – banking and insurance		(7,400)	(11)
Operating expenses – other operations		(182,174)	(76,613)
Total operating expenses	17	**(333,032)**	**(230,904)**
Profit before corporate income tax		**71,408**	**625,611**
Corporate income tax expense	19	5,503	(68,002)
Profit for the year		**76,911**	**557,609**
Attributable to:			
Shareholders of the Parent Company		75,205	557,612
Non-controlling interests		1,706	(3)
		76,911	**557,609**

* *Some of the amounts presented in this column do not match the amounts presented in the consolidated financial statements for 2020 as they reflect the reclassifications made. For more details, see Note 2.*

The notes on pages 25 to 158 form an integral part of the financial statements.

(In thousands of US dollar unless otherwise stated)

	Note	2021	2020
		US$'000	**US$'000**
Profit for the year		76,911	557,609
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
– Net change in fair value of debt instruments at fair value through other comprehensive income		(12,386)	(18,270)
– Change in allowances for expected credit losses of debt		3,940	17,430
instruments at fair value through other comprehensive income		(178)	6,275
– Amount reclassified to profit or loss as a result of derecognition of investment securities measured at fair value through other comprehensive income			
Foreign currency differences arising on translation of foreign operations		1,495	(106,393)
Total items that are or may be reclassified subsequently to profit or loss		*(7,129)*	*(100,958)*
Items that will not be reclassified subsequently to profit or loss		19,247	116
Revaluation reserve for property and equipment		*19,247*	*116*
Total items that will not be reclassified subsequently to profit or loss		**12,118**	**(100,842)**
Other comprehensive income for the year		**89,029**	**456,767**
Total comprehensive income for the year			

Attributable to:	2021	2020
	US$'000	**US$'000**
	87,134	456,770
Shareholders of the Parent Company	1,895	(3)
Non–controlling interests	**89,029**	**456,767**

The notes on pages 25 to 158 form an integral part of the financial statements.

(In thousands of US dollar unless otherwise stated)

	Note	31 December 2021	31 December 2020*
		US$'000	US$'000
Assets			
Cash and cash equivalents	20	2,682,264	3,346,805
Amounts due from banks and other financial institutions	21	82,605	199,018
Trading securities *- Owned by the Group*	22	272,289	170,885
Trading securities *- Pledged under repurchase agreements*	22	17,657	92,988
		289,946	*263,873*
Investment securities *- Owned by the Group*	23	1,480,276	866,506
Investment securities *- Pledged under repurchase agreements*	23	5,431	14,340
		1,485,707	*880,846*
Loans to customers	24	1,944,206	2,342,086
Promissory notes from the Ministry of Finance of the Republic of Kazakhstan ('MFRK')		239,413	245,095
Insurance premiums and reinsurance assets		15,933	9,201
Current income tax asset	19	5,725	2,169
Deferred tax asset	19	1,606	6,444
Other financial assets	25	61,038	53,445
Other non-financial assets	25	160,919	136,967
Inventories	26	15,427	4,868
Non-current assets held for sale	27	1,257	11,775
Investment property	28	106,367	24,204
Property, plant and equipment	29	232,326	246,279
Goodwill		3,883	-
Intangible assets	30	16,033	16,668
Total assets		**7,344,655**	**7,789,743**
Liabilities			
Amounts due to banks and other financial institutions	31	125,928	202,420
Amounts payable under repurchase agreements	32	22,958	107,614
Derivative financial liabilities		1,213	462
Amounts due to customers	34	4,086,608	4,325,042
Debt securities issued	35	561,578	550,990
Subordinated debt	36	428,776	469,461
Accounts payable to mortgage organisation	37	27,778	38,913
Insurance contract provisions		46,601	24,245
Other Liabilities	38	116,017	80,113
Lease liabilities	39	12,476	14,259
Other loans – non-banking and non-insurance activities		-	8,012
Current income tax liability	19	1,738	1,827
Deferred tax liability	19	346,840	365,262
Total liabilities		**5,778,511**	**6,188,617**
Net assets		**1,566,144**	**1,601,126**

(In thousands of US dollar unless otherwise stated)

	Note	31 December 2021	31 December 2020*
		US$'000	**US$'000**
Equity			
Share capital	40	315,186	303,943
Share premium account		763,225	754,299
Other consolidation reserve		(695,845)	(720,988)
Revaluation reserve for property and equipment		2,037	2,312
Fair value reserve		20,045	16,183
Foreign currency translation reserve		(104,148)	(104,643)
Share option reserve		41,510	-
Retained earnings		953,178	1,094,015
Total equity attributable to the equity holders of the Group		**1,295,188**	**1,345,121**
Non-controlling interest	50	270,956	256,005
Total equity		**1,566,144**	**1,601,126**
Total liabilities and equity		**7,344,655**	**7,789,743**

* *Some of the amounts presented in this column do not match the amounts presented in the consolidated financial statements for 2020 as they reflect the reclassifications made. For more details, see Note 2.*

The financial statements were approved and authorised for issue by the Board of Directors, and signed on behalf of the Board by

Director
Lord David Evans of Watford

26 October 2022

Director
Mr Masudul Rony Wahid

26 October 2022

The notes on pages 25 to 158 form an integral part of the financial statements.

(In thousands of US dollar unless otherwise stated)

	Note	2021	2020*
		US$'000	US$'000
Cash flows from operating activities			
Interest receipts		480,911	281,520
Interest payments		(256,712)	(138,504)
Fee and commission receipts		80,260	25,808
Fee and commission payments		(58,020)	(17,561)
Insurance premiums received		57,272	31,263
Insurance premiums paid to re-insurers		(7,803)	(5,407)
Insurance claims paid		(8,317)	(4,563)
Realised gains from dealing in foreign currencies		(12,880)	7,132
Payments on derivative operations		10,935	8,577
Sale of goods and services		115,242	73,686
Fees received		-	17
Other cash paid		17,429	(15,043)
Payments for goods and services		(85,021)	(63,372)
Advance payment for goods and services		1,135	(28,812)
Taxes and other payments to funds		-	(3,782)
Personnel and other general administrative expenses paid		(215,327)	(115,115)
Cash from operating activities before changes in operating assets and liabilities		**119,104**	**35,844**
Net (increase)/decrease in operating assets			
Derivative financial assets		29,779	-
Amounts due from banks and other financial institutions		110,882	(68,836)
Securities at fair value through profit or loss		(33,330)	(223,544)
Loans to customers		66,449	52,739
Other assets		13,286	18,810
Net (decrease)/ increase in operating liabilities		0	
Amounts due to banks and other financial institutions		(77,831)	(3,917)
Amounts payable under repurchase agreements		(82,923)	94,245
Amounts due to customers		(70,853)	437,961
Other liabilities		(30,170)	(6,406)
Net cash flows from operating activities before income tax paid		**44,393**	**336,896**
Income tax paid		(5,697)	(10,301)
Net cash flows from operating activities		**38,696**	**326,595**
Cash flows from investing activities			
Acquisition of subsidiary net of cash acquired		(39,516)	1,352,693
Proceeds from non-current assets held for sale		-	9,608
Purchase of investment securities measured at amortised cost		(3,258,771)	(1,432,906)
Redemption of investment securities measured at amortised cost		2,763,731	1,971,717
Purchase of investment securities measured at FVTOCI		(3,343,312)	(2,521,366)
Sale of investment securities measured at FVTOCI		3,315,528	2,694,883
Purchase of investment securities measured at FVTPL		(56,856)	(3,422)
Sale of investment securities measured at FVTPL		-	4,380
Purchase of promissory notes of Ministry of Finance of the Republic of Kazakhstan		-	(54,892)

(In thousands of US dollar unless otherwise stated)

Continued on next page.

Continued from previous page

	Note	2021	2020*
		US$'000	US$'000
Other investment income received		2,711	75
Acquisition of property and equipment and intangible assets		(25,336)	(8,602)
Proceeds from disposal of property and equipment and intangible assets		(3,327)	2,541
Loan repayments		-	364
Net cash flows from investing activities		**(645,148)**	**2,015,073**
Cash flows from financing activities			
Proceeds from issue of share capital	40	20,169	9,790
Issue of share capital by non-controlling interests		-	14,148
Other		-	101
Dividends paid		(20,985)	(16,403)
Placement of subordinated debt	39	1,406	292,138
Repayment of subordinated debt	39	(42,237)	(14,273)
Other payments to non-controlling interest		(11,026)	-
Charity support to the subsidiaries of NU (Nazarbayev University) and NIS (Nazarbayev Intellectual School)		(85,088)	-
Other loans repaid	39	(1,180)	(621)
Repayment of lease liabilities	39	(3,195)	(4,076)
Net cash flows from financing activities		**(142,136)**	**280,804**
Net increase in cash and cash equivalents		**(748,588)**	**2,622,472**
Effect of exchange rate changes on cash and cash equivalents		84,067	(67,935)
Effect of expected credit losses changes on cash and cash equivalents		(20)	(109)
Cash and cash equivalents at the beginning of the year		3,346,805	792,377
Cash and cash equivalents at the end of the year	20	**2,682,264**	**3,346,805**

* *Some of the amounts presented in this column do not match the amounts presented in the consolidated financial statements for 2020 as they reflect the reclassifications made. For more details, see Note 2.*

The notes on pages 25 to 158 form an integral part of the financial statements.

(In thousands of US dollar unless otherwise stated)

	Note	31 December 2021	31 December 2020
		US$'000	**US$'000**
Assets			
Cash and cash equivalents	**20**	14,894	146,966
Other deposit held	**20**	33,500	27,500
Financial assets at FVTPL		66,311	59,235
Other assets		78	80
Property, plant and equipment		1	2
Investments in subsidiary undertakings	**50**	1,179,246	987,962
Total assets		**1,294,030**	**1,221,745**
Liabilities			
Derivative financial liabilities	**33**	20,495	28,624
Other liabilities	**38**	4,097	119
Total liabilities		**24,592**	**28,743**
Net assets		**1,269,438**	**1,193,002**
Equity			
Share capital	**40**	315,186	303,943
Share premium account		763,225	754,299
Retained earnings		191,027	134,760
Total equity attributable to the equity holders of the Group		**1,269,438**	**1,193,002**
Total liabilities and equity		**1,294,030**	**1,221,745**

The profit of the company for the period was US$35,742,000 (2020 - US$134,760,000).

The financial statements were approved and authorised for issue by the Board of Directors, and signed on behalf of the Board by

David Evans

Director
Lord David Evans of Watford

26 October 2022

Director
Mr Masudul Rony Wahid

26 October 2022

The notes on pages 25 to 158 form an integral part of the financial statements.

(In thousands of US dollar unless otherwise stated)

	Note	2021	2020
		US$'000	US$'000
Cash flows from operating activities			
Realised losses from foreign currencies		380	(314)
Realised losses on derivatives	22	(42,459)	(8,651)
Advances for services		3,977	(27,580)
Personnel and other general administrative expenses paid		3,294	(241)
Net cash flows from operating activities before income tax paid		**(34,808)**	**(36,786)**
Income tax paid		-	(9,075)
Cash from operating activities before changes in operating assets and liabilities		**(34,808)**	**(45,861)**
Net cash flows from operating activities		**(34,808)**	**(45,861)**
Cash flows from investing activities			
Net purchases of investments at FVTPL		(245,867)	3,332
Dividends received		96,358	181,500
Grants received		53,061	-
Acquisition of property and equipment and intangible assets		-	(2)
Net cash flows from investing activities		**(96,448)**	**184,830**
Cash flows from financing activities			
Proceeds from issue of share capital	40	20,169	7,997
Dividends paid		(20,985)	-
Net cash flows from financing activities		**(816)**	**7,997**
Net increase in cash and cash equivalents		**(132,072)**	**146,966**
Cash and cash equivalents at the beginning of the year		**146,966**	**-**
Cash and cash equivalents at the end of the year	**20**	**14,894**	**146,966**

The notes on pages 25 to 158 form an integral part of the financial statements.

(In thousands of US dollar unless otherwise stated)

	Share capital	Share premium account	Other consolidation reserve	Revaluation reserve for property and equipment	Fair value reserve	Foreign currency translation reserve	Share option reserve	Retained earnings	Controlling interests	Non-controlling interest	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2021	303,943	754,299	(720,988)	2,312	16,183	(104,643)	-	1,094,017	1,345,123	256,005	**1,601,128**
Total comprehensive income											
Profit for the year	-	-	-	-	-	-	-	75,205	75,205	1,706	**76,911**
Other comprehensive income											
Retranslation of foreign operations	-	-	-	-	-	1,495	-	-	1,495	-	1,495
Revaluation of property, plant and equipment	-	-	-	374	18,873	-	-	-	19,247	-	19,247
Change in fair value of debt instruments at FVTOCI	-	-	-	-	(12,386)	-	-	-	(12,386)	-	(12,386)
Expected credit loss on items at FVTOCI	-	-	-	-	3,940	-	-	-	3,940	-	3,940
Reclassification of FVTOCI items to profit or loss	-	-	-	-	(178)	-	-	-	(178)	-	(178)
Total comprehensive income for the year	-	-	-	374	10,249	1,495	-	75,205	87,323	1,706	89,029
Transactions with owners recorded directly in equity											
Issue of share capital (note 40)	11,243	8,926	-	-	-	-	-	-	20,169	-	20,169
Arising on group reconstruction	-	-	25,143	(649)	(6,387)	(1,000)	-	(8,372)	8,735	18,383	27,118
Share options granted	-	-	-	-	-	-	41,510	-	41,510	-	41,510
Charity support to the subsidiaries of NU (Nazarbayev University) and NIS (Nazarbayev Intellectual School)	-	-	-	-	-	-	-	(138,149)	(138,149)	-	(138,149)
Assignment of dividends by minority shareholders	-	-	-	-	-	-	-	(53,676)	(53,676)	-	(53,676)
Dividends paid	-	-	-	-	-	-	-	(15,847)	(15,847)	(5,138)	(20,985)
Total transactions with owners	**11,243**	**8,926**	**25,143**	**(649)**	**(6,387)**	**(1,000)**	**41,510**	**(216,044)**	**(137,258)**	**13,245**	**(124,013)**
Balance as at 31 December 2021	**315,186**	**763,225**	**(695,845)**	**2,037**	**20,045**	**(104,148)**	**41,510**	**953,178**	**1,295,188**	**270,956**	**1,566,144**

(In thousands of US dollar unless otherwise stated)

	Share capital	Share premium account	Other consolidation reserve	Revaluation reserve for property and	Fair value reserve	Foreign currency translation reserve	Retained earnings	Controlling interests	Non-controlling interest	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2020	-	-	238,437	2,196	10,795	1,703	726,775	979,906	-	979,906
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	557,612	557,612	(3)	557,609
Other comprehensive income										
Retranslation of foreign operations	-	-	-	-	-	(106,393)	-	(106,393)	-	(106,393)
Revaluation of property, plant and equipment	-	-	-	116	-	-	-	116	-	116
Change in fair value of debt instruments at FVTOCI	-	-	-	-	(18,270)	-	-	(18,270)	-	(18,270)
Expected credit loss on items at FVTOCI	-	-	-	-	17,430	-	-	17,430	-	17,430
Reclassification of FVTOCI items to profit or loss	-	-	-	-	6,275	-	-	6,275	-	6,275
Total comprehensive income for the year	-	-	-	116	5,435	(106,393)	557,612	456,770	(3)	456,767
Transactions with owners recorded directly in equity										
Issue of share capital (note 40)	303,943	754,299	-	-	-	-	-	1,058,242	-	1,058,242
Reclassifications	-	-	-	-	(47)	47	-	-	-	-
Arising on group reconstruction	-	-	(959,425)	-	-	-	-	(959,425)	-	(959,425)
Decrease in ownership interest in subsidiary	-	-	-	-	-	-	(173,969)	(173,969)	256,008	82,039
Dividends to previous owners	-	-	-	-	-	-	(16,401)	(16,401)	-	(16,401)
Total transactions with owners	**303,943**	**754,299**	**(959,425)**	**-**	**(47)**	**47**	**(190,370)**	**(91,553)**	**256,008**	**164,455**
Balance as at 31 December 2020	**303,943**	**754,299**	**(720,988)**	**2,312.00**	**16,183**	**(104,643)**	**1,094,017**	**1,345,123**	**256,005**	**1,601,128**

(In thousands of US dollar unless otherwise stated)

	Share capital	Share premium account	Retained earnings	Total equity
	US$'000	**US$'000**	**US$'000**	**US$'000**
Balance as at 1 January 2020	-	-	-	-
Total comprehensive income				
Profit for the period and total comprehensive income	-	-	134,760	**134,760**
Total comprehensive income for the year	-	-	134,760	134,760
Transactions with owners recorded directly in equity				
Issue of share capital	303,943	754,299	-	1,058,242
Dividends paid	-	-	-	-
Total transactions with owners	**303,943**	**754,299**	**-**	**1,058,242**
Balance as at 31 December 2020	**303,943**	**754,299**	**134,760**	**1,193,002**
Balance as at 1 January 2021	**303,943**	**754,299**	**134,760**	**1,193,002**
Total comprehensive income				
Profit for the period and total comprehensive income	-	-	35,742	**35,742**
Total comprehensive income for the year	-	-	35,742	35,742
Transactions with owners recorded directly in equity				
Issue of share capital	11,243	8,926	-	20,169
Share option reserve	-	-	41,510	41,510
Dividends paid	-	-	(20,985)	(20,985)
Total transactions with owners	**11,243**	**8,926**	**20,525**	**40,694**
Balance as at 31 December 2021	**315,186**	**763,225**	**191,027**	**1,269,438**

The notes on pages 25 to 158 form an integral part of the financial statements.

1. General information

Organisation and operations

These financial statements comprise the consolidated and separate financial statements of Jusan Technologies Ltd ("the Company") and its subsidiaries ("the Group") comprise the Group.

With effect from 16 November 2021, the name of the Company was changed from Jysan Technologies Ltd to Jusan Technologies Ltd.

The Company is registered in England and Wales with the registration number 12538192. The Company is domiciled in the United Kingdom and the registered office of the Company is located at 22a, St. James's Square, London, United Kingdom, SW1Y 4JH.

The principal activity of the Company is that of a holding company. A complete list of the Company's subsidiary undertakings is included in note 51.

From a regulatory perspective the core activities of the Group include banking, broker and dealer activities on the securities market in Kazakhstan. The Company's subsidiary undertaking First Heartland Securities JSC ("FHS"), has a license to carry out activities on the securities market No. 3.1.1.224 dd. 27 March 2018 issued by the National Bank of the Republic of Kazakhstan (the "NBRK").

A subsidiary of FHS, First Heartland Jusan Bank JSC (the "Jusan Bank"), operates based on the general license No.1.2.35/225/37 for banking and other operations and activities on securities market granted on 29 August 2019 by the NBRK. On 3 February 2020 Jusan Bank's license No.1.2.35/225/37 for banking and other operations and activities on securities market was re–issued due to changes in the legislation.

The principal activities of Jusan Bank are related to conducting commercial banking, lending, issuing guarantees, deposit taking, customer accounts opening and maintenance, cash and settlement operations and operations with securities and foreign exchange. Jusan Bank is a member of the Kazakhstan Deposit Insurance Fund.

2. Basis of preparation

Statement of compliance with International Financial Reporting Standards

The consolidated and parent company financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations ("collectively IFRSs") as adopted in the United Kingdom ("UK-adopted IFRS") in conformity with the requirements of the Companies Act 2006 and applicable law.

Exemption from the publication of the company profit and loss account

The Company has taken advantage of the exemption contained in s408 Companies Act 2006 not to publish the individual profit and loss account of the Company. The Company's profit for the period is disclosed in the Company Statement of Financial Position.

Basis for measurement

The financial statements are prepared on the historical cost basis except as stated in the section *Significant accounting policies*. For example, derivative financial instruments, trading securities, investment securities measured at fair value through other comprehensive income ("FVTOCI"), loans to customers measured at fair value through profit or loss ("FVTPL"), loans to customers measured at fair value through other comprehensive income and land and buildings classified as 'Property and equipment' and investment property are stated at fair value.

Insurance liabilities have been measured based on actuarial calculations.

(In thousands of US dollar unless otherwise stated)

2. Basis of preparation, *continued*

Functional and presentation currency of the consolidated financial statements

The functional currency of the Company is the US dollar ("US$") which is also the presentation currency adopted for the Group and Company financial statements.

With the exception of Almanit Rus LLC, Optima Bank OJSC and JT International Sarl, the functional currency of the company's subsidiary undertakings is the Kazakhstan tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, as it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The functional currency of the subsidiary Almanit Rus LLC, is the Russian rouble. The functional currency of Optima Bank OJSC (the subsidiary of Jusan Bank JSC) is the Kyrgyz som. The functional currency of the subsidiary JT International Sarl is the Euro. Financial information presented in US dollar is rounded to the nearest thousand ("US$'000), unless otherwise stated.

Reclassification

The following reclassifications were made in the consolidated statements of profit or loss and other comprehensive income and cash flows for the year ended 31 December 2020 and consolidated statement of financial position as at 31 December 2020 to conform to changes in presentation as at 31 December 2021 and for 2021:

	For the year ended 31 December 2020		
	As previously reported	*Amount of reclassification*	*As reclassified*
	US$'000	**US$'000**	**US$'000**
Consolidated statement of profit or loss and other comprehensive income			
Impairments of PPE – banking and insurance	(639)	628	**(11)**
Operating expenses – banking and insurance	(153,652)	(628)	**(154,279)**

	As at 31 December 2020		
	As previously reported	*Amount of reclassification*	*As reclassified*
	US$'000	**US$'000**	**US$'000**
Consolidated statement of financial position			
Investment securities	881,079	(233)	**880,846**
Other non-financial assets	136,734	233	**136,967**

	For the year ended 31 December 2020		
	As previously reported	*Amount of reclassification*	*As reclassified*
	US$'000	**US$'000**	**US$'000**
Consolidated statement of cash flows			
Acquisition of subsidiary net of cash acquired	1,352,653	40	**1,352,693**
Proceeds from non-current assets held for sale	9,648	(40)	**9,608**

3. Significant accounting policies

Investments in subsidiary undertakings

Investments in subsidiary undertakings are initially recognised at cost which comprises the fair value of the consideration given. Subsequently, investments in subsidiary undertakings are stated at cost less provision for impairment.

Basis of consolidation

Combination of entities or businesses under common control

IFRS 3 excludes from its scope a combination of entities or businesses under common control'. The Company has applied the requirements contained in paragraph IAS 8 *Accounting policies, Changes in accounting estimates and errors* in order to develop an appropriate accounting policy for obtaining control of its subsidiary undertakings by way of a group reconstruction, where the ultimate owners of the subsidiaries before and after the reconstruction were unaltered.

The combination of businesses under common control is accounted for on a book value basis and no goodwill or fair value adjustments are recognised, therefore the assets and liabilities are recorded at their predecessor amounts as per their individual and consolidated financial statements. Historic business combinations are unaltered. The difference between the Company's capital structure (share capital and share premium account) and the capital structures of each entity included in the consolidation is recorded in the other consolidation reserve.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses attributable to the non-controlling interest in a subsidiary are fully charged to the non-controlling interests, even if this results in a debit balance ('deficit') in that account.

Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors.

The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

Acquisitions and disposals of non-controlling interests

The Group accounts for the acquisitions and disposals of non-controlling interests as transactions with equity holders in their capacity as equity holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interest

The non-controlling interest is measured as a proportion of the acquiree's identifiable net assets at the acquisition date. The Group measures the non-controlling interest in the acquired investment at fair value.

Changes in the Group's interest in a subsidiary that do not result in the loss of control are accounted for as transactions in equity.

Loss of control

Upon loss of control over a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an investment in an associate (an equity-accounted investee) or as a financial asset at fair value through other comprehensive income depending on the level of influence retained.

3. Significant accounting policies *continued*

Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date at:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree; less
- the net recognised amount (generally, fair value) of the identifiable assets acquired net of liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The Group elects on the transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is recognised in the consolidated statement of profit or loss and other comprehensive income as 'net foreign exchange gain/(loss) - revaluation of foreign currency items.

As at 31 December 2021, the exchange rate used for translation of foreign currency balances was KZT 435.06 for 1 US Dollar (31 December 2020: KZT 420.71 for 1 US Dollar). The average rate of exchange applied to the retranslation of profit or loss, cash flow and other comprehensive income transactions was KZT 426.61 for 1 US Dollar (31 December 2020: KZT 413.36 for 1 US Dollar).

Where financial information is disclosed in Tenge ("KZT") unless otherwise specified, the above exchange rates have been applied to this information.

Non–monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non–monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are retranslated to the functional currency at the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments (reclassified to financial assets) measured at fair value through other comprehensive income and recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign subsidiaries, including fair value adjustments arising on acquisition, are re-translated at the exchange rates at the reporting date. The income and expenses of foreign subsidiaries are re-translated at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non–controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income and presented in the translation reserve in equity.

3. Significant accounting policies *continued*

Insurance contracts

Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. After the contract is classified as an insurance contract, it remains so until all rights and obligations expire or are fulfilled.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as financial instruments.

Recognition and measurement of insurance contracts

Premiums

General business premiums written comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. The portion of outward reinsurance premiums not recognised is treated as a prepayment.

Provision for unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro–rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims comprise claims and claim handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted.

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and developments and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the consolidated financial statements for the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Reinsurance assets

The Group cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets, liabilities, income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The portion of ceded reinsurance premiums not yet recognised as an expense is included in reinsurance assets. The net amounts paid to a reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Group in respect of its rights under such contracts.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as reinsurers' share in insurance contract provisions in the consolidated statement of financial position.

3. Significant accounting policies _continued_

Insurance contracts, continued

Reinsurance assets, continued

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Insurance acquisition costs

Insurance acquisition costs include direct costs such as commissions paid to insurance agents and brokers and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Insurance acquisition costs are expensed as incurred.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to determine if the insurance contract provisions are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the insurance contract provisions are used in performing these tests.

If a shortfall is identified, an additional provision is established, if necessary. The deficiency is recognised in profit or loss for the year.

Insurance receivables and payables

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

Interest income

The Group calculates interest income on debt financial assets measured at amortised cost or at FVTOCI by applying the effective interest rate to the gross carrying amount of financial assets other than credit–impaired assets. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment option) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

When a financial asset becomes credit–impaired, the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit–impaired, the Group reverts to calculating interest income on a gross basis.

For purchased or originated credit–impaired ("POCI") financial assets, the Group calculates interest income by calculating the credit–adjusted effective interest rate and applying that rate to the amortised cost of the asset. The credit–adjusted effective interest rate is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all financial assets at FVTPL is recognised using the contractual interest rate in "Other interest income" in the consolidated statement of profit or loss and other comprehensive income.

Fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Fees and commissions for financial services, that are not integral to the effective interest rate on the appropriate financial instrument, is recognised depending on the type of the service either at the point in time or as the Group satisfies its performance obligation under the contract:

- fees and commissions for transfer operations, cash operations and foreign exchange is charged for execution of customers' payment orders in accordance with the tariffs depending on the type of transaction and is recognised as income at the time when transaction is performed.
- commission fee on guarantees and letters of credit issued is paid in advance and is recognised as income over the time of the relevant guarantee or letter of credit.
- client account maintenance fees are recognised over time as the services are provided.

3. Significant accounting policies, *continued*

Insurance contracts, *continued*

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group's consolidated financial statements may be partially in the scope of IFRS 9 *Financial Instruments* and partially in the scope of IFRS 15 *Revenue from Contracts with Customers*. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Revenue from contracts with customers

Revenue is recognised at the amount of consideration that the group is expected to be entitled to in exchange for the provision of the promised goods and services to a customer. Revenue is recognised at its fair value net of sales taxes and other amounts collected on behalf of others. The Group has concluded that it acts as the principal in all revenue-generating contracts it has entered into because in all cases it is the principal party to the contract, has discretion in pricing and is also exposed to inventory impairment risk, and credit risk.

Sale of goods and services

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The normal credit term is 30 to 90 days upon delivery.

Transactions for which the performance obligation is satisfied during the period are possible. For each performance obligation satisfied during the period, the Group recognizes revenue over the period by assessing the completeness of the fulfilment of the performance obligation using the resource method.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of foods provide customers with a right to return the goods within a specified period. The rights of return and volume rebates give rise to variable consideration.

Right to return

The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

Volume rebates

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price).

3. Significant accounting policies, *continued*

Revenue from contracts with customers, *continued*

ii) Significant financing component

There is a significant financing component for contracts considering the length of time between the customers' payment and the transfer of the equipment, as well as the prevailing interest rate in the market. As such, the transaction price for these contracts is discounted, using the interest rate implicit in the contract (i.e., the interest rate that discounts the cash selling price of the equipment to the amount paid in advance). This rate is commensurate with the rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

iii) Non-cash consideration

The Group receives materials from certain customers to be used in manufacturing goods and providing services The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the goods.

The Group estimates the fair value of the non-cash consideration by reference to its market price. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the goods.

Dividend income

Dividend income is recognised when the right to receive the payment is established. Income from interim dividends is recognised on receipt. Other dividend income is recognised when the dividend has been declared to shareholders in a general meeting.

Government grants

Government grants are recognised when there is a reasonable assurance that they will be received and that the conditions associated with the grants will be complied with. If a government grant is issued to finance specific expenses, it is recognised as income on a systematic basis in the same periods in which costs, which the grant is to compensate, are expensed. Such grants are deducted from the appropriate expenses when such expenses are recognised in the consolidated financial statements.

Where the Group receives grants in the form of non–monetary assets, an asset and a grant are measured at nominal value and recognised in profit or loss in equal parts, in accordance with the pattern of consumption of the economic benefits embodied in the underlying asset over the estimated useful live thereof.

The benefit of a government loan at a below-market rate of interest, and benefit from issued and restructured debt securities and/or subordinated debt at low interest rates under the state programmes, is treated as a government grant. These financial liabilities are recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan measured in accordance with IFRS 9 and the proceeds received.

Financial assets and liabilities

Initial recognition

Date of recognition

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

Financial assets and financial liabilities are initially measured at their fair value. The accounting treatment of transaction costs depends on the classification of the financial instrument.

3. Significant accounting policies, *continued*

Financial assets and *liabilities, continued*

Initial classification of financial assets and financial liabilities

The classification of financial assets at initial recognition depends on the contractual terms and business model used for managing instruments.

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

- amortised cost:
- at FVTOCI; or
- at FVTPL.

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

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are derivative instruments or designated at fair value on initial recognition as permitted by IFRS 9.

Amounts due from banks and other financial institutions, loans to customers, investment securities at amortised cost

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

- a financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows.
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These terms are detailed below.

Business model assessment

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

The Group's business model is not assessed at the level of individual instruments but at a higher level of aggregated portfolios and is based on observable factors, such as:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

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

Test "Solely payments of principal and interest on principal amount outstanding" (SPPI test)

As a second step of its classification process, the Group assesses the contractual terms of the financial asset to identify whether contractual cash flows are solely payments of principal and interest (so called SPPI test).

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

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

3. Significant accounting policies, *continued*

Initial classification of financial assets and financial liabilities, *continued*

Test "Solely payments of principal and interest on principal amount outstanding" (SPPI test), continued

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

Debt securities and promissory notes measured at FVTOCI

The Group measures debt securities and promissory notes at FVTOCI, if both of the following conditions are met:

- the instrument is held within a business model which objective is achieved by both collecting contractual cash flows and selling financial assets.
- contractual terms of the financial assets comply with the SPPI test.

Debt securities and promissory notes measured at FVTOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and gains and losses from foreign currencies are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Expected credit losses on debt securities and promissory notes at FVTOCI will not decrease the carrying amount of these financial assets in the statement of financial position that continue to be measured at fair value. Instead, the amount equal to the allowance for expected losses that would be created when measuring the asset at amortised cost is recognized in OCI as the cumulative amount of the impairment with the recognition of corresponding amounts in profit or loss. The cumulative amount of losses recognised in OCI is reclassified to profit or loss when the asset is derecognised.

Equity instruments at FVTOCI

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

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

Financial guarantees, letters of credit and credit related commitments

The Group issues guarantees, letters of credit and credit related commitments.

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

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

The Group occasionally issues commitments to provide loans at below–market interest rates. Such commitments are initially recognised at fair value and subsequently measured at the higher of an ECL allowance and the amount initially recognised less cumulative income, where appropriate.

3. Significant accounting policies, *continued*

Initial classification of financial assets and financial liabilities, *continued*

Performance guarantees

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

Reclassification of financial assets and liabilities

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

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, amounts due from the NBRK, and highly liquid financial assets with original maturities of three months or less from inception, which are subject to insignificant risk of changes in their fair value, and are used by the Group and the Company in the management of short–term commitments. Cash and cash equivalents are carried at amortised cost.

Deposits that do not meet the definition of cash and cash equivalents are presented as financial asserts at amortised cost.

Receivables under repurchase and reverse repurchase agreements and securities lending

Securities sold under sale and repurchase agreements ("repo") are accounted for as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and in case the transferee has the right by contract or custom to sell or repledge them, reclassified as investment securities pledged under sale and repurchase agreements. The corresponding liabilities are presented as accounts payable on repurchase agreements. Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest rate method.

Securities pledged under repo are retained in the statement of financial position. Securities borrowed are recorded in the statement of financial position only if these are sold to third parties, in which case the purchase and sale transaction is recorded within gains less losses from trading securities in the statement of income. The obligation to return them is recorded as a trading liability and measured at fair value.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments, including futures, forwards, swaps and options) on currency markets and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors.

Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss and other comprehensive income as "net gains/losses on financial instruments measured at fair value through profit or loss".

An embedded derivative is a component of a hybrid contract that also includes a non–derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand–alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non–financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. Financial assets are classified based on the business model and SPPI assessments.

3. Significant accounting policies, continued

Initial classification of financial assets and financial liabilities, ***continued***

Borrowings

Issued separate financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to banks and other financial institutions, amounts due to customers, debt securities issued, subordinated debts and other borrowed funds.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when liabilities are derecognised, as well as through the amortisation process. Where the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Accounts payable

Trade and other payables are initially recorded at fair value less transaction costs.

In the future, payables are measured at amortized cost. Interest expense is calculated using the effective interest rate.

The effective interest method is used to calculate the amortized cost of a financial liability and the distribution of interest expenses over the relevant period. The effective interest rate is the discount rate for expected future cash payments for the expected time to maturity of the financial liability is settled or (if applicable) for a shorter period to the book value at the time the debt instrument is accepted for accounting.

Offsetting

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

Restructuring of loans receivable

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

The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. Assessment of the Group's financial assets other than loans to customers is performed in a similar way.

The Group derecognises a financial asset, e.g., a loan to a customer, if the related contractual terms are renegotiated to the extent that it in fact becomes a new loan and records the difference as gains or losses arising from derecognition before impairment loss is recognised.

3. Significant accounting policies, *continued*

Restructuring of loans receivable, *continued*

Upon initial recognition the loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be POCI. When assessing, whether the loan to customer should be derecognised, the Group considers the following:

- change the currency of the financial asset.
- the change of a counterparty (e.g., a borrower).
- the change of terms of financial asset that lead to non–compliance with SPPI criterion (e.g., inclusion of conversion feature).
- combining and separating loan agreements.

If the modification does not imply a substantial change in cash flows, such modification does not result in a derecognition. Based on the changes in cash flows discounted at the original effective interest rate, the Group recognises gains or losses from the modification that are recorded within interest income calculated using the effective interest rate method in the statement of profit or loss before impairment loss is recognised.

If the modification does not result in derecognition, the Group also reassesses the significant increase in credit risk or the need to classify assets as credit impaired. . After the designation of an asset as credit-impaired as a result of modification, it remains within Stage 3 for a probation period of at least 12 months. To transfer a restructured loan from Stage 3, the following factors should be considered: a) gross carrying amount of all financial assets of the borrower reduced to the amount before it was allocated to Stage 3; b) no restructuring resulting from deterioration of the borrower's financial position was made; c) there is no amounts outstanding past due more than 30 days; and d) there is no other indication of impairment showed within twelve months.

Measurement of impairment losses

The Group recognises an expected credit loss ("ECL") allowance for the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments.
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures ECL allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12–month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12–month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12–month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments, other than purchased or originated credit–impaired assets, for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit–impaired) and 'Stage 3' financial instruments (if the financial instruments are credit–impaired).

3. Significant accounting policies, *continued*

Measurement of impairment losses, ***continued***

Measurement of ECL

ECL are a probability–weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit–impaired at the reporting date*: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).
- *financial assets that are credit–impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows.
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts*: the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

Modification of financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVTOCI are credit impaired. A financial asset is 'credit–impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence of impairment of financial assets

Evidence that a financial asset is credit–impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or past due event.
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit–impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

In making an assessment of whether an investment in sovereign debt (other financial assets) is credit–impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields.
- the rating agencies' assessments of creditworthiness.
- the country's ability to access the capital markets for new debt issuance.
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

3. Significant accounting policies, *continued*

Measurement of impairment losses, *continued*

If there is no significant increase in credit risk, the Group recognizes an allowance for losses on a financial asset in the amount equal to 12-month expected credit losses, with the exception of the following:

- acquired or created credit-impaired financial assets.
- trade receivables or contractual assets arising from transactions that are within the scope of IFRS 15 "Revenue from contracts with customers"; and
- lease receivables.

For financial assets referred to above the Group estimates the allowance for losses in the amount of expected credit losses over the expected life of the instrument concerned.

Simplified approach for trade receivables

The Group applies a simplified approach when measuring ECLs on trade receivables using a provision matrix.

Provision matrices are based on historical loss experience but should be adjusted to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions to measure expected credit losses; 12-month expected credit losses and lifetime expected credit losses.

Group determine receivables by maturity of receivable.

- 31-60 days
- 61-180 days
- 180-360 days
- 360 days and more

Rates of expected loss credit losses are based on historical data for the previous period. Rates are revised annually.

Estimated expected credit losses – Cash and cash equivalents

Considering the historically established practice, in the case of a bank default, the funds placed with the bank are not returned in full, regardless of the bank's external credit rating.

However, the Group estimates expected credit losses for cash, which are determined using the formula:

ECL = probability of bank default * 100% of the amount deposited with the bank

The bank's probability of default is determined and reviewed by the management of the Group at each reporting date.

Derecognition of financial assets and liabilities
Financial assets

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

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

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

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

Write off

Financial assets are written off in part or in full, only when the Group does not expect to recover their value. If the amount to be written off is higher than the accumulated impairment allowance, the difference is at first recorded as the increase in the allowance that is subsequently applied to the gross carrying amount. All the subsequent reversals are recognised as credit loss expenses. The write–off relates to the derecognition event.

3. Significant accounting policies, *continued*

Derecognition of financial assets and liabilities, ***continued***

Financial liabilities

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

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

Property, plant and equipment

Owned assets

Items of property and equipment except for land and administrative buildings are stated in the consolidated financial statements at cost less accumulated amortisation and impairment losses.

Where an item of property and equipment comprises, major components having different useful lives, they are accounted for as separate items of property and equipment.

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

Following initial recognition at cost, land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed with sufficient frequency to avoid significant differences between the fair value of a revalued asset and its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the derived amount is restated based on the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised within profit or loss. In which case an increase in the asset is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, the relevant amount included within revaluation reserve is transferred to retained earnings.

Depreciation

Depreciation is charged to profit or loss on a straight–line basis over the estimated useful lives of the individual assets. Depreciation commences on the first day of the month following the acquisition date or, in respect of internally constructed assets, on the first day of the month following the time an asset is completed and ready for use. Land, construction–in–progress and assets to be installed are not depreciated. The estimated useful lives are as follows:

	Years
Administrative buildings	25–100
Industrial buildings	25–55
Computer equipment	2–10
Machinery and other equipment	3-14
Vehicles	4-10
Other	2–20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

3. Significant accounting policies, ***continued***

Intangible assets

Acquired intangible assets are stated the consolidated financial statements at cost less accumulated amortisation and impairment losses.

The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition.

After initial recognition, intangible assets are carried at acquisition cost, less any accumulated amortization and any accumulated impairment loss.

Intangible assets created in-house, with the exception of capitalized development costs, are not capitalized, and the related expenses are recognized in profit or loss in the period in which the expenses are incurred. The useful lives of assets can be either limited or indefinite.

Intangible assets with a limited useful life are amortized over that life and are assessed for impairment when there is an indication that the intangible asset may be impaired. The amortisation period based in useful lives of the intangible assets are reviewed at the end of each reporting year. Changes in the expected useful life are accounted for prospectively as a change in accounting estimate.

Licenses, patients, trademarks and permits valid within 12 (twelve) months are accounted for by the Group as deferred expenses.

Amortisation is charged to profit or loss on a straight–line basis over the estimated useful lives of intangible assets. The estimated useful life is from 2 to 30 years.

Foreclosed assets

Foreclosed assets are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value, with changes in fair value recognised in profit or loss.

Inventories

Inventories are recorded at the lower of cost and net realizable value using the weighted average method. Cost includes acquisition costs: purchase price, import duty, commission fees paid to intermediaries, transportation and procurement costs, other expenses directly related to the acquisition of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Cost includes all costs incurred in the normal course of business to bring inventory to site and to bring it to its present condition. Materials and supplies are carried at amounts that do not exceed the amounts expected to be recovered in the ordinary course of business.

For financial reporting purposes, the Group applies the following grouping of inventories:

- Products and products of the bar
- Accessories and equipment
- Other household and office supplies

In writing off inventories, the Group applies a weighted average method.

3. Significant accounting policies, *continued*

Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-off-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-off-use assets are subject to impairment testing.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and low-value assets leases

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

Operating lease - Group as a lessor

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

3. Significant accounting policies, *continued*

Leases, *continued*

Finance lease –Group as a lessor

The Group recognises lease payment receivables in the amount equal to net investments in lease from commencement of the lease term. Finance income is calculated based on a pattern reflecting a constant periodic rate of return on the book amount of net investments. Initial direct costs are recorded within initial amount of lease payment receivables.

Advances paid

Advances to organizations are accounted for when the Group provides cash to organizations for the purpose of acquiring assets or services. The Group annually tests advances issued for impairment. Those advances are considered to be impaired if it is impossible to receive goods, works, services or the delivery of goods, works, services has expired.

The Group classifies advances issued for the acquisition of intangible assets, fixed assets, other long-term assets as long-term advances issued, all other advances are classified as short-term advances.

Provisions

Provisions are recorded in the consolidated financial statements when the Group has a current (legal or practical) liability as a result of events that occurred in the past, and also when there is a probability that an outflow of funds related to economic benefits will occur to repay the liability and an appropriate reliable estimate of this liability shall be made. If the Group expects the provision to be recoverable, the reimbursement is recorded as a separate asset, but only when the reimbursement is fairly probable. If the effect of the time value of money is material, the reserves are calculated by discounting the expected future cash flows at a pre-tax rate that reflects current market estimate of the time value of money and, where appropriate, the risks inherent in the obligation. When discounting is used, an increase in the reserve due to the expiration of time is recognized as an expense for remuneration.

Equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, other than on a business combination, are recognised as a deduction equity net of any tax effects. Any excess of the fair value of consideration received over the par value of shares issued is recorded in the share premium account.

Cumulative non–redeemable preference shares

The component of cumulative non–redeemable preference shares that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. The corresponding cumulative dividends on those shares are charged as interest expense in the consolidated statement of profit or loss and other comprehensive income. On issuance of cumulative non–redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non–convertible bond; and this amount is carried as a long–term liability on the amortised cost basis until extinguished on redemption.

Share-based payment arrangements

Share-based payments include share options, share-based remuneration and cash-settled share-based remuneration granted to key management personnel in return for the services rendered. Such remuneration are accounted for in accordance with IFRS 2 *Share-based Payment*.

For equity-settled share-based payment transactions with employees and others providing similar services such as share options or share-based remuneration, IFRS 2 expressly requires that their fair value shall be measured at the date they were granted (*grant date*), and the expenses be recognised in the period in which employees rendered services to an entity.

Capital

Capital in the consolidated statement of financial position is represented by the share capital, share premium account and other items of equity reported.

Dividends

Final dividends are recorded as a liability and deducted from equity only when they have been declared in a general meeting of the company. Interim dividends are recognised when paid. Dividends proposed after the reporting date but before the consolidated financial statements are authorised for issue are disclosed in the notes.

Expenses

Expense is a decrease in economic benefits during the reporting period in the form of an outflow or depletion of assets or an increase in liabilities that resulted in a decrease in equity, other than a decrease associated with distributions to equity shareholders.

3. Significant accounting policies, _continued_

Expenses, _continued_

Expenses are recognized as incurred and reflected in the financial statements of the Company on an accrual basis in the period to which they relate.

Expenses include expenses necessary to generate income from sales (expenses included in the cost price), general and administrative expenses, sales expenses, finance and other expenses (losses) arising in the normal course of business.

Employee benefits

Employee benefits include:
• short-term employee benefits, such as wages, salaries and social security contributions, annual paid leave and paid sick leave, bonuses, and non-cash benefits (such as medical care, housing and transportation, and free or subsidized goods or services) for currently employed workers.
• termination benefit.

The Group makes wage payments to employees in accordance with established wage systems and makes mandatory contributions to pension savings funds on behalf of its employees in accordance with the pension legislation of the Republic of Kazakhstan.

The Group also pays social tax in accordance with the current legislation of the Republic of Kazakhstan. Social tax and staff salaries are expensed as incurred. The Company incurs employers' national insurance in the United Kingdom.

The Group does not have any pension arrangements separate from the State Pension Programme of the Republic of Kazakhstan, which requires withholdings by the employer calculated as a percentage from current gross salary payments. Such withholdings are expensed in the period in which the related salaries are earned and are included in '_Personnel expenses_' in the consolidated statement of profit or loss and other comprehensive income. The Group makes social tax contributions for its employees to the budget of the Republic of Kazakhstan. The Group has no post–retirement benefit obligations or commitments to pay.

The Group recognizes a provision for unused vacation pay in accordance IAS 19 Employee Benefits, which is calculated based on the average salary and the estimated number of days of vacation.

Corporate income tax

**Current income tax**

Tax assets and liabilities of current and previous periods are estimated at the amount that is expected to be reimbursed by the tax authorities or paid to tax authorities. The tax rates and tax laws used to calculate amounts are tax rates and legislation that is enacted or substantially enacted at the balance sheet date.

**Deferred Income Tax**

Deferred income tax is accounted for using the liability method for all temporary differences at the reporting date between the tax base of assets and liabilities and their amounts recorded in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences, except for:

cases where deferred tax liabilities arise as a result of the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction does not affect the income estimate for accounting purposes or the assessment of taxable profit or loss; and

with respect of taxable temporary differences arising from investments in subsidiaries unless the timing of the reversal of temporary differences can be controlled and there is a reasonable likelihood that temporary differences will not be realized in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences carried forward, unused tax assets and unused tax losses to the extent that it is probable that the Group will have taxable income, against which deductible temporary differences transferred to future period, unused tax assets and unused tax losses could be applied, except for the following cases:

when deferred tax assets relating to a deductible temporary difference arise from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the profit estimate for accounting purposes or the assessment of taxable profit or loss at the time of the transaction; and in respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are taken into account only to the extent that it is probable that temporary differences will be realized in the foreseeable future and taxable profit will be received against which this temporary difference can be used.

3. Significant accounting policies, continued

Corporate income tax, *continued*

Deferred Income Tax, continued

The carrying amount of deferred tax assets is estimated at each reporting date and decreases to the extent that there is no likelihood that sufficient taxable profit will be obtained against which all or part of the deferred tax asset may be used.

Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent that it is possible that future taxable profit will restore the deferred tax asset.

Deferred tax assets and liabilities are calculated at tax rates that are applicable to the period when the asset is realized or the liability is repaid, based on tax rates (and tax laws) that were in effect or were practically effective on the date of the corresponding balance sheet. Income tax relating to items recognized directly in equity is recognized in the consolidated statement of changes in equity, and not in the consolidated statement of profit or loss.

Deferred tax assets and liabilities are offset, if there is a legally valid right to offset current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same tax authority.

Non–current assets held for sale

The Group classifies a non–current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non–current asset (or a disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or a disposal group) and its sale must be highly probable.

High probability of sale implies the Group management's positive intent to follow a plan to sell the non–current asset (or a disposal group). In this case, it is necessary to start the program of active measures to search for a buyer and fulfil this plan. In addition, a non–current asset (or a disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non–current asset (or a disposal group) as held for sale.

The Group measures the assets (or a disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write–down of the asset (or a disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there are any indications of a possible impairment of non-current assets. If such indications exist or annual impairment testing is required, the Group estimates the recoverable amount. The recoverable amount of an asset represents the largest amount of the fair value of the asset or cash-generating unit minus the costs of sale or value of use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of the cash inflows, generated by other assets or groups of assets. If the carrying amount exceeds the recoverable amount, the asset is treated as impaired, and its value is reduced to the recoverable amount.

The determination of impairment of non-current assets involves the use of judgments that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as: change in the restructuring process, in the expected growth of the industry; changing the availability of funding in the future; technological obsolescence; termination of services; current replacement costs and other changes in conditions that indicate the existence of an impairment. The recoverable amount and fair value are usually determined using the discounted cash flow method, which includes reasonable assumptions of the market participant. Determining impairment indicators, estimating future cash flows and determining the fair value of assets require significant judgment by management regarding the determination and confirmation of impairment indicators, expected cash flows, applicable discount rates, useful life and book value.

The determination of the recoverable amount of a cash-generating unit involves the use of management estimates. The methods used to determine value of use include discounted cash flow techniques. These estimates, including the methodologies used, can have a material effect on the fair value and, ultimately, the amount of any impairment of assets.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount, which would have been determined less depreciation or amortization if the impairment loss was not recognized. In the current period, there were no signs of impairment of assets.

3. Significant accounting policies, *continued*

Measurement of fair value

The Group measures financial instruments classified as at FVTPL and FVTOCI, and certain non–financial assets such as land and buildings at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non–financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: valuation models, in which significant assessment of fair value are based on inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re–assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party's operating and financial decisions, as defined in IAS 24 Related Party Disclosures.

Transactions with related parties are used to reflect the status of settlements for property, work and services received from companies or sold by the Group. Items of similar nature to related parties are disclosed in aggregate unless separate disclosures are necessary to understand the financial reporting impact of related party transactions.

Events after the reporting date

Events occurring after the reporting period are favourable and unfavourable events occurring between the date of the reporting period and the date of the financial statements. The materiality of an event occurring after the date of the reporting period is determined based on the principles of accounting and financial reporting, according to which such information is material if its omission or misrepresentation could affect the economic decisions of information users taken on the basis of financial statements. The Group adjusts the amounts recognized in the financial statements to reflect the effects of adjusting events after the balance sheet date.

The Group does not adjust the amounts recognized in the Consolidated Financial Statements to reflect the consequences of non-adjusting events occurring after the reporting date.

4. Standards and interpretations not yet adopted

On 1 January 2021 the Group adopted the following clarifications and amendments to the stands which were effective from 1 January 2021. These did not have a material impact on the financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 – endorsed by the UK on 5 January 2021, effective 1 January 2021. The phase 2 amendments provide specific guidance on how to treat financial assets and financial liabilities where the basis of the contractual cash flow changes as a result of the IBOR reform.

Certain standards, amendments and interpretations to existing standards have been published which are mandatory for the group's accounting periods beginning on or after 1 January 2022 or later periods and which the group has not adopted early, as disclosed below.

IFRS 17 – Insurance Contracts

IFRS 17, 'Insurance Contracts' was originally issued in May 2017 and subsequent amendments were issued in June 2020. The standard is expected to be effective for annual periods beginning on or after 1 January 2023. This reflects a two year delay to the original 2017 timetable confirmed by the IASB in their June 2020 amendments and remains subject to endorsement for use in the UK.

The standard will be applied retrospectively, subject to the transitional options provided for in the standard, and provides a comprehensive approach for accounting for insurance contracts including their measurement, income statement presentation and disclosure.

The group has commenced its project to assess the overall implications of this major new standard and is also reviewing the adequacy of existing accounting systems in order to make the required system amendments to apply the this new standard.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(issued 7 May 2021)*

The amendments specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations.

In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted and is not yet endorsed for use under the Companies Act 2006.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current *(issued January 2020)*

The amendments clarify that the classification of a liability as current or non-current is based only on rights existing at the end of the reporting period and the classification is not affected by expectations about whether rights to settle or defer a liability will be exercised. Further, the amendments clarify that the settlement of a liability refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. This amendment only affects presentation.

The amendment is effective for financial years beginning on or after 1 January 2023 and is not yet endorsed for use under the Companies Act 2006.

The Group does not expect a material impact on its consolidated financial statements from these amendments.

Amendments to IAS 16 Property, Plant and Equipment *(issued in May 2020)*

The amendments require any proceeds from selling items produced (and related production costs) in the course of bringing an item property, plant and equipment into operation to be recognised in profit or loss clarifying that such items are not reflected in the cost of the asset.

The amendment is effective for financial years beginning on or after 1 January 2022 and was endorsed on 13 April 2022 for use under the Companies Act 2006.

The Group does not expect a material impact on its consolidated financial statements from these amendments.

4. Standards and interpretations not yet adopted, ***continued***

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets *(issued in May 2020)*

The amendments clarify that the cost of fulfilling a contract are costs that relate directly to that contract. Such costs can be the incremental costs of fulfilling that contract or an allocation of other costs directly related to fulfilling that contract.

The amendment is effective for financial years beginning on or after 1 January 2022 and was endorsed on 13 April 2022 for use under the Companies Act 2006.

The Group does not expect a material impact on its consolidated financial statements from these amendments.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies *(issued in February 2021)*

The amendments enhance the disclosure requirements relating to an entity's accounting policies and clarify that the notes to a complete set of financial statements are required to include material accounting policy information. Material accounting policy information, when considered with other information included in the financial statements, can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of the financial statements. The amendments help preparers determine what constitutes material accounting policy information and notes that accounting policy information which focuses on how IFRS has been applied to its own circumstances is more useful for users of financial statements than standardised information or information duplicating the requirements of IFRS.

The amendment also states that immaterial accounting policy information need not be disclosed but when it is disclosed it shall not obscure material accounting policy information. Further, if accounting policy information is not deemed material this does not affect the materiality of related disclosure requirements of IFRS.

The disclosure of judgements made in applying accounting policies should reflect those that have had the most significant effect on items recognised in the financial statements.

The amendment is effective for financial years beginning on or after 1 January 2022 and is not yet endorsed for use under the Companies Act 2006.

5. Significant accounting judgements and estimates

Estimation uncertainty

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

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

Estimates and assumptions

Fair value of debt securities issued and subordinated bonds

During 2021, the Group issued no additional debt securities and subordinated bonds. During 2021, the Group did not amend the prospectuses of the Group's securities and subordinated bond issue.

The fair value of KZT-denominated issued debt securities and subordinated bonds as at 31 December 2021 (Note 36) was determined using the discounted market interest rates ranging from 12.47% to 16.04% per annum, and of USD-denominated - at 3.45% per annum.

During 2020, the Group made amendments to the prospectuses of issue of the Group debt securities and subordinated bonds in terms of their maturities and nominal interest rate per annum. The Group management considered the change in maturities and interest rate for debt securities to be a significant modification of their terms, and therefore, derecognised current liabilities and recognised new liabilities. The fair value of new liabilities of the Group was measured by discounting contractual future cash flows at the market interest rates in the range from 12.5-15.3% per annum (*Notes 35 and 36*).

In December 2020, the Group additionally placed subordinated bonds with total nominal value of US$ 237.7 million (KZT 100,000 million), bearing a coupon rate of 9.0% per annum and maturing in 2025. On initial recognition the Group measured fair value of such subordinated bonds by discounting contractual future cash flows at the market interest rate of 13.8% per annum *(Note 36)*.

Management of the Group estimated the market rates using observable inputs, where possible, and has to make certain assessments for individual companies. Additional information is disclosed in *Notes 35 and 36.*

5. Significant accounting judgements and estimates, *continued*

Estimation uncertainty, ***continued***

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Based on the entire information available as at 31 December 2021, when measuring fair value of financial instruments, the Group stated the remeasured expected future cash flows *(Note 47)*.

For loans to customers measured at fair value and impaired upon initial recognition the Group changed upward the discount rate for expected cash flows as such events as the COVID-19 pandemic make expected cash flows more burdensome occur than it could have been reasonably anticipated upon initial recognition. When making such adjustment, the Group assessed potential economic downturn and recovery period given the ongoing COVID-19 pandemic.

Fair value of property and equipment - land and buildings and investment property

The Group measures the fair value of land and buildings and investment property once every three years resulting from accounting for land and buildings and investment property at revalued amount in accordance with the Group's accounting policy.

As at 31 December 2021, the fair value of land and buildings and investment property of the Group were determined by independent appraisers as required by IAS 16.

The service life of fixed assets and intangible assets and their residual value

At each reporting date, the Group reviews the methods for calculating depreciation, expected useful lives and changes in the residual value of fixed assets and intangible assets.

Impairment of non-financial assets (indicators)

At each reporting date, the Group evaluates the asset for signs of possible impairment. If there are such signs or if it is necessary to perform annual asset testing for impairment, the Group estimates the asset's recoverable amount. The recoverable amount of an asset is the largest amount of the fair value of the asset or cash-generating unit, less the cost of the sale or its value in use. At the same time, this amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those generated by other assets or groups of assets. If the carrying amount of an asset exceeds the recoverable amount, the asset is considered as impaired, and its value is reduced to the recoverable amount.

In assessing the value in use, estimated future cash flows are reduced to their present value using a pre-tax discount rate reflecting the current market estimate of the time value of money and the risks related to these assets. The time value of money is determined on the basis of the weighted average cost of capital of the Group.

Impairment losses on financial assets

The measurement of impairment losses 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 ECL / impairment losses 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. Moreover, large-scale interruptions of business may result in problems with liquidity for certain entities and customers. 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 probabilities of default ("PD").
- the Group's criteria, including qualitative assessments, for assessing if there has been a significant increase in credit risk resulting in ECL for financial assets being measured on a lifetime basis.
- grouping of financial assets, including various formulas and choice of input data.
- determination of associations between macroeconomic scenarios and economic inputs such as unemployment levels and collateral values, and the resulting effect on PD, exposures at default ("EAD") and losses given default ("LGD").
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

5. Significant accounting judgements and estimates, ***continued***

Estimation uncertainty, continued

Impairment losses on financial assets, continued

Management of the Group monitors collateral on a regular basis. Management uses its judgments based on experience or independent estimates to adjust the value of collateral to reflect current market conditions.

The Group remeasured expected credit losses having updated macro-economic adjustments models to reflect current economic conditions. ECL on loans to customers estimated individually have also been recalculated based on the latest information on impact of current conditions on operations of the Group's customers.

Based on entire information available as at 31 December 2021, when calculating ECL, the Group stated the remeasured expected future cash flows *(Note 45).*

The amount of impairment allowances recognised in the consolidated statement of financial position as at 31 December 2021 are disclosed in *Note 45.*

Taxation

Other than the Company, which is domiciled in the United Kingdom, and a subsidiary which is domiciled in Kyrgyz Republic the Group's transactions mainly take place in the Republic of Kazakhstan.

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 non-existent 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.

Management believes that as at 31 December 2021 and 2020 the Group is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

Deferred tax assets are recognized for carried forward tax losses to the extent that it is probable that taxable profit will be earned against which tax losses can be offset. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized in the Consolidated financial statements based on the likely dates of receipt and the amount of future taxable profits as well as the tax planning strategy.

Provisions

The Group recognizes a provision for unused vacation pay in accordance IAS 19 Employee Benefits, which is calculated based on the average salary and the estimated number of days of vacation.

Judgements

In the process of applying the Group 's accounting policies, management used the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Accounting for acquisition of subsidiary including judgements of fair value of consideration paid

Management of the Group applied a judgement to selecting an accounting policy for the one-time recognition of a difference between the fair value of debt securities and subordinated bonds issued or restructured under a single framework agreement in the consolidated statement of profit or loss and other comprehensive.

The acquisition method under IFRS 3 requires management to measure fair value of identifiable assets and liabilities of ATFBank JSC and Jusan Mobile JSC as at the acquisition date and thus, requires to apply a significant professional judgement. Management has engaged an independent appraiser to get assistance in such measurement.

5. Significant accounting judgements and estimates, *continued*

Judgements, ***continued***

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it 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).

Classification of loans to customers

As a part of classification process, the Group assesses the contractual terms of the loans to customers to identify whether they represent solely payments of principal and interest on the amount outstanding. To make this assessment, the Group applies judgment and considers relevant factors such as asset performance and project risk related to loans, non– or limited–recourse characteristics, the extent of equity participation by the borrower, and the extent of other credit enhancements. Contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the loan is classified at FVTPL.

(In thousands of US dollar unless otherwise stated)

6. Net interest income

Net interest income comprises the following:

	2021	*2020*
	US$'000	**US$'000**
Interest income calculated using the effective interest rate		
Cash and cash equivalents	102,279	27,216
Amounts due from banks and other financial institutions	652	968
Investment securities measured at fair value through other comprehensive income	56,041	83,390
Investment securities measured at amortised cost	23,487	15,314
Loans to customers measured at fair value through other comprehensive income	18,030	43,809
Loans to customers measured at amortised cost	283,223	98,928
Acquired right of claim on promissory note to the MFRK	9,123	8,622
Other financial assets	1,798	791
	494,633	**279,038**
Other interest income		
Trading securities	4,700	8,588
Loans to customers measured at fair value through profit or loss	6,162	2,611
Amounts receivable on financial lease	525	-
	11,387	**11,199**
Interest income	**506,020**	**290,237**
Interest expense		
Amounts due to banks and other financial institutions	(10,084)	(2,913)
Amounts payable under repurchase agreements	(3,844)	(11,300)
Amounts due to customers	(157,102)	(105,218)
Debt securities issued	(63,258)	(39,213)
Subordinated debt	(59,255)	(22,017)
Lease liabilities	(1,631)	(1,064)
Liabilities to mortgage organisation	(731)	-
Other interest	(2,243)	(2,315)
Other financial liabilities	(1,167)	(1,835)
Total interest income	**(299,315)**	**(185,875)**
Net interest income	**206,705**	**104,362**

(In thousands of US dollar unless otherwise stated)

7. Credit loss (expenses)/income

Credit loss expenses on financial instruments recognised in profit or loss for 2021 and 2020 comprise:

	Note	*2021* US$'000	*2020* US$'000
Interest income calculated using the effective interest rate			
Cash and cash equivalents	20	(35)	(17)
Amounts due from banks and other financial institutions	21	59	(102)
Investment securities	23	(178)	(290)
Loans to customers measured at fair value through other comprehensive income	24	(5,349)	(21,903)
Loans to customers measured at amortised cost	24	2,248	(67,070)
Financial guarantees and letters of credit		(145)	(97)
Other financial assets	25	(6,393)	4,234
		(9,793)	**(85,245)**

(In thousands of US dollar unless otherwise stated)

8. Fee and commission income and expenses

Fee and commission expense comprise:

The Group recognises fee and commission income in accordance with IFRS 15 *Revenue from Contracts with Customers* based on the objective, for which the amount of fee and commission is determined, and according to the adopted accounting policy for the appropriate financial instrument (*Note 3*).

	2021	*2020*
	US$'000	**US$'000**
Fee and commission income		
Client card account maintenance fees	28,611	3,479
Transfer operations	26,462	9,887
Cash withdrawal	9,032	3,854
Brokerage services	4,733	866
Settlements	3,186	1,628
Guarantee and letter of credit issuance fees	3,460	1,614
Foreign exchange	1,627	815
Internet banking	755	552
Fiduciary services	666	264
Consulting services	502	1,272
Safe deposit transactions services	441	247
Other	2,674	2,293
Total fee and commission income	**82,149**	**26,771**

Fee and commission expense comprise:

	2021	*2020*
	US$'000	**US$'000**
Fee and commission expenses		
Client card account maintenance fees	(37,784)	(7,940)
Insurance acquisition costs and insurance agents' services	(11,854)	(5,634)
Transfer operations	(1,856)	(457)
Correspondent accounts maintenance	(1,074)	(893)
Fee and commission expense on foreign exchange	(769)	(878)
Brokers' services	(450)	(334)
Fee and commission expense on letters of credit issued	-	(7)
Agency contracts with auto dealers	(28)	(60)
Fee and commission expense on agent services	(14)	(198)
Fee and commission expense on guarantees issued	(138)	(85)
Other fee and commission expense	(1,519)	(1,046)
Total fee and commission expenses	**(55,486)**	**(17,532)**
Net fee and commission income	**26,663**	**9,239**

(In thousands of US dollar unless otherwise stated)

8. Fee and commission income and expenses, *continued*

	2021	*2020*
	US$'000	**US$'000**
Fee and commission receivable	5,512	2,088

No information is disclosed about remaining performance obligations at 31 December 2021 and 31 December 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

9. Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies for significant types of services.

Performance obligations and revenue recognition policies, continued

Type of goods/service	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition under IFRS 15*
Commission for money transfers	The services for money transfers include the following: - services for accepting, processing and paying out the domestic money transfer (within Kazakhstan) without opening current and card account. - services for accepting, processing and paying out the international money transfer (abroad) without opening current and card account. Money transfer services are paid in advance.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on output method based on volume of services provided.
Commission for payment card maintenance	Fee and commission income for payment card maintenance comprises interchange fee from transactions with credit and debit cards carried out in trade and service enterprises.	Revenue is recognised upon receipt of compensation from payment systems. Other payment card fees are recognised at the time of transaction completion.

10. Net gains/(losses) on financial instruments measured at fair value through profit or loss

	2021	*2020*
	US$'000	**US$'000**
Net gain on currency derivative financial instruments	(197)	9,487
Net (loss)/gain on trading securities	(241)	999
Net gain/(loss) on change in fair value of loans to customers at fair value through profit or loss	17,903	(16,622)
Net gain/(loss) on financial instruments measured at fair value through profit or loss	**17,465**	**(6,136)**

(In thousands of US dollar unless otherwise stated)

11. Net earned insurance premiums

	Obligatory insurance		*Voluntary insurance*				
2021	*Vehicle owner's liability*	*Other obligatory*	*Property*	*Civil liability*	*Transport and cargo*	*Other voluntary*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross premiums written	18,183	1,024	12,266	16,434	8,661	5,304	**61,873**
Change in the gross provision for unearned premiums	(5,576)	(361)	(2,344)	(3,720)	(996)	(942)	**(13,940)**
Gross earned premiums	**12,607**	**663**	**9,922**	**12,714**	**7,665**	**4,362**	**47,933**
Less: written premiums ceded to reinsurers	-	(14)	(1,139)	(1,880)	(2,604)	(3,113)	**(8,750)**
Reinsurers' share of change in the gross provision for unearned premiums	-	5	295	(122)	56	842	**1,076**
Earned premiums ceded to reinsurers	-	**(9)**	**(844)**	**(2,002)**	**(2,548)**	**(2,271)**	**(7,674)**
Net earned insurance premiums	**12,607**	**654**	**9,078**	**10,712**	**5,117**	**2,091**	**40,259**

	Obligatory insurance		*Voluntary insurance*				
2020	*Vehicle owner's liability*	*Other obligatory*	*Property*	*Civil liability*	*Transport and cargo*	*Other voluntary*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross premiums written	7,988	539	7,647	9,273	4,292	3,169	**32,908**
Change in the gross provision for unearned premiums	(2,886)	(68)	(2,632)	(2,393)	162	622	**(7,195)**
Gross earned premiums	**5,102**	**471**	**5,015**	**6,880**	**4,454**	**3,791**	**25,713**
Less: written premiums ceded to reinsurers	-	(5)	(948)	(1,639)	(1,168)	(885)	**(4,645)**
Reinsurers' share of change in the gross provision for unearned premiums	-	2	(458)	697	(220)	(377)	**(356)**
Earned premiums ceded to reinsurers	-	**(3)**	**(1,406)**	**(942)**	**(1,388)**	**(1,262)**	**(5,001)**
Net earned insurance premiums	**5,102**	**468**	**3,609**	**5,938**	**3,066**	**2,529**	**20,712**

(In thousands of US dollar unless otherwise stated)

12. Net insurance claims incurred

2021	Obligatory insurance		Voluntary insurance				
	Vehicle owner's liability	*Other obligatory*	*Property*	*Civil liability*	*Transport and cargo*	*Other voluntary*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Insurance claims incurred, net of reinsurance	(5,012)	(21)	(764)	(504)	(1,036)	(1,135)	**(8,472)**
Change in provisions for incurred but not reported claims	(792)	(190)	(359)	(605)	(204)	(143)	**(2,293)**
Change in provisions for reported but not settled claims	(1,261)	80	(4,247)	(495)	(661)	(792)	**(7,376)**
Change in reinsurers' share in provisions	-	5	455	108	(68)	980	**1,480**
Change in net insurance contract provisions	**(2,053)**	**(105)**	**(4,151)**	**(992)**	**(933)**	**45**	**(8,189)**
Net insurance claims incurred	**(7,065)**	**(126)**	**(4,915)**	**(1,496)**	**(1,969)**	**(1,090)**	**(16,661)**

2020	Obligatory insurance		Voluntary insurance				
	Vehicle owner's liability	*Other obligatory*	*Property*	*Civil liability*	*Transport and cargo*	*Other voluntary*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Insurance claims incurred, net of reinsurance	(1,832)	(152)	(82)	(114)	(539)	(1,837)	**(4,555)**
Change in provisions for incurred but not reported claims	(158)	(15)	(198)	(252)	73	(58)	**(608)**
Change in provisions for reported but not settled claims	(266)	(111)	(1,560)	(99)	(363)	(53)	**(2,452)**
Change in reinsurers' share in provisions	-	(4)	(177)	133	58	(5)	**5**
Change in net insurance contract provisions	**(424)**	**(130)**	**(1,935)**	**(218)**	**(232)**	**(116)**	**(3,055)**
Net insurance claims incurred	**(2,256)**	**(282)**	**(2,017)**	**(332)**	**(771)**	**(1,953)**	**(7,610)**

(In thousands of US dollar unless otherwise stated)

13. Net foreign exchange gain

Net foreign exchange gain includes:

	2021	*2020*
	US$'000	**US$'000**
Realised gains from retranslation of monetary assets and liabilities	49,983	38,146
Net foreign exchange gain	**49,983**	**38,146**

14. Revenue from contracts with customers

Revenue from contracts with customers consisted of the following:

	2021	*2020*
	US$'000	**US$'000**
Services (implementation/maintenance)	8,243	939
Income from services	28,389	3,923
Sale of goods	64,574	69,412
Total	**101,206**	**74,274**

15. Employee Benefits

Group

Personnel expenses are as follows:

	2021	*2020*
	US$'000	**US$'000**
Wages and salaries	118,675	98,640
Social security costs	14,313	8,515
Pension contributions (defined contribution schemes)	10,490	3
Share based payments	40,456	-
Share options	41,510	-
Total	**225,444**	**107,158**

Company

Personnel expenses are as follows:

	2021	*2020*
	US$'000	**US$'000**
Employee compensation	69	50
Social security costs	2	1
Pension contributions (defined contribution schemes)	-	3
Share based payments	40,456	-
Share options	41,510	-
Total	**82,037**	**54**

(In thousands of US dollar unless otherwise stated)

15. Employee Benefits, *continued*

Average number of employees

Group

	2021	*2020*
	Number	**Number**
Banking	6,535	3,208
Insurance	449	42
Commercial activities	3,566	1,516
UK office staff	1	1
Total	**10,551**	**4,767**

Company

	2021	*2020*
	Number	**Number**
UK office staff	**1**	**1**
Total	**1**	**1**

16. Directors' Remuneration

	2021	*2020*
Amounts paid or payable by the Group	**US$**	**US$**
Remuneration in respect of qualifying services	3,691,229	3,513,946
Share based payments	24,823,274	-
Share options	41,510,000	-
Total	**70,024,503**	**3,513,946**

	2021	*2020*
Amounts paid or payable by the highest paid director	**US$**	**US$**
Remuneration in respect of qualifying services	147,388	1,613,704
Share based payments	9,263,272	-
Total	**9,410,660**	**1,613,704**

(In thousands of US dollar unless otherwise stated)

17. Expenses by nature

Other general and administrative expenses are as follows:

	FHS	**Commercial Operations*	*Total*	*FHS*	**Commercial Operations*	*Total*
	2021	*2021*	*2021*	*2020*	*2020*	*2020*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Staff costs (note 15)	119,896	105,548	225,444	99,548	7,610	107,158
Depreciation of property, plant and equipment	20,316	6,571	26,887	8,586	1,501	10,087
Amortisation of intangible assets	-	-	-	2,105	61	2,166
Administrative expenses**	6,500	(8,286)	(1,787)	37,035	1,473	38,508
Donations	-	(53,061)	(53,061)	-	-	-
Cost of sales**	-	81,259	81,259	-	58,974	58,974
Distribution costs**	-	11,535	11,535	-	3,362	3,362
Other costs**	45,465	(6,857)	38,608	6,377	3,633	10,010
	192,176	**136,710**	**328,886**	**153,651**	**76,614**	**230,265**
Movement in provisions	(3,254)	-	(3,254)	-	-	-
Impairment/(impairment reversal) of PPE	7,400	-	7,400	639	-	639
	196,323	**136,710**	**333,032**	**154,290**	**76,614**	**230,904**

* *-commercial operations comprise the activities of JV and its subsidiaries (see note 51)*

** *- excluding staff cost, amortisation and depreciation*

18. Auditor's Remuneration

	2021	2020
	US$'000	US$'000
Fees payable for the audit of the annual accounts	255	246
Tax compliance services	4	5
Tax advisory services	43	22
All other services	83	189
Total	**385**	**462**

19. Corporate income tax expense

Corporate income tax expense is as follows:

	2021	*2020*
	US$'000	**US$'000**
Current corporate income tax expense		
Current year	(5,168)	(10,224)
Under provided in prior years	(38)	(255)
Deferred corporate income tax expense		
Deferred corporate income tax expense – origination and decrease of temporary differences	10,709	(57,523)
Corporate income tax credit (/expense)	**5,503**	**(68,002)**

(In thousands of US dollar unless otherwise stated)

19. Corporate income tax expense ***continued***

The Group's income, except for that of the subsidiary companies Almanit RUS LLC, Kvant Mobile Bank PJSC and Optima Bank OJSC, is subject to taxation only in the Republic of Kazakhstan. According to tax legislation, the applicable corporate income tax rate in 2021 and 2020 is 20.0%.

Income of Almanit RUS LLC, Kvant Mobile Bank PJSC are taxable in the Russian Federation at the income tax rate of 20% in 2021 and 2020. Income of Optima Bank OJSC is taxable in the Kyrgyz Republic at the income tax rate of 10% in 2021 and 2020.

The parent company is subject to corporation tax in the United Kingdom at the rate of 19%. The UK corporation tax rate is expected to increase to 25% from 1 April 2023.

Below is a reconciliation of corporate income tax expenses calculated using a statutory rate with corporate income tax expenses recognised in the consolidated financial statements for 2021 and 2020:

	2021	*2020*
	US$'000	**US$'000**
Profit before corporate income tax	71,408	625,611
Theoretical corporate income tax expense at the statutory rate	**(14,282)**	**(125,122)**
Non-deductible expenses		
Provision for tax losses utilised/(carried forward)	18,492	(19,184)
Non-deductible expenses on revaluation of fair value of financial assets	(3,678)	(4,604)
Non-deductible interest expenses	(66)	(1,386)
Previously unrecognised deferred tax asset	-	33
Unrecognised deferred tax assets	(2,423)	(1,285)
Non-deductible impairment losses	(836)	(1,165)
Remeasurement of deferred tax for changes in tax rates	3,578	-
Other non-deductible expenses	(12,310)	(14,154)
Non-taxable income		
Non-taxable gain from business combination	-	82,548
Exempt income on government securities listed at KASE	14,507	19,083
Subsidiary's income taxable at different rate	1,618	-
Non-taxable income on recovery of provisions for investments and borrowings	-	3,036
Adjustments for tax loss carry forwards	-	2,644
Non-taxable income on financial instruments	352	945
Other non-taxable income	713	(9,274)
Non-accrued income tax in previous reporting periods	-	269
Other adjustments	(124)	(131)
Amounts unprovided in respect of previous years	(38)	(255)
Corporate income tax credit (/expense)	**5,503**	**(68,002)**

(In thousands of US dollar unless otherwise stated)

19. Corporate income tax expense, ***continued***

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax liabilities as at 31 December 2021 and 31 December 2020. Deferred tax assets in respect of tax losses carried forward are recognised in these consolidated financial statements. The future tax benefits will only be realised if profit will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan. Period of use of tax loss carried forward expires in 10 years.

Deferred tax assets and liabilities as at 31 December 2021 as well as their movement during the year are as follows:

	1 January 2021	Acquisitions from business combination	Recognised in profit or loss	Recorded in OCI*	Exchange differences	31 December 2021
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Property and equipment and intangible assets	(6,376)	677	(6,406)	-	2,106	(9,998)
Inventories	201	-	197	-	(204)	194
Long term receivables	1	-	(1)	-	-	-
Assets under contract with customers	38	-	(38)	-	(1)	(1)
Expected credit losses	52	-	200	-	(55)	197
Investment property	(31)	-	(5)	-	1	(35)
Loans to customers	41,765	(7,163)	(7)	-	(1,238)	33,356
Other assets	7	-	361	-	(7)	360
Debt securities issued	(256,762)	-	4,093	-	8,389	(244,279)
Subordinated debts	(179,240)	-	12,749	-	5,664	(160,826)
Lease liabilities	(1,991)	-	2,278	-	(57)	230
Employee benefits	85	-	177	-	(38)	224
Loan remuneration	(7,445)	(1,786)	(4,196)	-	356	(13,071)
Other taxes payable	18	-	-	-	(18)	0
Tax losses carry forwards	104,422	(5,066)	(22,020)	-	(4,486)	72,850
Unrecognised deferred tax assets	(53,562)	8,469	18,492	940	1,225	(24,436)
Net deferred tax liability	**(358,818)**	**(4,869)**	**5,874**	**940**	**11,637**	**(345,235)**

**** other comprehensive income***

Including:	
Deferred tax asset	**1,606**
Deferred tax liability	**(346,840)**
	(345,234)

(In thousands of US dollar unless otherwise stated)

19. Corporate income tax expense, ***continued***

Deferred tax assets and liabilities, ***continued***

Deferred tax assets and liabilities as at 31 December 2020 as well as their movements during the year are as follows:

	1 January 2020	Acquisitions from business combination	Recognised in profit or loss	Recorded in OCI*	Exchange differences	31 December 2020
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Property and equipment and intangible assets	(5,073)	(3,479)	1,686	(24)	514	**(6,376)**
Inventories	223	-	(1)	-	(21)	**201**
Long term receivables	-	-	1	-	-	**1**
Assets under contract with customers	-	-	39	-	(1)	**38**
Expected credit losses	14	-	40	-	(2)	**52**
Investment property	(29)	-	(5)	-	3	**(31)**
Loans to customers	8,747	(748)	33,724	1,466	(1,424)	**41,765**
Right-of-use assets	2,324	-	(2,143)	-	(181)	**-**
Other assets	-	-	7	-	-	**7**
Debt securities issued	(260,203)	(3,810)	(17,571)	-	24,822	**(256,762)**
Subordinated debts	(32,113)	(118,258)	(34,556)	-	5,687	**(179,240)**
Lease liabilities	(2,279)	539	(464)	-	213	**(1,991)**
Employee benefits	77	-	46	-	(38)	**85**
Loan remuneration	5,768	(9,650)	(3,247)	-	(316)	**(7,445)**
Other taxes payable	22	-	(2)	-	(2)	**18**
Tax losses carry forwards	110,960	18,582	(14,644)	-	(10,476)	**104,422**
Unrecognised deferred tax assets	(15,321)	(19,961)	(20,423)	-	2,143	**(53,562)**
Net deferred tax liability	**(186,883)**	**(136,785)**	**(57,513)**	**1,442**	**20,921**	**(358,818)**

**** other comprehensive income***

Including:	
Deferred tax asset	**6,444**
Deferred tax liability	**(365,262)**
	(358,818)

(In thousands of US dollar unless otherwise stated)

20. Cash and cash equivalents
Group

Cash and cash equivalents consist of the following:	*31-Dec 2021*	*31-Dec 2020*
	US$'000	**US$'000**
Cash in hand	235,023	259,523
Balances on current accounts with NBRK (rated BBB-)	189,677	317,497
Balances on current accounts with CBRF (rated BBB-)	-	9,220
Balances on current bank accounts with the NBKR (rated B)	46,665	31,055
Balances on current bank accounts with other banks:		
- rated from AA- to AA+	8,187	13,121
- rated A- to A+	85,032	65,941
- rated from BBB- to BBB+	67,892	34,204
- rated from BB- to BB+	15,366	17,749
- rated B- to B+	1,478	2,684
- not rated	14,426	7,682
Precious metals	1,133	97
Term deposits with NBRK (rated BBB-)	1,462,416	2,344,480
Term deposits with NBRK (rated B)	107,636	19,964
Short-term notes of NBRK (rated B)	98,609	15,704
Term deposits with other banks:		
- rated from AA- to AA+	86,448	45,659
- rated from A- to A+	98,175	24,998
rated from BBB- to BBB+	-	10,014
rated from BB- to BB+	5,516	-
- rated from B- to B+	-	1,193
Accounts receivable under reverse repurchase agreements	145,693	124,699
Cash in transit	335	179
Cash on deposit -KZT	868	970
Cash on deposit - US$	10,450	380
Cash in Broker account	1,473	2
Cash on cards	-	6
REP operations	-	-
Gross cash and cash equivalents	**2,682,498**	**3,347,021**
Allowance for expected credit losses	(234)	(216)
Cash and cash equivalents	**2,682,264**	**3,346,805**

The credit ratings are presented by reference to the credit ratings of Standard and Poor's / Fitch credit rating agencies or analogues of similar international agencies. None of cash and cash equivalents are impaired or past due. All cash and cash equivalents are categorised into Stage 1 of credit risk grading (*Note 45*).

As at 31 December 2021, the Group concluded reverse repurchase agreements with contractual maturity of up to 90 (ninety) days or less, the fair value of which as at 31 December 2021 was US$149.4 million (KZT 64,996 million) (31 December 2020: US$133.5 million (KZT 56,186 million)).

(In thousands of US dollar unless otherwise stated)

20. Cash and cash equivalents, ***continued***

Minimum reserve requirements

As at 31 December 2021 and 31 December 2020 minimum reserve requirements are calculated in accordance with regulations issued by NBRK. To meet the minimum reserves requirements the Group places cash in reserve assets, which are required to be maintained at the level of not less than the average amount of cash on hand denominated in national currency and balance on the current account with the NBRK in the national currency for 4 weeks, calculated as certain minimum level of deposits and current accounts of the customers that are residents and non-residents of the Republic of Kazakhstan, and of other liabilities of the Group. As at 31 December 2021 the minimum reserve requirements amounted to US$69,9 million (KZT 30,418 million) (31 December 2020: US$66.4 million (KZT 27,915 million)) and reserve asset amounted to US$112.6 million (KZT 48,989 million) (31 December 2020: US$63.38 million (KZT 56,888 million)).

Optima Bank OJSC calculated the minimum reserve requirements in accordance with the rules of the National Bank of the Kyrgyz Republic (NBKR). As at 31 December 2021 Optima Bank OJSC was in compliance with the minimum reserve requirements, and its minimum reserve was US$48,2 million (KZT 20,965 million) (31 December 2020: US$31.2 million (KZT 13,109 million)).

Concentration of cash and cash equivalents

As at 31 December 2021, the Group held cash on current accounts with NBRK and terms deposits (2020: with NBRK), whose balances exceed 10% of the Group's equity. The gross value of these balances as of 31 December 2021 was US$1,905.0 million (KZT 828,790 million) (31 December 2020: US$2,661,9 million (KZT 1,119,920 million).

Below is analysis of changes in ECL allowances for 2021 and 2020:

	2021		
	Stage 1	***Stage 2***	***Total***
	US$'000	**US$'000**	**US$'000**
Balance at 1 January	**(216)**	-	**(216)**
Net charge - Banking (*Note 7*)	**(192)**	-	**(192)**
Net movement -other operations	**174**	-	**174**
Foreign exchange differences	-	-	-
Balance at 31 December	**(234)**	-	**(234)**

	2020		
	Stage 1	***Stage 2***	***Total***
	US$'000	**US$'000**	**US$'000**
Balance at 1 January	**(48)**	-	**(48)**
Acquired as a result of business combination *(Note 49)*	**(60)**	-	**(60)**
Net charge - Banking (*Note 7*)	**(17)**	-	**(17)**
Net movement -other operations	**(94)**	-	**(94)**
Foreign exchange differences	**3**	-	**3**
Balance at 31 December	**(216)**	-	**(216)**

(In thousands of US dollar unless otherwise stated)

20. Cash and cash equivalents, *continued*

Company

Cash and cash equivalents	*31-Dec 2021*	*31-Dec 2020*
	US$'000	**US$'000**
Cash and cash equivalents consist of the following:		
Balances on current accounts	14,894	146,966

Other deposits

In addition to cash and cash equivalents the Company held US$33,500,000 (2020: US$27,500,000) in a restricted deposit account with Jusan Bank. This amount did not meet the definition of cash and cash equivalents as the deposit maturity at inception exceeded three months.

21. Amounts due from banks and other financial institutions

Amounts due from banks and other financial institutions are as follows:

	31-Dec 2021	*31-Dec 2020*
	US$'000	**US$'000**
Restricted cash with NBRK, rated BBB-	9,408	129,355
Mandatory reserves with CBRF (rated BBB-)	-	1,773
Account with the NBKR (rated B)	892	292
Loans and deposits with other banks:		
- rated from A- to A+	13,849	10,951
- rated BBB- to BBB+	34,085	32,345
- rated from BB- to BB+	1,188	1,585
- rated B- to B+	1,706	3,439
- rated from CCC- to CCC+	-	-
- not rated	21,546	29,630
Gross loans and deposits with other banks	**82,674**	**209,370**
Allowance for expected credit losses	(69)	(10,352)
Due from banks and other financial institutions	**82,605**	**199,018**

The credit ratings are presented by reference to the credit ratings of Standard and Poor's credit rating agency or analogues of similar international agencies.

At 31 December 2021, all due from banks and other financial institutions were categorised into Stage 1 of the credit risk grading (31 December 2020: into Stage 1, except for defaulted balances on deposits with other banks that were categorised into Stage 3 for ECL purposes).

Due from banks and other financial institutions (not rated)

As at 31 December 2021, loans and deposits with other banks (not rated) comprise security deposits of US$ 11,42 million (KZT 4,968 million) with VISA International, security deposits and a margin with KASE for the total amount of US$ 10,02 million (KZT 4,363 million) (31 December 2020: US$ 14,25 million (KZT 5,999 million)), and deposit of US$ 0,1 million (KZT 43 million) with UnionPay (31 December 2020: deposits in Kazinvestbank JSC, Visa International S.A., Limited Liability Company "Non-Banking Credit Organization Western Union MT East" and UnionPay International in the amount of US$ 10,12 million (KZT 4,256 million), US$ 5,0 million (KZT 2,105 million), US$ 0,1 million (KZT 45 million) and US$ 0,1 million (KZT 42 million), respectively, and a loan of US$ 0.04 million (KZT 18 million) from Orienbank OJSC).

(In thousands of US dollar unless otherwise stated)

21. Amounts due from banks and other financial institutions, ***continued***

Restricted cash with NBRK

In March 2020, under conditions of a state of emergency introduced in the Republic of Kazakhstan because of COVID-19 pandemic, the Management Board of the NBRK approved the Programme for Preferential Lending to Small and Medium-Sized Businesses (hereinafter the "Programme") by its Resolution No.39 dated 19 March 2020. According to the amendments made on 27 October 2020, the large businesses affected by introduction of a state of emergency were also included in the Programme. The operator of the Programme is Kazakhstan Sustainability Fund JSC (KSF).

The funds received are placed on the Jusan Bank's special account opened with the NBRK, according to the terms for the placement of the KSF's contribution under the Programme, until they are fully utilised. Under the terms of the Programme, those funds that are not used by the Jusan Bank to finance business entities within the specified period should be returned to KSF.

As at 31 December 2020, restricted cash with the NBRK in the total amount of US$ 129,4 million (KZT 54,421 million) received from KSF represents an unutilised amount as part of the Programme (Note 31).

As at 31 December 2021, restricted cash on the current accounts with the NBRK include funds provided by Damu Entrepreneurship Development Fund JSC ("Damu") and Development Bank of Kazakhstan JSC ("DBK") for the total amount of US$ 9,4 million (KZT 4,093 million). The funds may be granted as loans to the small, medium-sized and large businesses operating in the manufacturing industry, on special preferential terms, only after the approval by Damu and DBK.

At 31 December 2020, loans and deposits with other banks (not rated) comprise a deposit of US$ 10,1 million (KZT 4,256 million) with Kazinvestbank overdue more than 360 days. The Group accrued 100% impairment allowance against this deposit. As at 31 December 2021, balance of Kazinvestbank JSC was written off against previously established provisions.

Concentration of amounts due from banks and other financial institutions

As at 31 December 2021 the Group has no amounts due from banks and other financial institutions whose balance exceeds 10% of the Group's equity (31 December 2020: restricted cash with NBRK with gross balance of US$ 129.4m (KZT 54,421 million)).

Below is an analysis of changes in ECL allowances for 2021 and 2020:

	2021		
	Stage 1	*POCI*	
	US$'000	**US$'000**	**US$'000**
Balance at 1 January	(236)	(10,116)	(10,352)
Acquired as a result of business combination	57	-	57
Net charge (*Note 9*)	140	10,116	10,256
Foreign exchange differences	(30)	-	(30)
Balance at 31 December	**(69)**	-	**(69)**

	2020		
	Stage 1	*POCI*	
	US$'000	**US$'000**	**US$'000**
Balance at 1 January	(5)	-	(5)
Acquired as a result of business combination	(128)	(10,296)	(10,424)
Net charge (*Note 9*)	(102)	-	(102)
Foreign exchange differences	(1)	180	179
Balance at 31 December	**(236)**	**(10,116)**	**(10,352)**

(In thousands of US dollar unless otherwise stated)

22 Trading securities

Trading securities include the following items:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Owned by the Group		
Debt investment securities		
- Government bonds		
US treasury bills	-	23,757
Notes of NBRK	17,653	9,144
Bonds of MFRK	5,280	3,333
Eurobonds of the Ministry of Finance of the Russian Federaton	5,261	-
Total government bonds	**28,194**	**36,234**
Total bonds of the banks		
Corporate bonds		
- rated from A- to A+	17,370	14,991
- rated BBB- to BBB+	182,810	94,512
- rated from BB- to BB+	9,316	10,066
- rated B- to B+	1,471	1,105
- not rated	8,125	-
Total corporate bonds	**219,092**	**120,674**
Structured notes		
International structured notes	-	504
Total structured notes	**-**	**504**
Equity instruments		
ETF	16,655	5,225
Unit shares	4,657	4,656
Corporate shares	3,691	3,592
Total equity instruments	**25,003**	**13,473**
Total trading securities owned by the Group	**272,289**	**170,885**
Pledged under sale and repurchase agreements		
- Government bonds		
US treasury bills	-	87,738
Bonds of MFRK	17,657	5,250
Total government bonds pledged under sale and repurchase agreements	**17,657**	**92,988**
	289,946	**263,873**

The credit ratings are presented by reference to the credit ratings of Standard and Poor's, Fitch credit rating agencies or analogues of similar international agencies.

As at 31 December 2021 and 31 December 2020 trading securities were neither past due nor impaired.

(In thousands of US dollar unless otherwise stated)

23. Investment securities

Group investment securities comprise:

	31 December 2021	*31 December 2020**
	US$'000	**US$'000**
Investment securities at fair value through profit or loss	242,778	61,800
Investment securities measured at fair value through other comprehensive income	733,209	706,653
Investment securities measured at amortised cost	509,720	112,393
Investment securities	**1,485,707**	**880,846**

Group

Investment securities measured at fair value through profit or loss comprise:

	31 December 2021	*31 December 2020**
Owned by the Group	**US$'000**	**US$'000**
Equity investment funds	559	915
Other fund investments	65,752	58,320
Other debt securities	176,467	2,565
Total	**242,778**	**61,800**

Company

	31 December 2021	*31 December 2020**
	US$'000	**US$'000**
Investment securities at fair value through profit or loss	**66,311**	**59,235**

Investment securities measured at fair value through profit or loss comprise:

	31 December 2021	*31 December 2020**
Owned by the Company	**US$'000**	**US$'000**
Equity investment funds	559	915
Other fund investments	65,752	58,320
Total	**66,311**	**59,235**

* *Some of the amounts presented in this column do not match the amounts presented in the consolidated financial statements for 2020 as they reflect the reclassifications made. For more details, see Note 2.*

(In thousands of US dollar unless otherwise stated)

23. Investment securities, ***continued***

Investment securities measured at fair value through other comprehensive income comprise:

	31 December 2021	*31 December 2020*
Owned by the Group	**US$'000**	**US$'000**
Debt investment securities		
- Government bonds		
Notes of NBRK	587,371	611,681
Bonds of Kazakhstan Sustainability Fund JSC	49,060	30,506
Bonds of MFRK	7,946	20,292
Ministry of Finance of the Russian Federation	2,834	-
Total government bonds	**647,211**	**662,479**
Corporate bonds		
- rated BBB- to BBB+	11,789	15,521
- rated from BB- to BB+	4,517	12,721
- rated B- to B+	1,349	-
- not rated	-	1,459
Total corporate bonds	**17,655**	**29,701**
Equity investment securities		
Corporate shares		
- not rated	113	133
- corporate shares of Kcell JSC	67,786	-
Total equity instruments	**67,899**	**133**
Pledged under sale and repurchase agreements		
Debt investment securities		
- Government bonds		
Bonds of MFRK	-	14,340
Notes of NBRK	444	-
Total government bonds pledged under sale and repurchase agreements	**444**	**14,340**
Total	**733,209**	**706,653**

The credit ratings are presented by reference to the credit ratings of Standard & Poor's rating agency or analogues of similar international rating agencies.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

Balances on investment securities measured at fair value through other comprehensive income are categorised into Stage 1 and Stage 2 for ECL purposes (Note 7).

(In thousands of US dollar unless otherwise stated)

23. Investment securities, ***continued***

The table below provides an analysis of the changes in allowance for ECL for 2021 and 2020:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Balance at January 1	(382)	(121)
Net charge *(Note 7)*	(168)	(290)
Exchange differences	(120)	16
Balance at 31 December	**(670)**	**(395)**

Securities measured at amortised cost comprise:

Debt investment securities	*31 December*	*31 December*
Government bonds	*2021*	*2020*
	US$'000	**US$'000**
Notes of the NBRK	430,759	49,197
Eurobonds of the MFRK	38,882	44,413
bonds of KSF JSC	18,866	-
Treasury bonds of the Ministry of Finance of the Kyrgyz Republic	16,336	15,593
Treasury bills of the MFRK	44	43
Total government bonds	**504,887**	**109,246**
Pledged under sale and repurchase agreements		
Government bonds		
Eurobonds of MFRK	4,988	-
Total Government bonds	**4,988**	-
Equity investment securities	-	233
Corporate bonds	-	-
– rated from BBB- to BBB+	-	-
– rated from BB- to BB+	-	3,066
- rated B- to B+	-	-
– not rated	-	-
	-	3,299
Allowance for expected credit losses	(155)	(152)
Total corporate bonds	(155)	3,147
Total	**509,720**	**112,393**

The credit ratings are presented by reference to the credit ratings of Standard & Poor's rating agency or analogues of similar international rating agencies.

As at 31 December 2021 the Group has accounts payable under repurchase agreements concluded at KASE, which are secured by coupon Eurobonds of MFRK with fair value of US$ 4,99 million (KZT 2,170 million) (31 December 2020: none). All transactions were closed during next reporting month.

Corporate bonds represent interest–bearing securities, issued by local companies and banks. These securities are freely tradable on KASE.

(In thousands of US dollar unless otherwise stated)

23. Investment securities, *continued*

All government bond balances are allocated to Stage 1 for ECL purposes. The table below provides an analysis of the changes in allowance for ECL for 2021:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Balance at 1 January	(152)	-
Acquisition resulting from a business combination *(note 49)*	-	(155)
Net charge *(Note 7)*	(7)	-
Foreign exchange differences	4	3
Balance at 31 December	**(155)**	**(152)**

24. Loans to customers

All amounts in this note relate to Group balances unless Company is specifically stated.

Loans to customers comprise the following items:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Loans to customers measured at amortised cost	2,487,520	3,395,387
Allowance on expected credit losses	(584,481)	(1,281,294)
Total loans to customers measured at amortised cost net of expected credit	**1,903,039**	**2,114,093**
Loans to customers measured at fair value through other comprehensive income	-	168,551
Loans to customers measured at fair value through profit or loss	41,167	59,442
Loans to customers	**1,944,206**	**2,342,086**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, ***continued***

Loans to customers measured at amortised cost

Loans to customers measured at amortised cost comprise the following:

	31 December 2021				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to corporate customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loans to large corporates	285,565	34,630	16,099	249,079	585,373
Loans to small and medium-size companies	631,916	83,377	13,417	521,414	1,250,124
Total loans to corporate customers	**917,481**	**118,007**	**29,516**	**770,493**	**1,835,497**
Loans to retail customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Express loans	413,851	3,917	19,928	5,491	443,187
Mortgage loans	108,410	2,747	5,105	10,286	126,548
Consumer loans	54,087	903	2,738	14,729	72,457
Credit cards	5,227	430	1,069	53	6,779
Car loans	2,611	-	122	319	3,052
Total loans to retail customers	**584,186**	**7,997**	**28,962**	**30,878**	**652,023**
Gross loans to customers	**1,501,667**	**126,004**	**58,478**	**801,371**	**2,487,520**
Allowance for expected credit losses	(19,184)	(6,215)	(22,383)	(536,699)	(584,481)
Loans to customers net of allowance for expected credit losses	**1,482,483**	**119,789**	**36,095**	**264,672**	**1,903,039**

	31 December 2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to corporate customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loans to large corporates	445,233	2,786	7,908	583,216	1,039,143
Loans to small and medium-size companies	606,461	34,275	25,992	985,486	1,652,214
Total loans to corporate customers	**1,051,694**	**37,061**	**33,900**	**1,568,702**	**2,691,357**
Loans to retail customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Express loans	260,505	540	3,382	11,317	275,744
Mortgage loans	158,615	1,231	4,074	17,233	181,153
Car loans	48,378	3,931	27,442	25,671	105,422
Consumer loans	122,193	330	4,003	11,060	137,586
Credit cards	3,473	36	290	326	4,125
Total loans to retail customers	**593,164**	**6,068**	**39,191**	**65,607**	**704,030**
Gross loans to customers	**1,644,858**	**43,129**	**73,091**	**1,634,309**	**3,395,387**
Allowance for expected credit losses	(3,845)	(2,058)	(61,044)	(1,214,347)	(1,281,294)
Loans to customers net of allowance for expected credit losses	**1,641,013**	**41,071**	**12,047**	**419,962**	**2,114,093**

As required by IFRS 9, the carrying amount of corporate POCI-loans recognised in the consolidated statement of financial position of the Group as at 31 December 2021 was US$334.5 million (KZT 145,506 million) (at 31 December 2020: US$527.5 million (KZT 221,919 million)) and corresponding ECL allowance was US$45.8 million (KZT 19,921 million) (31 December 2020: US$107.5 million (KZT 45,236 million)).

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, ***continued***

Loans to customers measured at amortised cost, ***continued***

Analysis of movements in impairment allowance

Below is an analysis of changes in gross carrying amount and corresponding ECL allowance for loans to corporate customers measured at amortised cost for the year ended 31 December 2021:

	2021				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to corporate customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount at 1 January	1,051,692	37,062	33,900	1,568,703	2,691,357
New assets originated or purchased	823,935	11,180	-	9,550	844,665
Assets that have been derecognized or repaid (except for write– offs)	(793,297)	(46,529)	(7,817)	(233,752)	(1,081,395)
Transfers to Stage 1	862	(862)	-	-	-
Transfers to Stage 2	(118,333)	118,333	-	-	-
Transfers to Stage 3	(25,378)	(44)	25,422	-	-
Net change in interest accrued	(18,007)	(841)	(540)	43,295	23,907
Write– offs	-	-	(2,577)	(570,517)	(573,094)
Unwinding of discount	17,972	-	-	-	17,972
Disposals	(1,317)	-	(23,234)	-	(24,551)
Effect of changes in exchange rates	(20,648)	(292)	4,362	(46,786)	(63,364)
At 31 December	**917,481**	**118,007**	**29,516**	**770,493**	**1,835,497**

	2021				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to corporate customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
ECL balance at 1 January	(292)	(225)	(29,121)	(1,172,271)	(1,201,909)
New assets originated or purchased	(4,043)	(244)	(416)	(407)	(5,110)
Assets that have been derecognised or repaid (except for write-offs)	650	57	223	106,976	107,906
Transfers to Stage 1	(9)	9	-	-	-
Transfers to Stage 2	228	(228)	-	-	-
Transfers to Stage 3	39	5	(44)	-	-
Net remeasurement of loss allowance	(2,462)	(3,629)	(765)	(77,741)	(84,597)
Unwinding of discount	-	-	(1,358)	8,491	7,133
Write-offs	(2)	-	2,577	570,519	573,094
Disposal as a result of sale of subsidiary	25	-	23,227	-	23,252
Effect of movements in foreign exchange rates	586	(81)	(3,532)	38,167	35,140
At 31 December	**(5,280)**	**(4,336)**	**(9,209)**	**(526,266)**	**(545,091)**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, *continued*

Loans to customers measured at amortised cost, *continued*

Analysis of movements in impairment allowance, continued

Below is an analysis of changes in gross carrying amount and corresponding ECL allowance for loans to corporate customers measured at amortised cost for the year ended 31 December 2020:

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to corporate customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount at 1 January	156,008	2,267	27,517	1,638,740	1,824,532
New assets acquired as the result of business combination (Note 49)	960,007	-	-	372,073	1,332,080
New assets originated or purchased	199,702	1,091	-	223	201,016
Assets that have been derecognized or repaid (except for write- offs)	(167,902)	(20,120)	(1,200)	(97,327)	(286,549)
Transfers to Stage 1	10,524	(10,524)	-	-	-
Transfers to Stage 2	(74,831)	74,831	-	-	-
Transfers to Stage 3	(523)	(10,794)	11,317	-	-
Net change in interest accrued	368	232	150	24,865	25,615
Write- offs	-	-	-	(287,043)	(287,043)
Effect of changes in exchange rates	(31,661)	79	(3,884)	(82,828)	(118,294)
At 31 December	**1,051,692**	**37,062**	**33,900**	**1,568,703**	**2,691,357**

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to corporate customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
ECL at 1 January	(1,062)	(76)	(27,061)	(1,244,383)	(1,272,582)
New assets acquired as the result of business combination (Note 49)	-	-	-	(223,590)	(223,590)
New assets originated or purchased	(1,152)	(10)	-	(189)	(1,351)
Assets that have been derecognised or repaid (except for write- offs)	392	106	854	9,582	10,934
Transfers to Stage 1	(254)	254	-	-	-
Transfers to Stage 2	600	(600)	-	-	-
Transfers to Stage 3	-	4,405	(4,405)	-	-
Net remeasurement of ECL	1,096	(4,311)	(1,889)	(60,932)	(66,036)
Unwinding of discount	-	-	27	232	259
Write- offs	-	-	-	287,043	287,043
Effect of changes in exchange rates	88	7	3,353	59,966	63,414
At 31 December	**(292)**	**(225)**	**(29,121)**	**(1,172,271)**	**(1,201,909)**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, ***continued***

Below is an analysis of changes in gross carrying amount and corresponding ECL allowance for loans to retail customers measured at amortised cost for the year ended 31 December 2021:

	2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to retail customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount at 1 January	593,165	6,069	39,191	65,605	704,030
New assets originated or purchased	324,748	-	-	7,932	332,680
Assets that have been derecognized or repaid (except for write- offs)	(210,841)	(575)	(3,501)	(13,161)	(228,078)
Transfers to Stage 1	1,882	(1,023)	(859)	-	-
Transfers to Stage 2	(8,748)	8,792	(44)	-	-
Transfers to Stage 3	(30,221)	(2,239)	32,460	-	-
Net change in interest accrued	(20,659)	(970)	(2,253)	(1,352)	(25,234)
Write- offs	5,022	14	32	-	5,068
Unwinding of discount	(34)	-	(6,532)	(26,006)	(32,572)
Disposals	(52,450)	(2,034)	(29,237)	-	(83,721)
Effect of changes in exchange rates	(17,677)	(38)	(295)	(2,140)	(20,150)
At 31 December	**584,187**	**7,996**	**28,962**	**30,878**	**652,023**

	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to retail customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
ECL balance at 1 January	(3,550)	(1,834)	(31,923)	(42,078)	(79,385)
New assets originated or purchased	(15,697)	-	-	(2,168)	(17,865)
Assets that have been derecognised or repaid (except for write-offs)	451	30	1,664	7,900	10,045
Transfers to Stage 1	(303)	255	48	-	-
Transfers to Stage 2	991	(1,004)	14	-	1
Transfers to Stage 3	4,055	1,115	(5,169)	-	1
Net remeasurement of loss allowance	(1,285)	(998)	(6,121)	228	(8,176)
Unwinding of discount	-	-	(5,831)	(2,145)	(7,976)
Write-offs	-	-	6,567	26,006	32,573
Disposal as a result of sale of subsidiary	1,393	538.00	27,451	-	29,382
Effect of movements in foreign exchange rates	42	19	128	1,823	2,012
At 31 December	**(13,903)**	**(1,879)**	**(13,172)**	**(10,434)**	**(39,388)**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, *continued*

Loans to customers measured at amortised cost, continued

Below is an analysis of changes in gross carrying amount and corresponding ECL allowance for loans to retail customers measured at amortised cost for the year ended 31 December 2020:

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to retail customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Gross carrying amount at 1 January	111,443	2,348	37,730	48,098	199,619
New assets acquired as the result of business combination (Note 49)	472,941	-	-	26,882	499,823
New assets originated or purchased	85,744	774	1,263	-	87,781
Assets that have been derecognized or repaid (except for write- offs)	(25,731)	(411)	(2,122)	(3,368)	(31,632)
Transfers to Stage 1	1,415	(324)	(1,091)	-	-
Transfers to Stage 2	(8,291)	8,501	(210)	-	-
Transfers to Stage 3	(4,222)	(3,977)	8,199	-	-
Net change in interest accrued	(19,063)	(389)	(581)	1,304	(18,729)
Write- offs	-	-	-	(2,700)	(2,700)
Effect of changes in exchange rates	(21,071)	(453)	(3,997)	(4,611)	(30,132)
At 31 December	**593,165**	**6,069**	**39,191**	**65,605**	**704,030**

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to retail customers	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
ECL balance at 1 January	(1,157)	(454)	(28,698)	(35,784)	(66,093)
New assets acquired as the result of business combination (Note 49)	-	-	-	(11,961)	(11,961)
New assets originated or purchased	(3,239)	(140)	(721)	-	(4,100)
Assets that have been derecognized or repaid (except for write- offs)	189	10	392	1,536	2,127
Transfers to Stage 1	(152)	48	104	-	-
Transfers to Stage 2	244	(360)	116	-	-
Transfers to Stage 3	121	1,205	(1,326)	-	-
Net remeasurement of loss allowance	213	(2,262)	(4,698)	(1,897)	(8,644)
Write-offs	-	-	-	2,700	2,700
Effect of movements in foreign exchange rates	231	119	2,908	3,328	6,586
At 31 December	**(3,550)**	**(1,834)**	**(31,923)**	**(42,078)**	**(79,385)**

Modified and restructured loans

The Group derecognises a financial asset, e.g., a loan to a customer, if the related contractual terms are renegotiated to the extent that it in fact becomes a new loan and records the difference as gains or losses arising from derecognition before impairment loss is recognised. Upon initial recognition the loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be POCI asset.

If the modification does not imply a substantial change in cash flows, such modification does not result in a derecognition. Based on changes in cash flows discounted at the initial effective interest rate, the Group recognises profit or loss from modification before impairment loss is recognised.

During 2021 and 2020 the Group changed the terms of certain loans for retail business; Jusan Bank provided, among other things, the repayment holiday (deferral of payments) as part of implementation of measures introduced by the government due to implications of COVID-19 pandemic. This concession has not resulted in change of future cash flows on loans, for which a deferral was provided.

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, ***continued***

The following table provides information on the credit quality of loans measured at amortised cost as at 31 December 2021:

Loans to customers	*Loans to large corporates*	*Loans to small and medium-size companies*	*Mortgage loans*	*Car loans*	*Express loans*	*Consumer loans*	*Credit cards*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
– not overdue	533,047	992,424	113,359	2,572	406,431	56,926	4,908	2,109,666
– overdue less than 30 days	7,691	15,494	2,703	34	9,969	3,018	359	39,268
– overdue 30–89 days	5,756	7,992	1,933	44	4,590	1,462	432	22,208
– overdue 90–179 days	-	61,049	2,255	5	4,859	800	1,002	69,970
– overdue more than 180 days and less than 1 year	5,949	49,260	1,880	34	8,484	1,158	57	66,823
– overdue more than 1 year	32,931	123,905	4,418	363	8,854	9,093	21	179,585
Total gross loans to customers	**585,373**	**1,250,124**	**126,548**	**3,052**	**443,187**	**72,457**	**6,779**	**2,487,520**
Allowance for expected credit losses	(200,961)	(344,130)	(3,292)	(223)	(29,817)	(5,243)	(816)	(584,481)
Total loans to customers, net of allowance for ECL	**384,412**	**905,994**	**123,257**	**2,829**	**413,370**	**67,214**	**5,963**	**1,903,039**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, ***continued***

The following table provides information on the credit quality of loans measured at amortised cost as at 31 December 2020:

Loans to customers	*Loans to large corporates*	*Loans to small and medium-size companies*	*Mortgage loans*	*Car loans*	*Express loans*	*Consumer loans*	*Credit cards*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
– not overdue	681,416	980,825	161,605	49,495	252,894	121,159	2,382	2,249,776
– overdue less than 30 days	8,022	64,127	4,110	1,298	8,899	4,678	1,101	92,235
– overdue 30–89 days	4,288	27,347	2,997	1,569	6,237	2,486	219	45,143
– overdue 90–179 days	55,573	63,276	1,433	1,659	4,157	1,828	150	128,076
– overdue more than 180 days and less than 1 year	49,400	108,669	789	3,178	1,143	437	14	163,630
– overdue more than 1 year	240,446	407,970	10,218	48,223	2,413	6,998	259	716,527
Total gross loans to customers	**1,039,145**	**1,652,214**	**181,152**	**105,422**	**275,743**	**137,586**	**4,125**	**3,395,387**
Allowance for expected credit losses	(443,474)	(758,435)	(8,564)	(49,870)	(12,358)	(8,191)	(402)	(1,281,294)
Total loans to customers, net of allowance for ECL	**595,671**	**893,779**	**172,588**	**55,552**	**263,385**	**129,395**	**3,723**	**2,114,093**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, *continued*

Key assumptions and judgments used in estimation of expected credit losses

Loans to corporate customers

In determining the EC allowance for loans to corporate customers, management makes the following key assumptions:

- a discount of between 20.0% and 80.0% to the originally appraised value if the property pledged is sold.
- exclusion from collateral value of unstable collateral.
- a delay up to 72 months in obtaining proceeds from the foreclosure of collateral.
- PD for loans referred to as Stage 1 in terms of credit quality was 0.13-40.18%, referred to as Stage 2 in terms of credit quality - 0.20% to 78.14%, depending on the borrower's internal rating.
- LGD for loans referred to as Stages 1 and 2 was 0 - 54.59%.

Changes in the above estimates may impact a loss allowance for expected credit losses. For example, to the extent that the discount to the originally appraised value of collateral on sale differs by plus/minus ten percent, loss allowance for expected credit losses on loans to corporate customers measured at amortised cost as at 31 December 2021 would be KZT -56,551/+56,551 million lower/higher. To the extent that the delay in obtaining proceeds from the foreclosure of collateral differs by plus/minus one year, loss allowance for expected credit losses on loans to corporate customers as at 31 December 2021 would be US$ 26,9 million (KZT 11,690 million) lower and US$ 35,7 million (KZT 14,643 million) higher, respectively.

Loans to retail customers

The Group estimates loss allowance for expected credit losses for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the loss allowance for expected credit losses for loans to retail customers include:

- migration rates are constant and can be estimated based on the migration model built using Markov chain, given the impact of macroeconomic information; a 12-month PD for groups of products referred to as Stage 1 in terms of credit quality was 0.1% - 50.36%; lifetime PD referred to as Stage 2 in terms of credit quality was 0.1% - 93.54%, depending on the group of products of homogeneous retail portfolio;
- Recovery rates for uncollateralised loans are estimated based on a sample of contracts defaulted not more than 6 years; recovery rates for products of retail portfolio referred to as Stage 1 and Stage 2 for the first year was 34.86% - 80.19%, for the second year - 18.67%-59.10% and for the third year - 8.24%-42.27%.
- A discount of between 30.0% and 70.0% to the annually appraised value if the property pledged is sold.
- An average period from 24 to 44 months for sale of foreclosed collateral.

Changes in the above estimates may impact a loss allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, ECL allowance for loans to retail customers as at 31 December 2021 would be US$18,8 million (KZT 8,197 million) lower/higher (31 December 2020: US$18.7 million (KZT 7,859 million) lower/higher).

Loan maturities

The maturities of the loans to customers as at the reporting date are presented in *Note 38* and show the contractual maturities of the loans

Loans to retail customers measured at fair value through other comprehensive income

Loans to retail customers measured at fair value through other comprehensive income as at 31 December 2021 and 31 December 2020 include the following items:

	2021			
Carrying amount	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
	US$'000	US$'000	US$'000	US$'000
Car loans				
At 31 December	-	-	-	-

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, _continued_

Loans to retail customers measured at fair value through other comprehensive income, _continued_

Carrying amount	_2020_			
	Stage 1	**_Stage 2_**	**_Stage 3_**	**_Total_**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Car loans				
At 31 December	**140,966**	**18,685**	**8,899**	**168,550**

Below is analysis of changes in ECL for loans to retail customer measured at fair value through other comprehensive income for the year ended 31 December 2021:

	_2021_			
	Stage 1	**_Stage 2_**	**_Stage 3_**	**_Total_**
Car loans	**US$'000**	**US$'000**	**US$'000**	**US$'000**
ECL balance at 1 January	(3,308)	(5,633)	(74,777)	(83,718)
Transfers to Stage 1	(993)	954	39	-
Transfers to Stage 2	69	(76)	7	-
Transfers to Stage 3	94	3,491	(3,586)	-
Write-offs	-	-	14,580	14,580
Other net remeasurements	1,225	(637)	(5,834)	(5,245)
Unwinding of discount	-	-	(5,542)	(5,542)
Effect of movements in foreign exchange rates	(103)	(126)	(3,202)	(3,432)
Disposal as a result of sale of subsidiary	3,016	2,027	78,314	83,357
At 31 December	-	-	-	-

Below is analysis of changes in ECL for loans to retail customer measured at fair value through other comprehensive income for the year ended 31 December 2020:

	_2020_			
	Stage 1	**_Stage 2_**	**_Stage 3_**	**_Total_**
Car loans	**US$'000**	**US$'000**	**US$'000**	**US$'000**
ECL balance at 1 January	(8,635)	(3,220)	(59,777)	(71,632)
Transfer to Stage 1	(1,009)	544	464	(1)
Transfer to Stage 2	619	(1,139)	520	-
Transfer to Stage 3	651	1,602	(2,252)	1
Write-offs	-	-	2,124	2,124
Other net remeasurement	3,767	(4,072)	(21,599)	(21,904)
Unwinding of discount	-	-	(7,362)	(7,362)
Effect of movements in foreign exchange rates	1,299	652	13,105	15,056
At 31 December	**(3,308)**	**(5,633)**	**(74,777)**	**(83,718)**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, *continued*

Loans to corporate customers measured at fair value through profit or loss

Loans to customers measured at fair value through profit or loss comprise predominantly the loans for project financing without recourse due to economic reasons or under contract, as well as loans with embedded derivatives the terms and conditions of which do not comply with the framework loan agreement. Information on measurement of fair value of loans to customers measured at fair value through profit or loss is disclosed in *Note 47.*

Loans to customers measured at fair value through profit or loss as at 31 December 2021 and 31 December 2020 comprise the following items:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Loans to large corporates	1,650	2,902
Loans to small and medium-size businesses	39,516	56,540
Total	**41,167**	**59,442**

The following table provides information on the credit quality of loans to corporate customers measured at fair value through profit or loss as at 31 December 2021:

	Loans to large corporates	*Loans to small and medium-size enterprises*	*Total*
	US$'000	**US$'000**	**US$'000**
Not overdue	-	1,905	1,905
Overdue less than 30 days	-	2,551	2,551
Overdue 180-360 days	-	90	90
Overdue more than 360 days	1,650	34,970	36,620
Total	**1,650**	**39,516**	**41,167**

The following table provides information on the credit quality of loans to corporate customers measured at fair value through profit or loss as at 31 December 2020:

	Loans to large corporates	*Loans to small and medium-size enterprises*	*Total*
	US$'000	**US$'000**	**US$'000**
Not overdue	-	7,475	7,475
Overdue less than 30 days	-	78	78
Overdue 30-89 days	-	490	490
Overdue 180-360 days	1,925	3,523	5,448
Overdue more than 360 days	977	44,974	45,951
Total	**2,902**	**56,540**	**59,442**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, ***continued***

Analysis of collateral and other credit enhancements

The following tables provides information on collateral and other credit enhancements securing loans to corporate customers (net of loss allowance for expected credit losses) by types of collateral.

	31 December 2021			
	Carrying amount of loans to customers	*Fair value of collateral - for collateral assessed as of reporting date*	*Fair value of collateral - for collateral assessed as of loan inception date*	*Fair value of collateral not determined*
	US$'000	**US$'000**	**US$'000**	**US$'000**
Stage 1				
Cash and deposits	17,699	17,699	-	-
Real estate	522,712	298,237	224,475	-
Movable property	7,751	6,353	1,398	-
Transport	80,971	74,769	6,201	-
Equipment	6,519	1,958	4,560	-
Guarantees	64,334	-	-	64,334
Other	853	853	-	-
No collateral or other credit enhancement	211,364	-	-	211,364
Total Stage 1 loans	**912,201**	**399,869**	**236,634**	**275,698**
Stage 2				
Cash and deposits	237	237	-	-
Real estate	83,975	65,391	18,584	-
Movable property	15,338	14,426	913	-
Transport	3,795	2,043	1,751	-
Equipment	2,296	1,862	434	-
Guarantees	2,577	-	-	2,577
No collateral or other credit enhancement	5,454	-	-	5,454
Total Stage 2 loans	**113,672**	**83,959**	**21,682**	**8,031**
Stage 3				
Cash and deposits	16	16	-	-
Real estate	18,912	13,603	5,310	-
Guarantees	41	-	-	41
Motor vehicles	108	-	108	-
Equipment	473	-	473	-
No collateral or other credit enhancement	754	-	-	754
Total Stage 3 loans	**20,305**	**13,619**	**5,891**	**795**
POCI				
Cash and deposits	1,179	1,179	-	-
Real estate	247,182	201,602	45,580	-
Movable property	1,453	-	1,453	-
Motor vehicles	395	30	365	-
Equipment	115	9	106	-
Guarantees	129	-	-	129
No collateral or other credit enhancement	3,220	-	-	3,220
Total loans of POCI stage	**253,673**	**202,820**	**47,504**	**3,349**
Measured at fair value through profit or loss				
Cash and deposits	2	2	-	-
Real estate	40,558	37,733	2,825	-
Equipment	607	607	-	-
Total loans to corporate customers measured at fair value through profit or loss	**41,167**	**38,342**	**2,825**	-
Total loans to corporate customers	**1,341,019**	**738,609**	**314,536**	**287,873**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, *continued*

Analysis of collateral and other credit enhancements, continued

	31 December 2020			
	Carrying amount of loans to customers	*Fair value of collateral - for collateral assessed as of reporting date*	*Fair value of collateral - for collateral assessed as of loan inception date*	*Fair value of collateral not determined*
	US$'000	**US$'000**	**US$'000**	**US$'000**
Stage 1				
Cash and deposits	79,342	79,342	-	-
Real estate	684,369	410,549	273,820	-
Movable property	41,901	35,587	6,313	-
Transport	154,318	113,337	40,981	-
Equipment	12,805	11,573	1,231	-
Guarantees	59,445	-	-	59,445
Other	1,288	-	1,288	-
No collateral or other credit enhancement	27,974	-	-	27,974
Total Stage 1 loans	**1,061,442**	**650,388**	**323,633**	**87,419**
Stage 2				
Cash and deposits	29	29	-	-
Real estate	35,383	11,050	24,333	-
Movable property	19	-	19	-
Transport	307	-	307	-
Equipment	40	-	40	-
Guarantees	946	-	-	946
No collateral or other credit enhancement	114	-	-	114
Total Stage 2 loans	**36,838**	**11,079**	**24,699**	**1,060**
Stage 3				
Cash and deposits	5	5	-	-
Real estate	4,737	2,574	2,163	-
Guarantees	31	-	-	31
No collateral or other credit enhancement	5	-	-	5
Total Stage 3 loans	**4,778**	**2,579**	**2,163**	**36**
POCI				
Cash and deposits	3,375	3,375	-	-
Securities	1,317	1,317	-	-
Real estate	367,110	326,926	40,184	-
Movable property	11,169	10,934	235	-
Vehicles	1,250	461	789	-
Equipment	4,283	4,131	152	-
Guarantees	3,397	-	-	3,397
No collateral or other credit enhancement	4,530	-	-	4,530
Total loans of POCI stage	**396,431**	**347,144**	**41,360**	**7,927**
Measured at fair value through profit or loss				
Cash and deposits	2	2	-	-
Real estate	59,169	54,439	4,730	-
Equipment	271	271	-	-
Total loans to corporate customers measured at fair value through profit or loss	59,442	54,712	4,730	-
Total loans to corporate customers	1,558,931	1,065,902	396,585	96,442

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, ***continued***

Analysis of collateral and other credit enhancements, continued

The tables above exclude overcollateralisation.

During 2021, the Group made no amendments to the policy securing performance of obligations by borrowers (2020: the Group approved the policy securing performance of obligations by borrowers).

The amount stated in 'No collateral or other credit enhancement' item comprises unsecured loans and part of loans not fully secured.

Loans to retail customers

For loans secured by multiple types of collateral, collateral that is most relevant for assessment of allowance for expected credit losses is disclosed. Sureties received from individuals, such as shareholders of SME borrowers and corporate guarantees received from local companies not rated, are not considered for the assessment of allowance for expected credit losses' purposes.

Mortgage loans are secured by the underlying housing real estate. The Group's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 80% at loan inception date. Car loans are secured by the underlying cars. The Group's policy is to issue car loans with a loan-to-value ratio of a maximum of 80%. Consumer loans are generally secured by underlying properties and in certain cases by assets, including vehicles, cash deposits and guarantees.

The following tables provides information on collateral and other credit enhancements securing loans to retail customers at Stage 3 and POCI (net of loss allowance for expected credit losses) by types of collateral.

	31 December 2021			
Loans to retail customers at amortised cost	*Carrying amount of loans to customers*	*Fair value of collateral - for collateral assessed as of reporting date*	*Fair value of collateral - for collateral assessed as of loan inception date*	*Fair value of collateral not determined*
	US$'000	**US$'000**	**US$'000**	**US$'000**
Stage 3				
Cash and deposits	16	16	-	-
Real estate	6,445	526	5,919	-
Motor vehicles	78	5	74	-
Guarantees	2	-	-	2
No collateral or other credit enhancement	9,247	-	-	9,247
Total Stage 3 loans	**15,789**	**547**	**5,992**	**9,249**
POCI				
Cash and deposits	57	57	-	-
Real estate	17,940	1,138	16,802	-
Movable property	113	7	106	-
Motor vehicles	138	2	136	-
Guarantees	207	126	-	80
No collateral or other credit enhancement	1,991	-	-	1,991
Total loans of POCI stage	**20,445**	**1,331**	**17,044**	**2,071**
Total loans to customers	**36,234**	**1,878**	**23,036**	**11,320**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, ***continued***

Analysis of collateral and other credit enhancements, ***continued***

	31 December 2021			
Loans to retail customers measured at fair value through other comprehensive income	*Carrying amount of loans to customers*	*Fair value of collateral - for collateral assessed as of reporting date*	*Fair value of collateral - for collateral assessed as of loan inception date*	*Fair value of collateral not determined*
	US$'000	**US$'000**	**US$'000**	**US$'000**
Stage 3				
Vehicles	-	-	-	-
Total Stage 3 loans	-	-	-	-
Total loans to retail customers measured at fair value through other comprehensive income	-	-	-	-

	31 December 2020			
Loans to retail customers at amortised cost	*Carrying amount of loans to customers*	*Fair value of collateral - for collateral assessed as of reporting date*	*Fair value of collateral - for collateral assessed as of loan inception date*	*Fair value of collateral not determined*
	US$'000	**US$'000**	**US$'000**	**US$'000**
Stage 3				
Cash and deposits	2	2	-	-
Real estate	3,929	-	3,929	-
Vehicles	2,054	-	2,054	-
Guarantees	10	-	-	10
No collateral or other credit enhancement	1,274	-	-	1,274
Total Stage 3 loans	**7,269**	**2**	**5,983**	**1,284**
POCI				
Cash and deposits	38	38	-	-
Real estate	13,579	7,701	5,878	-
Movable property	14	-	14	-
Vehicles	4,611	17	4,595	-
Equipment	52	-	52	-
Guarantees	1,507	-	-	1,507
No collateral or other credit enhancement	3,727	-	-	3,727
Total loans of POCI stage	**23,528**	**7,756**	**10,539**	**5,234**
Total loans to customers	**30,797**	**7,758**	**16,522**	**6,518**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, ***continued***

Analysis of collateral and other credit enhancements, ***continued***

	31 December 2020			
Loans to retail customers measured at fair value through other comprehensive income	*Carrying amount of loans to customers*	*Fair value of collateral - for collateral assessed as of reporting date*	*Fair value of collateral - for collateral assessed as of loan inception date*	*Fair value of collateral not determined*
	US$'000	**US$'000**	**US$'000**	**US$'000**
Stage 3				
Vehicles	8,899	-	8,899	-
Total Stage 3 loans	**8,899**	**-**	**8,899**	**-**
Total loans to retail customers measured at fair value through other comprehensive income	**8,899**	**-**	**8,899**	**-**

Industry analysis of the loan portfolio

Loans to customers measured at amortised cost were issued to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Construction	458,130	648,038
Services	467,609	540,974
Trade	325,907	465,710
Manufacturing	279,240	432,051
Transport	76,730	266,668
Finance and insurance	137,358	131,523
Agriculture	47,603	50,698
Education	21,429	13,444
Other	30,936	152,293
Less: intercompany lending	(9,446)	(10,040)
Total loans to corporate customers	**1,835,496**	**2,691,357**
Loans to retail customers		
Express loans	443,188	275,744
Mortgage loans	126,548	181,153
Car loans	3,052	105,422
Consumer loans	72,457	137,586
Credit cards	6,778	4,124
Total loans to retail customers	**652,023**	**704,030**
Total loans to customers before allowance for expected credit losses	**2,487,520**	**3,395,387**
Allowance for expected credit losses	(584,481)	(1,281,294)
Total loans to customers, net of allowance for expected credit losses	**1,903,039**	**2,114,093**

(In thousands of US dollar unless otherwise stated)

24. Loans to customers, ***continued***

Analysis of collateral and other credit enhancements, ***continued***

The following table represents loans issued to customers located within Russian Federation that operate in the following economic sectors:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Loans to retail customers measured at fair value through other comprehensive income		
Car loans	-	168,551
Total loans to retail customers measured at fair value through other comprehensive income	**-**	**168,551**

Significant credit exposures

As at 31 December 2021 the Group has one group of borrowers (31 December 2020: none) whose loan balance less impairment allowance exceeded 10% of equity. The gross value of these loans as at 31 December 2021 is US200.6 million (KZT 87,269 million).

(In thousands of US dollar unless otherwise stated)

25. Other financial and non-financial assets

All amounts in this note relate to Group balances unless Company is specifically stated.

Other assets include the following items:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Restricted cash on accounts with Kazakhstan Stock Exchange	20,073	11,987
Bank debtors	8,408	9,446
Accounts receivable for the Bank's participation in auctions	2,940	6,679
Receivables from guarantees issued	4,174	5,369
Receivables from collection agencies	949	5,355
Receivables from sale of owned assets	434	-
Trade receivables	10,584	2,498
Fee and commission receivable	5,512	2,051
Cash receivables	-	1,139
Amount due from local commercial bank	16	509
Receivables from foreign exchange transactions and guarantees issued	-	83
Other receivables	11,007	10,195
Allowance for expected credit losses	(3,060)	(2)
Other financial assets – Banking and insurance	**61,038**	**55,309**
Other financial assets – Commercial activities		
Trade receivables	-	1,981
Advances issued	-	1,746
Other taxation	-	356
Other receivables	-	596
	-	**4,679**
Intra-group trading	-	(6,543)
	61,038	**53,445**
Other non-financial assets – Banking and Insurance		
Construction in progress	-	62
Assets under contract with customers	-	486
Developments (less impairments)	-	458
Other impairment losses	-	(1,006)
	-	-
Foreclosed property	134,120	129,915
Prepayments	19,814	6,456
Prepayments for office buildings	23	3,824
Materials and supplies	-	2,788
Prepayments for intangible assets	487	782
Other non-financial assets	7,238	706
Impairment allowance	(763)	(7,504)
Other non-financial assets – Banking and Insurance	**160,919**	**136,967**
Other assets	**221,957**	**190,412**

(In thousands of US dollar unless otherwise stated)

25. Other financial and non-financial assets, *continued*

As at 31 December 2021, the foreclosed property and pledged property in the amount of US$134.1 million (KZT 58,350 million) (2020: US$129.1 million (KZT 54,314 million)) mainly include security in the form of real estate accepted by the Group as a result of business combinations. These assets have been initially recognised at fair value and will be subsequently measured at the lower of fair value less cost to sell or the carrying value in accordance with the Group's accounting policy (*Note 3*).

Analysis of movement in allowance for ECL

Movements in allowance for expected credit losses for other financial assets for 2021 and 2020 are as follows:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
ECL balance at 1 January	(2)	(3,917)
Net (increase)/decrease (*Note 7*)	(6,319)	4,234
Write-offs	3,262	-
Movements in foreign exchange rates and other movements	-	(319)
ECL balance at 31 December	**(3,060)**	**(2)**

Movements in the impairment allowance for other non–financial assets for the years ended 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
ECL allowance as at 1 January	(7,504)	(8,125)
Net charge	5,659	(310)
Write-offs	834	63
Movements in foreign exchange rates and other movements	248	868
ECL allowance 31 December	**(763)**	**(7,504)**

26. Inventories

Group:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Raw materials	4,903	434
Goods	8,488	1,036
Finished products	1,514	4,441
Unfinished production	18	-
Other materials	1,658	-
Provision for impairment of inventories	(1,154)	(1,043)
Total	**15,427**	**4,868**

(In thousands of US dollar unless otherwise stated)

27. Non–current assets held for sale

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Balance at 1 January	11,775	23,989
Additions	33,412	13,681
Disposal	(39,165)	(21,572)
Disposal as a result of sale of subsidiaries (Note 49)	(3,972)	-
Remeasurement	(405)	(1,401)
Foreign exchange difference	(388)	(2,922)
Balance at 31 December	**1,257**	**11,775**

Non-current assets held for sale comprise the equity shares in the charter capital of the companies and real estate accepted by the Group in exchange for its rights of claim in relation to impaired loans to customers.

28. Investment property

Management of the Group believes that the carrying value of investment property items reflects their fair value as at 31 December 2021.

Group:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Balance at 1 January	24,204	14,665
Additions	113,736	13,659
Disposals	(30,808)	(914)
Remeasurement	33	(1,633)
Foreign exchange difference	(798)	(1,573)
Balance at 31 December	**106,367**	**24,204**

(In thousands of US dollar unless otherwise stated)

29. Property, plant and equipment

Movements of property, plant and equipment for 2021 are as follows:

Group:

	Land plots, Industrial and other buildings, housing and constructions	*Computers, equipment and vehicles*	*Construction in progress*	*Other*	*Right-of-use assets*	*Total*
Cost/revalued amounts	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance at 1 January 2021	192,755	36,696	2,501	17,582	17,498	**267,032**
Additions	8,516	8,164	1,457	18,427	5,466	**42,031**
Acquired as a result of business combination (*Note 49*)	29,888	48,051	-	4,701	-	**82,640**
Disposals and write-offs	(34,285)	(8,434)	(5)	(7,168)	(4,666)	**(54,558)**
Transfers	173	(7,288)	(1,044)	8,352	-	**193**
Impairment	-	-	-	(78)	-	**(78)**
Disposals and write-offs	(8,636)	(71)	(92)	(3,133)	(2,204)	**(14,136)**
Other differences	(28,096)	(12,038)	(76)	5,493	(770)	**(35,487)**
Balance at 31 December 2021	**160,316**	**65,078**	**2,742**	**44,176**	**13,913**	**287,637**
Depreciation and amortisation						
Balance at 1 January 2021	4,922	5,466	-	5,318	5,048	**20,754**
Depreciation for the year	3,843	7,676	-	7,524	4,381	**23,424**
Acquired as a result of business combination (*Note 49*)	5,884	26,706	-	3,998	-	**36,588**
Disposals and write-offs	(375)	(4,506)	-	(5,310)	(3,310)	**(13,500)**
Transfers	99	(3,075)	-	2,981	-	**5**
Impairment	-	-	-	(21)	-	**(21)**
Disposals and write-offs	(508)	(170)	-	(2,462)	(1,607)	**(4,746)**
Other differences	(3,235)	(2,669)	-	(451)	(837)	**(7,191)**
Balance at 31 December 2021	**10,630**	**29,427**	-	**11,579**	**3,675**	**55,312**
Carrying amount						
As at 31 December 2021	**149,686**	**35,651**	**2,742**	**32,597**	**10,238**	**232,326**

(In thousands of US dollar unless otherwise stated)

29. Property, plant and equipment, ***continued***

Movements of property, plant and equipment for 2020 are as follows:

Group:

	Land plots, Industrial and other buildings, housing and constructions	*Computers, equipment and vehicles*	*Construction in progress*	*Other*	*Right-of-use assets*	*Total*
Cost/revalued amounts	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance at 1 January 2020	119,712	12,940	1,731	18,410	16,054	**168,847**
Acquired as a result of business combination (*Note 49*)	71,057	18,996	1,004	–	5,337	**96,394**
Additions	12,892	1,804	312	2,489	951	**18,448**
Disposals and write-offs	(4,996)	(939)	(94)	(1,234)	(3,080)	**(10,343)**
Transfers	7,699	5,555	(273)	(33)	–	**12,948**
Effect of revaluation	(494)	–	–	(5)	–	**(499)**
Transfers from inventory	–	–	–	11	–	**11**
Foreign exchange difference	(13,115)	(1,660)	(179)	(2,056)	(1,764)	**(18,774)**
Balance at 31 December 2020	**192,755**	**36,696**	**2,501**	**17,582**	**17,498**	**267,032**
Depreciation and amortisation						
Balance at 1 January 2020	3,826	4,266	–	3,909	3,053	**15,054**
Depreciation for the year	1,647	2,467	–	3,172	2,801	**10,087**
Disposals and write-offs	(127)	(838)	–	(1,137)	(479)	**(2,581)**
Foreign exchange difference	(424)	(429)	–	(626)	(327)	**(1,806)**
Balance at 31 December 2020	**4,922**	**5,466**	**-**	**5,318**	**5,048**	**20,754**
Carrying amount						
As at 31 December 2020	**187,833**	**31,230**	**2,501**	**12,264**	**12,450**	**246,279**

(In thousands of US dollar unless otherwise stated)

29. Property, plant and equipment, *continued*

As at 31 December 2021 the Group has property and equipment pledged as collateral for the total amount of US$ 1.4 million (KZT 626 million) (31 December 2020: US$ 1,5 million (KZT 644 million)).

The Group measures fair value of land plots and (administrative) buildings every three years due to accounting for land plots and buildings at their fair value in accordance with the Jusan Bank's accounting policy. At 31 December 2019, the Group revalued land and buildings as required by IFRS 13. The valuation resulted in an increase in the carrying amount of land and buildings by US$7,8 million (KZT 2,966 million) recognised in the Group's equity.

As at 31 December 2021, as there were no significant fluctuations in the value of similar facilities in the market, the Group did not revalue the land plots and buildings, except for the land plots and buildings that were acquired as a result of business combination, which were measured at fair value at the date of initial recognition on the Group's balance sheet. The fair values of the land plots and buildings are categorised into Level 3 of the fair value hierarchy.

30. Intangible assets

Movements of intangible assets are as follows:

Group:

	31 December 2021	*31 December 2020*
Cost/revalued amounts	**US$'000**	**US$'000**
Balance at beginning of year	20,757	16,158
Acquired as a result of business combination (*Note 49*)	2,081	3,622
Additions	7,197	2,646
Disposals and write-offs	(6,657)	(170)
Transfers	5	3
Effect of revaluation	(1,473)	-
Transfer from inventory	-	417
Foreign exchange difference	(666)	(1,919)
Balance at end of year	**21,243**	**20,757**
Depreciation and amortisation		
Balance at beginning of year	4,089	2,471
Acquired as a result of business combination (*Note 49*)	1,411	-
Amortisation for the year	3,543	2,166
Disposals and write-offs	(3,684)	(165)
Foreign exchange difference	(149)	(383)
Balance at end of year	**5,210**	**4,089**
Carrying amount		
As at end of year	**16,033**	**16,668**

Intangible assets predominantly comprise computer software. Other classes of intangible assets are not disclosed as they are not material.

The Group has no inventories pledged as collateral.

(In thousands of US dollar unless otherwise stated)

31. Amounts due to banks and other financial institutions

Amounts due to banks and other financial institutions comprise the following items:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Loans from state-owned companies	83,177	123,520
Loans from other banks and financial institutions	38,427	68,776
Current accounts and deposits from other financial institutions	3,855	6,004
Correspondent accounts of other banks	228	3,594
Deposits from other banks	184	509
	125,871	**202,403**
Derivative financial instruments		
Foreign currency contracts ("spot")	57	17
Total	**125,928**	**202,420**

As at 31 December 2021, loans received from state-owned companies included loans of US$59.0 million (KZT 25,651 million) from Damu, of US$10.5 million (KZT 4,587 million) from DBK, of US$7.8 million (KZT 3,415 million) from the Ministry of Finance of the Kyrgyz Republic ("MFKR"), of US$5.5 million (KZT 2,407 million) from NBKR and of US$0.3 million (KZT 127 million) from Agrarian Credit Corporation JSC ("ACC") (31 December 2020: loans of US$78.4 million (KZT 32,983 million) from Damu, of US$21.2 million (KZT 8,932 million) from DBK, of US$14.2 million (KZT 5,984 million) from NBKR, of US$9.3 million (KZT 3,920 from MFKR) and US$0.4million (KZT 147 million) from ACC) as part of the state programme of support to small and medium-size businesses and large corporates by the banking sector.

Loans provided by Damu, DBK and ACC are denominated in KZT, bear a nominal interest rate from 0.10% p.a. to 9.70% p.a. and mature in 2022-2035. Loans provided by NBKR and MFKR are denominated in Kyrgyz Som, bear a nominal interest rate from 1.5% to 6.5% and mature in 2022-2025.

Loans received from other banks and financial institutions were acquired as part of the business combination. The following table summarises information on loans from other banks and financial institutions as at 31 December 2021:

	Currency	*31-Dec 2021*	*31-Dec 2020*
		US$'000	**US$'000**
European Bank for Reconstruction and Development	KGS	10,093	14,038
Russian-Kyrgyz Development Fund	USD	14,000	12,538
Russian-Kyrgyz Development Fund	KGS	3,643	3,915
Simbiotics	USD	-	8,060
Simbiotics	KGS	10,690	15,200
INCOFIN CVBA	USD	-	15,025
Total		**38,426**	**68,776**

(In thousands of US dollar unless otherwise stated)

31. Amounts due to banks and other financial institutions, *continued*

Covenants

- As at 31 December 2021 the following cases of violation of covenants on loans received have occurred: For loans received from MFKR under the KfW programme, one covenant "Loan portfolio at risk PAR > 90" is violated, the actual value of which as at 31 December 2021 was 5.3% while the limit is 5.0%. As at the balance sheet date no permission/waiver was received from the creditor for temporary non-compliance with this covenant.

- For loans from the European Bank for Reconstruction and Development (EBRD), one OCER covenant is violated due to deferrals caused by COVID-19 pandemic, the actual value of which as at 31 December 2021 was 60.5%, while the limit is not more than 150%. As at the reporting date no permission/waiver was received from the creditor for temporary non-compliance with this covenant.

- In October 2021, there were changes in the ownership structure of the Group, which Simbiotics may consider as a violation of the covenant related to the change of the Bank's ultimate controlling party. At the reporting date no permission/waiver or confirmation was received from the creditor that the event was not considered to be a violation of the covenant.

32. Amounts payable under repurchase agreements

Securities pledged under repurchase agreements

As at 31 December 2021, the Group has accounts payable of US$22,9 million (KZT 9,988 million) under repurchase agreements (31 December 2020: US$107,6 million (KZT 45,273 million)), which are secured by trading securities, investment securities measured at amortised cost and investment securities measured at fair value through other comprehensive income with fair value of US$17,7 million (KZT 7,682 million), US$4,98 million (KZT 2,170 million) and US$0,4 million (KZT 193 million), respectively (31 December 2020: trade securities with fair value of US$92,93 million (KZT 39,121 million) and investment securities with fair value of US$14,34 million (KZT 6,033 million)).

33. Derivative financial instrument

Company

At 31 December 2021 the Company had outstanding derivative financial liabilities in the form of forwards and SWAPs as follows:

	Notional amount	*Liability*	*Notional amount*	*Liability*
	2021	*2021*	*2020*	*2020*
	US$'000	**US$'000**	**US$'000**	**US$'000**
Foreign currency contracts				
Forward exchange contracts	670,000	20,495	361,000	28,624
Total	**670,000**	**28,624**	**670,000**	**28,624**
Net unrealised (loss) on currency derivative financial instruments		**(20,495)**		**(28,624)**
Net realised (loss) on currency derivative financial instruments		**(13,835)**		**(8,651)**

Fair value information is disclosed in note 47.

Group

Foreign currency contracts

Forwards

A forward contract is a contract to buy or sell a certain financial instrument at a specified price on a specified future date. Forwards are the specialised contracts traded in an OTC market.

Swaps

Swaps are contractual agreements between two parties to exchange amounts corresponding to changes in the exchange rate based on the notional amounts.

(In thousands of US dollar unless otherwise stated)

34. Amounts due to customers

Current accounts and deposits from customers comprise:

	31 December 2021	*31 December 2020*
Current accounts and demand deposits	**US$'000**	**US$'000**
Corporate	1,266,790	667,263
Retail	225,358	310,870
Term deposits		
Corporate	953,492	778,444
Retail	1,238,881	1,899,886
Savings deposits		
Corporate	276,824	450,032
Retail	125,263	218,547
	4,086,608	**4,325,042**
Held as security of guarantees and letters of credit (*Note 41*)	**(31,014)**	**(11,557)**

As at 31 December 2021, the Group maintained customer deposit balances of US$110.6 million (KZT 48,130 million) that serve as collateral for loans and unrecognised credit instruments granted by the Group (31 December 2020: US$120.7 million (KZT 50,772 million)).

As at 31 December 2021, the Group maintained customer current accounts and on demand deposit balances of US$33.2 million (KZT 14,465) million that serve as collateral for currency forward contracts (31 December 2020: US$27.5 million (KZT 11,575) million)).

As at 31 December 2021 the corporate term deposits also included deposits for the total amount of US$46.5 million (KZT 20,245 million) (31 December 2020: US$101.9 million (KZT 42,861 million)) received as part of the state programme for refinancing of residential mortgage loans and state programme of preferential lending for small and medium-sized enterprises approved by NBRK. Deposits are denominated in tenge, bear an interest rates of 0.10%-2.99% per annum and are repayable in 2045-2050.

As at 31 December 2021, the Group has two customers (31 December 2020: four customers), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2021 is US$446.2 million (KZT 194,143 million) (31 December 2020: US$763.9 million (KZT 321,400 million)).

(In thousands of US dollar unless otherwise stated)

35. Debt securities issued

The summary of debt securities issued at 31 December 2021 and 31 December 2020 is presented below:

	Date of issue	Year of maturity	Coupon rate p.a.	Effective rate p.a.	Carrying amount 31-Dec-21	Carrying amount 31-Dec-20
					US$'000	US$'000
KZT-denominated bonds of ATFBank JSC	14.03.2019	14.03.2026	10.95%	13.44%	132,156	135,029
KZT-denominated bonds of ATFBank JSC	10.02.2015	10.02.2023	9.70%	13.49%	85,145	85,693
KZT-denominated bonds of the first issue	15.10.2018	15.01.2034	0.10%	11.50%	76,757	71,453
KZT-denominated bonds of the fourth issue	22.01.2019	22.01.2034	0.10%	11.50%	53,570	49,882
KZT-denominated bonds of the fifth issue*	11.12.2020	05.10.2045	0.10%	12.50%	47,704	44,594
KZT-denominated bonds of ATFBank JSC	10.02.2015	10.02.2025	9.90%	13.41%	43,626	44,228
KZT-denominated bonds of the third issue	28.01.2019	28.01.2034	0.10%	11.50%	31,701	29,519
USD-denominated bonds of ATFBank JSC Dollar	01.11.2019	01.11.2022	4.00%	3.55%	27,173	28,946
KZT-denominated bonds of the twelfth issue	04.06.2013	04.06.2023	Inflation rate +1.0%	8.90%	22,834	23,349
KZT-denominated bonds of the fourth issue	28.01.2019	28.01.2034	0.10%	11.50%	19,020	17,711
KZT-denominated bonds of the third issue	28.01.2019	28.01.2034	0.10%	11.50%	14,203	13,225
KZT-denominated bonds of the first issue	11.07.2007	11.07.2027	7.50%	7.50%	6,799	6,848
KZT-denominated bonds of the second issue	22.01.2019	22.01.2034	0.10%	11.50%	890.00	513
					561,578	**550,990**

The Group's debt securities issued are quoted on KASE. USD-denominated bonds are quoted at AIX.

During 2020, as part of the fourth bond issue program, the Group made amendments to the prospectus of issue of the bonds, the holder of which is KSF. The new maturity of the bond is 320 months and maturity date is 5 October 2045. Previous maturity of the bond was 15 years and maturity date was 5 February 2034. The Agency of the RK for Regulation and Development of the Financial Market registered changes in the prospectus of issue of these bonds on 11 December 2020 (Note 5).

This was considered to represent a significant modification of the terms by management of the Group and, therefore, resulted in derecognition of the existed liability and recognition of a new liability. The fair value of a new liability of the Group was determined by discounting the future contractual cash flows using a market interest rate of 12.5% per annum.

(In thousands of US dollar unless otherwise stated)

35. Debt securities issued, *continued*

The Group has used the following assumptions to estimate the market interest rate at the date of terms modification:

- yield on long-term bonds issued by the MFRK.
- the Group's credit risk premium.

The difference between the nominal value and fair value of the issued debt in the total amount of US$114.3 million (KZT 47,267 million) was recognised in the consolidated statement of profit or loss and other comprehensive income. The difference between the carrying amount and fair value of these issued securities at the date of substantial modification was US$18.5 million (KZT 7,801 million), which represents income from the settlement of the financial liability, which was also included in the consolidated statement of profit or loss and other comprehensive income.

36. Subordinated debt

Subordinated debt comprises the following:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Subordinated bonds	428,431	469,102
Cumulative non–redeemable preference shares	345	359
	428,776	**469,461**

As at 31 December 2021 and 31 December 2020, subordinated debt comprises quoted bonds and 2,500,000 cumulative non-redeemable preferred shares for the total amount of US$ 5,7 million KZT 2,478 million (31 December 2020: US$ 0.1 million (KZT 2,478 million)).

In case of bankruptcy, the subordinated debt would be repaid once the Group fully repays all other liabilities but before repayment of the preferred shares.

(In thousands of US dollar unless otherwise stated)

36. Subordinated debt, ***continued***

Subordinated bonds

The summary of subordinated bond issues at 31 December 2021 and 31 December 2020 is presented below:

Group:

	Date of issue	Year of maturity	Coupon rate p.a.	Effective rate p.a.	Carrying amount 31-Dec-21	Carrying amount 31-Dec-20
					US$'000	US$'000
KZT-denominated bonds of the first issue	24.12.2020	24.12.2025	9.00%	13.80%	198,409	199,154
KZT-denominated bonds of ATFBank JSC	10.02.2015	10.02.2025	10.00%	14.93%	87,004	87,483
KZT-denominated bonds of ATFBank JSC	10.02.2015	10.02.2025	10.00%	14.93%	45,194	45,445
KZT-denominated bonds of the thirteenth issue	10.04.2014	10.04.2021	8.00%	10.01%	22,696	24,012
KZT-denominated bonds of ATFBank JSC	22.12.2020	01.11.2035	0.10%	15.29%	19,154	20,513
KZT-denominated bonds of the sixth issue	11.12.2020	25.10.2040	0.10%	14.60%	17,179	18,597
KZT-denominated bonds of ATFBank JSC	11.12.2020	01.11.2040	0.10%	15.29%	12,856	16,864
KZT-denominated bonds of the fourteenth issue	10.04.2014	10.04.2021	8.00%	10.01%	11,261	11,985
KZT-denominated bonds of ATFBank JSC	23.12.2020	01.11.2040	0.10%	15.29%	11,021	11,704
KZT-denominated bonds of the seventh issue	04.06.2013	04.06.2023	8.00%	10.01%	4,002	11,476
KZT-denominated bonds of the eighth issue	04.06.2013	04.06.2028	9.00%	10.01%	-	11,340
KZT-denominated bonds of the fifteenth issue	10.04.2014	10.04.2021	8.00%	10.01%	-	7,221
KZT-denominated bonds of the second issue	11.12.2020	26.10.2040	0.10%	14.60%	-	3,667
					428,776	**469,461**

Issued subordinated bonds of Jusan Bank and its subsidiaries are quoted on KASE.

Participation in the Program of Strengthening of the Banking Sector Financial Stability

By Resolution of the NBRK No.191 dated 10 October 2017, the Group was approved to participate in the Programme of Strengthening Financial Stability of the Banking Sector in the Republic of Kazakhstan (the "Programme").

According to the terms of the Programme, the Group received cash funds by virtue of issue of the Group's registered coupon subordinated bonds ("Bonds") convertible to the Group's ordinary shares according to the terms of the Bond Issue Prospectus.

36. Subordinated debt, ***continued***

Subordinated bonds continued

The Group is subject to restrictions (covenants) in its activities valid for 5 years from the Bonds' issue date, breach of any of each will result in exercising by the Bonds' holders of their right of Bonds being converted to the Jusan Bank's ordinary shares:

- The Group undertakes to comply with capital adequacy ratios set by the authorised body for the second-tier banks of the Republic of Kazakhstan.
- The Group undertakes not to commit action intended to withdraw its assets; at that, summary of activities to be considered as the withdrawal of assets is set out in the Bond Issue Prospectus.

On 10 April 2021 the Group redeemed the registered subordinated coupon bonds of the thirteenth, fourteenth and fifteenth issues of the third bond issue program due to their maturity, using the Group's own funds. The total amount of principal payments on these bonds was US$40.7 million (KZT 18,019 million).

Cumulative non-redeemable preference shares

Holders of cumulative non-redeemable preference shares receive a minimum cumulative dividend of 10% p. a. of the par value of their shareholding. The preference shares do not carry the right to vote unless the dividend is in arrears. All shares rank equally with regard to distribution of residual value of the Group's net assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears. All preference shares were issued and fully paid at price of KZT 1,000 each.

On 20 May 2021, based on the decision of the Annual General Meeting of the Jusan Bank's Shareholders of 19 May 2021, the actual payment of dividends on cumulative non-redeemable preference shares for 2020 amounted to US$ 0,13 million (KZT 58 million) (KZT 420.23 per share) (2020: US$ 0,14 million (KZT 60 million)).

On 10 December 2021, on the basis of decision of the Extraordinary General Meeting of the Jusan Bank's shareholders of 9 December 2021 the Jusan Bank paid dividends on preferred shares in the amount of US$0,08 million (KZT 37 million) (KZT 273.65 per share).

As at 31 December 2021, dividends accrued on cumulative non-redeemable preferred shares are US$ 0.03 million (KZT 14 million) (31 December 2020: US$ 0,03 million (KZT 14 million)).

37. `Liabilities to the mortgage company

Accounts payable to Mortgage Organization "Baspana" JSC

In 2018, the NBRK approved the residential mortgage programmes "Mortgage Program "7-20-25" and "Baspana Hit". Main objective of the programme is providing opportunities to population to buy primary housing and encouraging banks to provide related financing. According to the terms of "Mortgage Program "7-20-25", loans are issued in KZT, carry an annual interest rate of 7.0% and mature in 25 years. The initial contribution makes up 20%. According to the terms of "Baspana Hit" programme, loans are issued in KZT, carry an annual nominal interest rate equal to a base rate of the National Bank of the RK + 175 basis points and mature in 15 years. The initial contribution makes up 20%. No commission for issue and servicing a loan is charged.

As part of the programmes the Group issued mortgage loans to customers and transferred it to KSF JSC (the "Operator") (previously Mortgage Organisation "Baspana" JSC whose activity was terminated in March 2020 through consolidation with KSF), in exchange for consideration in cash in the amount of the loans' nominal value. The Group acts as an agent under this programme and receives a commission fee of 4.0% p.a. of the interest receipts.

The Group has determined that it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset transferred; however, the Group has determined that it retains control over the assets transferred and continues recognising thereof to the extent of continuing involvement in the assets transferred. As the Group's continuing involvement takes a form of the guarantee on the asset transferred, the extent of the Group's continuing involvement is determined equal to maximum amount of consideration received that the Group has to return. The Group believes that the value of the guarantee is high enough and this guarantee will prevent the Operator from selling of the asset transferred thereto, as such sale will be impracticable. As at 31 December 2021, the carrying amount of loans transferred is US$ 30,52 million (KZT 13,278 million) and the carrying amount of the liabilities to the Operator is US$27.78 million (KZT 12,085 million) (31 December 2020: the carrying amount of loans transferred is US$ 39 million (KZT 16,390 million) and the carrying amount of liabilities to the Operator is US$ 39 million (KZT 16,371 million)).

(In thousands of US dollar unless otherwise stated)

38. Other liabilities

Other liabilities comprise the following items:

Group:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Insurance and reinsurance payables	4,409	2,044
Trade payables	4,567	1,937
Accrued commission expenses	765	1,726
Liabilities on electronic money issued	428	483
Other lenders	5,705	8,388
Other financial liabilities – Banking and Insurances	**15,874**	**14,578**
Trade payables	14,103	6,969
Other payables	2,459	407
Long term payables	-	2,442
Other advances	130	1,374
Other financial liabilities – commercial activities	**16,692**	**11,192**
	32,566	**25,770**
Intra-group trading eliminations	**785**	**(6,552)**
	33,351	**19,218**
Other taxes payable	-	422
Other provisions	-	404
Vacation and other amounts due to employees	1,205	386
Other non-financial liabilities – commercial activities	**1,205**	**1,212**
Vacation and other amounts due to employees	21,887	43,037
Provision for guarantees and letters of credit issued	10,725	7,385
Other prepayments	7,512	3,582
Other taxes payable	17,870	1,198
Deferred income on guarantees and letters of credit issued	1,873	970
Other non-financial liabilities	21,595	3,511
	81,462	**59,683**
Total other liabilities	**116,017**	**80,113**

Company:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Trade payables	11	-
Other payables	-	1
Other taxes payable	10	1
Accrued expenses	248	117
Accrued dividend commitments	3,828	-
Total other liabilities	**4,097**	**119**

(In thousands of US dollar unless otherwise stated)

39. (a) Liabilities arising from financing activities

	At 1 January 2021	New loans	Modification of liability	Business combination	New leases	Non-cash	Cash flows (principal)	Cash flows (interest)	Exchange differences	At 31 December 2021
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Debt securities	550,990	-	-	-	-	-	(33,269)	62,031	(18,174)	561,578
Subordinated debt	469,461	-	-	-	-	-	(83,306)	58,105	(15,484)	428,776
Leases	12,906	-	(3,157)	978	6,498	-	(3,734)	(435)	(578)	12,476
	1,033,357	**-**	**(3,157)**	**978**	**6,498**	**-**	**(120,309)**	**119,701**	**(34,236)**	**1,002,830**

	At 1 January 2020	New loans	**Modification of liability	Business combination	New leases	Non-cash	Cash flows (principal)	Cash flows (interest)	Exchange differences	At 31 December 2020
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Debt securities	389,853	-	(133,303)	299,122	-	39,213	-	(3,474)	(40,421)	550,990
Subordinated debt	191,379	292,138	(168,151)	185,245	-	22,017	(14,273)	(15,647)	(23,247)	469,461
Leases	12,186	-	-	5,337	951	(220)	(4,076)	-	(1,272)	12,906
Other loans	13,504	-	-	-	-	(3,603)	(621)	-	(1,268)	8,012
	606,922	**292,138**	**(301,454)**	**489,704**	**951**	**57,407**	**(18,970)**	**(19,121)**	**(66,208)**	**1,041,369**

**For modifications of debt securities and subordinated debt see notes 35 and 36 respectively.

(In thousands of US dollar unless otherwise stated)

39. (b) Information on leases

Information on leases is disclosed as follows:

Disclosures	Note reference
Accounting policy	3
Right of use assets (movements and amortisation)	29
Lease payments	39(a)

40. Share capital

Group and Company

Issued share capital

The number of authorised, placed and outstanding ordinary shares and share capital as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	*31 December 2020*
Ordinary shares of £1 each		
Number of outstanding shares	**265,316,573**	**245,101,977**
	US$'000	**US$'000**
Issued share capital	**315,186**	**303,943**

The Ordinary shares carry one vote per share held. Ordinary shareholders have the right to dividends and capital distributions (including on a winding up). The Company has right to redeem shares.

Share movements during the year were as follows:

	Number
Ordinary B Shares issued (2 April 2021)	12,255,099
Ordinary A Shares issued (17 June 2021)	7,959,497
Number of outstanding Ordinary A and B shares	**265,316,573**

(In thousands of US dollar unless otherwise stated)

40. Share capital, *continued*

Nature and purpose of each reserve within equity

Revaluation reserve for property and equipment
The revaluation reserve of property, plant and equipment is used to recognise revaluation increase in fair value of land and building as well as revaluation decrease in fair value of land and building, however, revaluation decrease is recognised to the extent that it relates to a previous revaluation increase in the value of the same asset previously recognised in equity.

Fair value reserve
Fair value reserve comprises change in the fair value of financial assets designated at fair value through other comprehensive income.

Foreign currency translation reserve
Reserve for translation in presentation currency comprises foreign exchange reserve and is used to reflect the translation differences, which arise in translation of the financial statements of foreign operations.

Other consolidation reserve
The difference between the capital structure of the subsidiaries and the parent entity following consolidation amendments including the elimination of investments.

Share Capital
The nominal value of shares issued by the parent company.

Share premium account
The excess of the fair value of proceeds from the issue of shares over the nominal value of shares issued.

41. Credit related commitments

The Group has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to perform as contracted.

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Loan and credit line commitments	-	318,973
Financial guarantees issued	27,867	72,729
Letters of credit	11,752	19,838
Credit card commitments	3,602	2,272
	43,221	**413,812**
Less: Reserves	(439)	(647)
Less: amounts due to customers held to secure the guarantees and letters of credits *(Note 34)*	(31,014)	(11,557)
	11,768	**401,608**

41. Credit related commitments, *continued*

Agreements for credit- and credit line-related commitments provide for the Group's right to unilaterally withdraw from an agreement once conditions unfavourable to the Group have arisen, including change of refinancing, inflation and exchange rates, and other conditions.

Total outstanding contractual amount of credit- and credit line-related commitments, and guarantees and letters of credit does not necessarily represent future cash claims as the term of commitments may expire or the said commitments may be cancelled without funds being provided to the borrower.

As at 31 December 2021, credit related commitment of US$42, 583 million (KZT 18,526 million) are allocated to Stage 1 of the credit risk level (31 December 2020: US$ 93, 51 million (KZT 39,339 million)), US$ 0, 14 million (KZT 63 million), US$ 0.46 million (KZT 199 million) and US$ 0, 04 million (KZT 16 million) are allocated to Stages 2, 3 and POCI of the credit risk stage, respectively (31 December 2020: US$ 0,9 million (KZT 377 million) and US$ 0,4 million (KZT 184 million), respectively).

As at 31 December 2021 the Group has no outstanding off-balance sheet liabilities which exceed 10% of equity (31 December 2020: none).

As at 31 December 2021, current accounts and deposits of customer held as collateral under guarantees and letters of credit amounted to US$ 31,014 million (KZT 13,493 million) (31 December 2020: US$ 0,012 million (KZT 4,862 million)).

Insurance

The insurance industry in the Republic Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group's property or relating to Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigations

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 condition or the results of future operations.

Taxation contingencies in Kazakhstan

The taxation system in the RK 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. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

42. Related party transactions

Control relationship

Major shareholder

As at 31 December 2021, the major shareholder of the Company is Jysan Holding LLC that owns 92.38% of the outstanding ordinary shares (31 December 2020: Pioneer Capital Invest LLP. 100%).

As at 31 December 2021, the ultimate controlling party of the Company and its subsidiaries is NU Generation Foundation, Inc., a non-profit organisation which had been set up solely with a view to secure funding for the activities of the autonomous education institutions Nazarbayev University and Nazarbayev Intellectual Schools and their subsidiaries.

On 10 October 2022, the ultimate controlling party changed its name from NU Generation Foundation, Inc. to New Generation Foundation, Inc.

Shareholders

During 2021 the Company declared and paid dividends in the total amount of US$20.98 million and US$17.16 million respectively.

(In thousands of US dollar unless otherwise stated)

42. Related party transactions, *continued*

At 31 December 2021 the parent company had the following balances with Jusan Bank, a subsidiary of FHS:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Amounts of cash deposited in current accounts	14,770	146,966
Amounts of cash pledged for SWAP and forward transactions	33,500	27,500
Total – due from Jusan Bank	**48,270**	**174,466**
Derivative liability on SWAP and forward transactions	20,495	28,625
Total – due to Jusan Bank	**20,495**	**28,625**

During the year the Company received a dividend of US$96.4m (2020 - US$181.5m) from FHS and also incurred a realised loss of US$13.8m (2020 - US$8.6m) on derivative transactions with Jusan Bank.

Group

Remuneration to the key management personnel

Total remuneration paid to the key management personnel in 2021 and 2020 is as follows:

	31 December 2021	*31 December 2020*
Personnel expenses	**US$'000**	**US$'000**
Key management personnel	29,931	40,027

Transactions with the key management personnel

The outstanding balances and average interest rates as at 31 December 2021and 2020 for transactions with the key management personnel are as follows:

	31 December 2021	*Average interest rate, %*	*31 December 2020*	*Average interest rate, %*
	US$'000		**US$'000**	
ASSETS				
Loans to customers	-	-	12	4
Other assets	-	-	282	-
LIABILITIES				
Amounts due to customers	5,484	3.01	5	2.60
Other liabilities	12,106	-	29	-

Amounts included in profit or loss in relation to transactions with the key management personnel are as follows:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Fee and commission income	(56)	10
Interest expenses	(982)	(48)
Total	**(1,038)**	**(38)**

Details of share-based payments and share options granted to key management personnel have been disclosed in note 16 to these financial statements.

(In thousands of US dollar unless otherwise stated)

42. Related party transactions, *continued*

Transactions with other related parties

Other related parties include the parent company, ultimate parent company, fellow subsidiaries and other related entities. The outstanding balances and the related average interest rates as at 31 December 2021 and related profit or loss amounts of transactions for the year ended 31 December 2021 with other related parties are as follows:

	Ultimate parent company and other fellow subsidiaries		*Other related parties**		
	US$'000	*Average effective interest rate, %*	**US$'000**	*Average effective interest rate, %*	**Total US$'000**
Consolidated statement of financial position					
ASSETS					
Cash and cash equivalents					
– in USD	-	-	1,119	-	**1,119**
– in other currencies	-	-	170	-	**170**
Other assets	-	-	3,121	-	**3,121**
LIABILITIES					
Amounts due to customers					
– in KZT	2	-	183,510	-	**183,512**
– in USD	232	-	262,010	-	**262,242**
– in other currencies	-	-	15,665	-	**15,665**
Derivative financial liabilities	-	-	126	-	**126**
Other liabilities	-	-	294	-	**294**
Consolidated statement of profit or loss					
Interest income	-	-	963	-	**963**
Interest expenses	-	-	(9,604)	-	**(9,604)**
Net gain on transactions with currency-denominated derivative financial instruments	-	-	490	-	**490**
Other income	7	-	1,219	-	**1,226**
Other general administrative expenses	(33)	-	(682)	-	**(715)**

* Other related parties are mainly presented by the balances of autonomous education organisation Nazarbayev University, autonomous education organisation Nazarbayev Intellectual Schools and corporate fund Social Development Fund.

(In thousands of US dollar unless otherwise stated)

42. Related party transactions, *continued*

Transactions with other related parties, continued

The outstanding balances and the related average interest rates as at 31 December 2020 and related profit or loss amounts of transactions for the year ended 31 December 2020 with other related parties are as follows:

	Ultimate parent company and other fellow subsidiaries		*Other related parties**		
	US$'000	*Average effective interest rate, %*	US$'000	*Average effective interest rate, %*	Total US$'000
Consolidated statement of financial position					
ASSETS					
Loans to customers					
– in KZT	-	-	-	-	-
– Principal	-	-	-	-	-
Other assets	-	-	47	-	**47**
LIABILITIES					
Amounts due to customers					
– in KZT	12	7	131,579	-	**131,591**
– in USD	763	1	402,264	-	**403,027**
– in other currencies	-	-	16,410	-	**16,410**
Other liabilities	-	-		-	-
Consolidated statement of profit or loss					
Revenue	-	-	493	-	**493**
Interest income	-	-	392	-	**392**
Interest expenses	-	-	3,183	-	**3,183**
Fee and commission income	14	-	2,001	-	**2,015**
Other income	-	-	19,619	-	**19,619**
Other general administrative expenses	-	-	44	-	**44**

* Other related parties are mainly presented by the balances of autonomous education organisation Nazarbayev University and corporate fund Social Development Fund.

43. Banking - risk management

Management of risk is fundamental to the business of banking and forms an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk, operational risk, legal and reputational risks.

Risk management policies and procedures
The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and emerging best practice.

The Board of Directors of the Group has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and approving its risk management policies and procedures as well as approving significant large exposures.

Credit, market and liquidity risks are managed and controlled by the Board of Directors, Management Board and through a system of Credit Committees and the Authorised Collegial Bodies (ACB). In order to facilitate efficient and effective decision-making, the Group established a hierarchy of credit committees, depending on the type and amount of the exposure.

Market risk
Market risk is the probability of financial losses on balance sheet and off-balance sheet items, due to adverse changes in the market situation, expressed in changes in market interest rates, foreign exchange rates, market value of financial instruments, goods. The main types of market risk are interest rate, currency and price risks.

Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The Group manages market risk through performance of the following tasks:
- determining and establishing the levels of market risk appetite and developing action plans in case of breaches of the established levels, including responsibility for taking risks that have been determined to be high.
- building up an effective market risk management system of the Group.
- ensuring an optimal ratio between profitability and the level of risk assumed.
- ensuring that the authorised collegial bodies (ACB) who make decisions involving risks, are aware of the market risk by establishing an effective corporate governance system and having complete, reliable and timely management information.
- identifying the participants to the process and determining the procedure for their interaction while managing market risk.
- ensuring continuous monitoring and control of established levels of risk appetite and internal limits of market risk.
- performing stress testing to identify the level of potential market risks, assessing the Group's ability to withstand changes.
- performing back-testing to check the effectiveness of the risk measurement procedures using historical data on the Group's operations.
- minimising risks related to the failure of the Group's staff to comply with the established limits and market risk powers.
- developing mechanisms to address unexpected or extraordinary situations of the Group related to a significant change in market indicators resulting in increase in market risk.

Overall authority for market risk is vested in the Management Board and Board of Directors. Market risk limits are approved by Management Board and Board of Directors based on recommendations of the Market Risk Department.

The Group manages its market risk by setting open position limits in relation to consolidated financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed by the Management Board and approved by the Board of Directors.

The Group also utilises Value-at-Risk ("VaR") methodology to monitor market risk of its trading positions.

During 2021 and 2020 the Group implemented the following measures: improved the market risk management procedures; improved procedures of the market risk stress testing; improved the system of the market risk management reporting; revised internal limits form market risk.

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, *continued*

Market risk, continued

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

	Less than 1 month	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Non-interest bearing*	*At 31 December 2021*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Assets							
Cash and cash equivalents	1,997,657	380,261	-	-	-	304,347	2,682,264
Amounts due from banks and other financial institutions	10,366	28,012	2,754	2,643	-	38,829	82,605
Trading securities	5,758	16,641	76,252	165,180	1,115	25,001	289,946
Investment securities	825,478	370,361	97,791	121,006	3,055	68,016	1,485,707
Loans to customers	158,099	47,589	241,466	1,149,089	347,964	-	1,944,206
Promissory notes from the MFRK	1,568	-	-	237,846	-	-	239,413
	2,998,926	**842,864**	**418,263**	**1,675,764**	**352,134**	**436,193**	**6,724,144**
Liabilities							
Amounts due to banks and other financial institutions	27,185	2,462	9,571	42,105	44,605	-	125,928
Amounts payable under repurchase agreements	22,958	-	-	-	-	-	22,958
Amounts due to customers	529,560	318,428	1,531,503	303,349	138,772	1,264,997	4,086,608
Debt securities issued	687	10,233	27,224	274,162	249,272	-	561,578
Subordinated debts	-	6,174	120	335,363	86,862	257	428,776
	580,390	**337,297**	**1,568,416**	**954,979**	**519,511**	**1,265,254**	**5,225,849**
	2,418,536	**505,567**	**(1,150,153)**	**720,785**	**(167,377)**	**(829,061)**	**1,498,295**

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, ***continued***

Market risk, continued

Interest rate gap analysis, continued

	Less than 1 month	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Non-interest bearing*	*At 31 December 2020*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Assets							
Cash and cash equivalents	1,283,108	844	-	-	-	2,062,853	3,346,805
Amounts due from banks and other financial institutions	1,759	27,209	5,726	1,167	7,951	155,207	199,019
Trading securities	39,148	1,856	121,621	78,757	11,980	10,511	263,873
Investment securities	205,541	228,171	295,888	91,598	570	59,311	881,079
Loans to customers	337,707	103,176	457,401	1,076,055	367,386	361	2,342,085
Promissory notes from the MFRK	1,562	-	0	243,534	-	-	245,096
	1,868,825	**361,256**	**880,635**	**1,491,110**	**387,887**	**2,288,243**	**7,277,956**
Liabilities							
Amounts due to banks and other financial institutions	58,278	12,548	19,227	46,997	63,486	1,885	202,420
Amounts payable under repurchase agreements	107,611	-	-	-	-	-	107,611
Amounts due to customers	453,289	313,915	1,720,834	573,138	237,843	1,026,023	4,325,042
Debt securities issued	853	10,506	22,645	161,470	355,516	-	550,990
Subordinated debts	152	5,484	46,395	153,407	263,612	411	469,461
	620,183	**342,452**	**1,809,101**	**935,012**	**920,456**	**1,028,319**	**5,655,523**
	1,248,642	**18,804**	**(928,466)**	**556,098**	**(532,569)**	**1,259,924**	**1,622,433**

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, ***continued***

Market risk, continued

Average effective interest rates

The table below shows average effective interest rates for interest–bearing assets and financial liabilities as at 31 December 2021 and 31 December 2021. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 December 2021 Average effective interest rate, % p.a.			*31 December 2020* Average effective interest rate, % p.a.		
	KZT	***USD***	***Other***	***KZT***	***USD***	***Other***
Interest bearing assets						
Cash and cash equivalents	9.28	0.27	4.27	8.67	0.67	0.68
Amounts due from banks and other financial institutions	2.90	0.59	3.57	/8.62	1.72	0.02
Trading securities	10.01	2.10	0.22	9.42	0.94	3.67
Investment securities measured at fair value through other comprehensive income	9.16	2.22	–	10.13	1.71	–
Investment securities measured at amortised cost	9.43	3.88	8.72	10.06	3.01	7.9
Loans to customers	17.63	9.16	16.75	14.35	7.73	10.34
Promissory notes from the MFRK	–	3.93	–	–	3.93	–
Interest bearing liabilities						
Amounts due to banks and other financial institutions	5.42	0.99	7.01	6.97	0.08	–
Amounts due to customers	7.95	0.56	3.13	8.36	0.91	2.71
Debt securities issued	12.42	3.55	–	10.69	3.55	–
Subordinated debt	14.18	–	–	12.88	–	–
Lease liabilities	12.52	5.12	9.38	11.3	4.92	7.91
Amounts payable under repurchase agreements	9.96	0.56	–	8.68	1.37	–

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. As the financial instruments have fixed interest rates, the interest rate gap analysis is consistent with the maturity analysis.

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, ***continued***

Market risk, continued

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities of banking book. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate repricing risk based on a simplified scenario of a 100-basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities expected for the period of up to twelve months existing as at 31 December 2021 and 2020 is as follows:

	31 December 2021		*31 December 2020*	
	Profit or loss	*Equity*	*Profit or loss*	*Equity*
	US$'000	**US$'000**	**US$'000**	**US$'000**
100 bp parallel fall	(16,453)	(16,133)	(2,322)	(2,322)
100 bp parallel rise	16,453	16,133	2,322	2,322

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets at FVTPL and financial assets at FVTOCI due to changes in the interest rates based on positions existing as at 31 December 2021 and 31 December 2020 and a simplified scenario of a 100-basis point (bp) symmetrical fall or rise in all yield curves using modified duration method is as follows:

	31 December 2021		*31 December 2020*	
	Profit or loss	*Equity*	*Profit or loss*	*Equity*
	US$'000	**US$'000**	**US$'000**	**US$'000**
100 bp parallel fall	6,812	10,716	1,588	2,431
100 bp parallel rise	(5,220)	(8,939)	(2,362)	(3,065)

The sensitivity analysis is from the perspective of banking operations. The sensitivity regarding commercial operations is not considered by the Directors to be significant.

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, *continued*

Market risk, continued

Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following table shows the Group's foreign currency exposure structure of financial assets and liabilities as at 31 December 2021:

	KZT	*USD*	*EUR*	*RUB*	*Other*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
ASSETS						
Cash and cash equivalents	497,869	1,715,960	146,991	30,207	291,236	2,682,264
Amounts due from banks and other financial institutions	12,502	65,334	3,873	5	892	82,605
Trading securities	65,060	224,726	-	-	161	289,946
Investment securities	1,356,274	113,253	-	-	16,179	1,485,707
Loans to customers	1,522,524	262,831	16	18	158,817	1,944,206
Promissory notes from the MFRK*	-	239,413	-	-	-	239,413
Insurance premiums and reinsurance assets	10,773	5,160	-	-	-	15,933
Other financial assets	24,557	24,328	533	1,974	9,646	61,038
Total financial assets	**3,489,559**	**2,651,005**	**151,414**	**32,204**	**476,931**	**6,801,112**
LIABILITIES						
Amounts due to banks and other financial institutions	69,859	14,570	11	607	40,879	125,928
Amounts due to customers	2,057,351	1,526,246	93,500	23,755	385,756	4,086,608
Debt securities issued	534,407	27,171	-	-	-	561,578
Subordinated debt	428,776	-	-	-	-	428,776
Amounts payable under repurchase agreements	12,343	10,615	-	-	-	22,958
Lease liabilities	7,201	3,724	-	-	425	12,476
Other financial liabilities	28,818	2,961	687	292	593	33,351
Total financial liabilities	**3,138,755**	**1,585,288**	**94,197**	**24,654**	**427,652**	**5,271,675**
The effect of derivatives held for risk management	684,348	(623,519)	6,746	(6,723)	(19,666)	38,112
Net position as at 31 December	**1,035,152**	**442,197**	**63,963**	**827**	**29,612**	**1,571,751**

* Promissory notes from the MFRK are denominated in KZT but are indexed to the change in US dollar to KZT exchange rate.

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, *continued*

Currency risk, continued

The following table shows the Group's foreign currency exposure structure of financial assets and liabilities as at 31 December 2020:

	KZT	*USD*	*EUR*	*RUB*	*Other*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
ASSETS						
Cash and cash equivalents	1,646,268	1,430,888	110,675	70,885	88,089	3,346,805
Amounts due from banks and other financial institutions	136,661	55,738	4,143	2,184	292	199,018
Trading securities	17,791	232,433	-	-	13,646	263,873
Investment securities	707,147	96,546	-	-	77,386	880,846
Loans to customers	1,550,367	422,854	83	215,852	152,930	2,342,086
Promissory notes from the MFRK*	-	245,095	-	-	-	245,095
Insurance premiums and reinsurance assets	6,755	2,446	-	-	-	9,201
Other financial assets	37,154	12,341	216	775	2,959	53,445
Total financial assets	**4,102,143**	**2,498,342**	**115,117**	**289,696**	**335,302**	**7,340,370**
LIABILITIES						
Amounts due to banks and other financial institutions	100,385	42,511	6	159	59,359	202,420
Amounts due to customers	2,262,440	1,579,854	96,513	239,500	146,735	4,325,042
Debt securities issued	522,041	28,949	-	-	-	550,990
Subordinated debt	469,461	-	-	-	-	469,461
Amounts payable under repurchase agreements	101,880	5,731	-	-	-	107,611
Lease liabilities	10,285	2,246	-	860	868	14,259
Other financial liabilities	14,459	2,218	673	682	1,146	19,178
Total financial liabilities	**3,480,951**	**1,661,509**	**97,192**	**241,201**	**208,108**	**5,688,961**
The effect of derivatives held for risk management	753,847	(715,802)	8,968	(14,982)	7,380	39,412
Net position as at 31 December	**1,375,039**	**121,030**	**26,893**	**33,513**	**134,574**	**1,691,050**

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2021 and 31 December 2020, would have decreased/increased equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2021		*31 December 2020*	
	Profit or loss	*Equity*	*Profit or loss*	*Equity*
	US$'000	**US$'000**	**US$'000**	**US$'000**
20% appreciation of USD against KZT	72,152	72,152	(1,622)	(1,622)
20% appreciation of EUR against KZT	10,436	10,436	1,810	1,810
20% appreciation of RUB against KZT	136	136	2,256	2,256

A strengthening of the KZT against the above currencies at 31 December 2021 and 2020 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis is from the perspective of banking operations. The sensitivity regarding commercial operations is not considered by the Directors to be significant.

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, ***continued***

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in equity securities prices based on positions for equity instruments existing as at 31 December 2021 and 2020 and a simplified scenario of a 10% change in all equity securities prices is as follows:

	31 December 2021		***31 December 2020***	
	Profit or loss	***Equity***	***Profit or loss***	***Equity***
	US$'000	**US$'000**	**US$'000**	**US$'000**
10% increase in securities prices	2,039	5,431	517	519
10% decrease in securities prices	(2,039)	(5,431)	(517)	(519)

The sensitivity analysis is from the perspective of banking operations. The sensitivity regarding commercial operations is not considered by the Directors to be significant.

Credit risk

Credit risk is the probability of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations according to agreed terms. The Group has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes and determines the major requirements to be followed in lending activity, including:

- aims and objectives the Group's lending activity.
- priorities and restrictions in lending.
- credit risk allowable level.
- system of the credit risk limits.
- terms of granting loans to the individuals and legal entities, including entities having special relations with the Group.
- stages and participants of the lending process.
- decision–making system.
- key principles and methods of credit risk management in the Group.
- internal control system for the credit risk management process.

On the basis of the Credit Policy, which covers the key directions of the Group's activity and the system of the credit risk management instruments, the Group has built a more efficient lending process in the segments of the corporate business, small– and medium–size business and retail business, as described below.

Corporate and SME loan credit applications are analysed by the Credit Analysis Department and SME lending divisions in branches, respectively, which are responsible for the analysis of issuing loans. The minimum rating required for the borrower to obtain a loan has been established in accordance with the decision of the Board of Directors of the Group.

Then, to consider a project at the meeting of the authorised body that makes decisions on concluding a transaction, the opinions of the Group's departments are provided, including:

- opinion of the Legal Department.
- opinion of the Security Department.
- opinion of the Collateral Department.
- and opinion of the Risk Management Department.

For the purpose of effective risk management, the Risk Management Department, while analysing the projects, assigns a rating (probability of default) to the borrower.

43. Banking - risk management, *continued*

Credit risk, continued

Currently, the Group uses the rating and scoring models for each business segment: small, medium, corporate and retail clients.

Based on the submitted opinions, the Credit Committee makes a decision depending on the level of authority to make decisions. In this case, transactions in excess of 5% of the Group's equity are approved exclusively by the decision of the Board of Directors of the Group.

Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk management.

To achieve the Group's key performance indicators, while setting the interest rates for the customers from the corporate business, SME and retail business, the level of credit risk accepted under each transaction is taken into account, and at least the following factors are analysed:

- rating/scoring (probability of default of the borrowers).
- losses if the borrower defaults.
- funding costs.
- cost of capital.
- the Group's overheads.

As a part of this lending process, to ensure the timely response to the changes in the financial position and paying capacity of the Borrower and ability to make the appropriate management decisions, the Group exercises the ongoing monitoring of the status of individual loans, and regularly revalues the paying capacity of its borrowers. Revaluation procedures are based on the financial statements and other information provided by the borrower itself or otherwise obtained by the Group.

Also, requirements to collateral are very important for the management of credit risk. The Group had developed and implemented effective procedures for the monitoring of collateral, in order to avoid the decrease of coverage of the credit portfolio by the collateral.

To ensure the effective risk management at the portfolio level the Group uses such methods as diversification of the loan portfolio and system of management reporting, which allows exercising the regular monitoring of the Group lending activity, identifying the major problems and implementing the risk minimisation instruments as well as stress–testing of credit risk.

The Group uses the system of credit risk limits, which comprises:

- credit risk allowable level.
- limits by the categories of borrowers.
- limits on the types of lending.
- limits for the retail segment, comprising the portfolio limits and individual limits.
- limits on lending in terms of the specific industries, etc.

Monitoring and control are exercised periodically, and findings are submitted for consideration to the Management Board/Board of Directors of the Group.

This instrument allows the Group to control the lending activity based on the strategic development targets and risk taking in different areas.

The system of management reporting is functioning within the Group, the purpose of which is to provide the high quality, reliable and accurate information on the credit risk level and its deviation from the set value. The management reports are generated at the level of both the Group and individual segments on a monthly/quarterly basis and submitted for consideration to the Management Board/Board of Directors of the Group.

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, ***continued***

The Group applies the methodology of credit risk stress–testing, which is performed using a scenario analysis and sensitivity analysis. While performing the stress –testing, the Group uses the following scenarios: general business scenario, which is based on assessment of influence of deterioration of the economic situation in the country, including decline in economic growth in general and in individual industries; scenario specific to the Group's business, which is based on assessment of influence of the local stress–factors, including those related to the specifics of the Group's lending activity and structure of its loan portfolio.

Credit risk stress–testing makes it possible to respond on a timely basis to changes in macroeconomic and other indicators that may adversely affect the Group's operations, and to forecast the impact of these factors and develop risk mitigation methods.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure of the Group to credit risk from financial assets at the reporting date is as follows:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
ASSETS		
Cash and cash equivalents	2,682,264	3,346,805
Amounts due from banks and other financial institutions	82,605	199,018
Trading securities	289,946	263,873
Investment securities	1,485,707	880,846
Loans to customers	1,944,206	2,342,086
Promissory notes from the MFRK	239,413	245,095
Insurance premiums	15,933	9,201
Other financial assets	61,038	53,445
Total maximum exposure	**6,801,112**	**7,340,369**

As at 31 December 2021 the Group has no debtors or groups of related debtors (31 December 2020: none), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

The sensitivity analysis is from the perspective of banking operations. The sensitivity regarding commercial operations is not considered by the Directors to be significant.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- loans to customers collateralised by cash on bank deposits; and
- repurchase and reverse repurchase agreements.

This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transitions upon the counterparty's failure to post collateral.

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, *continued*

Offsetting financial assets and financial liabilities, continued

The table below shows Group financial assets and financial liabilities subject to an enforceable master netting arrangement or similar agreement as at 31 December 2021:

Types of financial assets/ liabilities	Gross amounts of recognised financial assets/ liabilities	Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial position	Net amount of financial assets/liabil-ities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments	Cash collateral received	Net amount
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Loans to customers	104,595	-	104,595	-	(18,570)	86,025
Amounts receivable under reverse repurchase agreements	145,693	-	145,693	(145,693)	-	-
Total financial assets	**250,288**	-	**250,288**	**(145,693)**	**(18,570)**	**86,025**
Amounts due to customers	21,011	-	21,011	(18,570)	-	2,441
Amounts payable under repurchase agreements	22,958	-	22,958	(22,958)	-	-
Total financial liabilities	**43,969**	-	**43,969**	**(41,528)**	-	**2,441**

The table below shows the Group financial assets and financial liabilities subject to an enforceable master netting arrangement or similar agreement as at 31 December 2020:

Types of financial assets/liabilities	Gross amounts of recognised financial assets/ liabilities	Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial	Net amount of financial assets/liabil-ities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments	Cash collateral received	Net amount
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Loans to customers	41,865	-	41,865	-	(12,296)	29,569
Amounts receivable under reverse repurchase agreements	124,699	-	124,699	(124,699)	-	-
Total financial assets	**166,564**	-	**166,564**	**(124,699)**	**(12,296)**	**29,569**
Amounts due to customers	12,296	-	12,296	(12,296)	-	-
Amounts payable under repurchase agreements	107,611	-	107,611	(107,611)	-	-
Total financial liabilities	**119,907**	-	**119,907**	**(119,907)**	-	-

43. Banking - risk management, ***continued***

Offsetting financial assets and financial liabilities, continued

The securities lent under agreements to repurchase represent the transferred financial assets that are not entirely derecognised.

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position at amortised cost. The amounts in the above tables that are offset in the consolidated statement of financial position are measured on the same basis.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Group's liquidity policy is reviewed by the Management Board and approved by the Board of Directors.

The key objectives of the Group's liquidity risk management are as follows:

- to ensure that the Group is able to discharge its liabilities in time and in full scope.
- to invest the Group's free cash flows in high income earning and highly liquid assets.

In the process of liquidity risk management, the Group is governed by the following principles:

- liquidity is managed on a day–to–day basis and continuously.
- sound management of assets and liabilities.
- management of access to the interbank market.
- diversification and stability of liabilities.
- application of the methods and instruments for the liquidity risk assessment, which do not contradict the regulatory legal acts of the NBRK.
- clear split of powers and responsibility for liquidity management between the bodies of the Group, its officials and business units.
- setting of limits that ensure the adequate level of liquidity and meet the size, nature of business and financial position of the Group.
- in case of a conflict between the liquidity and returns, to make decision in favour of liquidity.
- planning of the liquidity requirements.
- regular monitoring of the decisions to provide liquidity, which have been made before.

To manage the liquidity risk, a system of the liquidity risk management is established, which is based on the *Rules for the Formation of the Risk Management and Internal Control System for Second-tier Banks*, approved by Resolution No.188 of the NBRK's Management Board of dated 12 November 2019, and standards and instruments recommended by Basel Committee on Bank Supervision and complies with the requirements of the NBRK and best global practices. The liquidity risk management system meets the current market situation, strategy, size and level of complexity of the Group's operations and ensures the efficient identification, measurement, monitoring and control of the Group's liquidity risk, with due consideration of the intra-group transactions.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long– and short–term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The liquidity position is monitored on a daily basis and liquidity forecasting is performed on a regular basis by the Strategic Risks Department both under normal and stress market conditions. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a daily basis. Decisions on liquidity management are made by the authorised collegial body and implemented by the Strategic Risks Department.

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, *continued*

Liquidity risk, continued

The following tables show the undiscounted cash flows on financial liabilities and unrecognised credit related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment.

The maturity analysis for financial liabilities as at 31 December 2021 is as follows:

As at 31 December 2021	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 months to 1 year*	*From 1 to 5 years*	*More than 5 years*	*No maturity*	*Total gross amount outflow*	*Total*
Liabilities	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Amounts due to banks and other financial institutions	27,925	2,590	11,847	46,683	98,210	-	187,255	125,928
Derivative financial instruments	427	660	126	-	-	-	1,213	1,213
Amounts payable under repurchase agreements	22,955	-	-	-	-	-	22,955	22,958
Amounts due to customers	1,754,709	359,013	1,591,033	353,044	179,619	-	4,237,417	4,086,608
Debt securities issued	731	14,800	44,065	366,479	1,428,473	-	1,854,548	561,578
Subordinated debts	-	7,146	30,490	488,345	859,898	-	1,385,879	428,776
Lease liabilities	172	1,053	4,933	14,425	191	-	20,774	12,476
Other financial liabilities	7,346	405	7,916	85	14	78	15,844	33,351
Total liabilities	**1,814,265**	**385,667**	**1,690,411**	**1,269,060**	**2,566,405**	**78**	**7,725,885**	**5,313,093**
Credit related commitments	43,222	-	-	-	-	-	43,222	43,222

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, ***continued***

Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2020 is as follows:

As at 31 December 2020	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 months to 1 year*	*From 1 to 5 years*	*More than 5 years*	*No maturity*	*Total gross amount outflow*	*Total*
Liabilities	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Amounts due to banks and other financial institutions	45,965	12,548	19,296	47,270	116,577	1,885	243,541	202,420
Derivative financial instruments	463	-	-	-	-	-	463	463
Amounts payable under repurchase agreements	107,749	-	-	-	-	-	107,749	107,611
Amounts due to customers	1,601,641	335,656	1,623,921	606,665	247,788	-	4,415,671	4,325,042
Debt securities issued	758	14,880	17,192	289,404	1,624,116	-	1,946,350	550,990
Subordinated debts	-	7,392	78,698	310,449	1,128,716	-	1,525,255	469,461
Other liabilities	-	-	80,113	-	-	-	80,113	80,113
Lease liabilities	319	1,082	6,099	15,933	183	-	23,616	112,906
Other financial liabilities	9,629	3,639	14	-	-	2,363	15,645	14,578
Other loans - Commercial	-	-	-	-	-	-	-	8,012
Lease liabilities – Commercial	-	-	-	-	-	-	-	1,353
Financial liabilities – Commercial	-	-	-	-	-	-	-	19,218
Total liabilities	**1,766,524**	**375,197**	**1,825,333**	**1,269,721**	**3,117,380**	**4,248**	**8,358,403**	**5,892,167**
Credit related commitments	414,335	-	-	-	-	-	414,335	414,335

The tables above show the undiscounted cash flows of non-derivative financial liabilities, including issued financial guarantee contracts, and unrecognised loan commitments, on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. In accordance with legislation of the Russian Federation and the Republic of Kyrgyzstan, individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. As at 31 December 2021, the carrying amount of these term deposits amounted to US$ 1,24 million (KZT 538,987 million) (31 December 2020: US$ 1,900 million (KZT 799,301 million)). The amount of such deposits, by each time band as at 31 December 2021, is as follows:

- demand and less than one month – US$ 0,05 million (KZT 22,161 million) (31 December 2020: US$129,4 million (KZT 54,428 million)),
- from 1 to 3 months - US$ 0,2 million (KZT 84,367 million) (31 December 2020: US$148.1 million (KZT 62,332 million)),
- from 3 months to 1 year - US$ 0,8 million (KZT 328,963 million) (31 December 2020: US$1,153.6 million (KZT 485,328 million)),

43. Banking - risk management, *continued*

Liquidity risk, continued

- from 1 to 5 years - US$ 0,23 million (KZT 98,868 million) (31 December 2020: US$455.4 million (KZT 191,583 million)),
- more than 5 years -US$ 0,01 million (KZT 4,628 million) (31 December 2020: UIS$13.4 million (KZT 5,630 million)).

However, management believes that in spite of this early withdrawal option and the fact that a substantial portion of customer accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customer accounts provide a long-term and stable source of funding.

Management expects that the cash flows from certain assets and liabilities will be different from their contractual terms, either because management has the discretionary ability to manage the cash flows, or because past experience indicates that cash flows will differ from contractual terms.

(In thousands of US dollar unless otherwise stated)

43. Banking - risk management, ***continued***

The table below shows an analysis, by contractual maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2021:

At 31 December 2021	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*No maturity*	*Overdue*	*Total*
Non-derivative assets								
Cash and cash equivalents	2,302,003	380,261	-	-	-	-	-	2,682,264
Amounts due from banks and other financial institutions	41,310	28,012	2,754	2,643	7,886	-	-	82,605
Trading securities	5,757	16,641	76,252	165,180	1,115	25,001	-	289,946
Investment securities	825,478	370,361	97,791	121,006	3,055	68,016	-	1,485,707
Loans to customers	15,793	47,589	241,466	1,149,089	347,964	-	142,305	1,944,206
Promissory notes from the MFRK	1,567	-	-	237,846	-	-	-	239,413
Property and equipment and intangible assets	83	163	713	2,880	16,281	212,206	-	232,326
Non-current assets held for sale	-	-	1,257	-	-	-	-	1,257
Investment property	-	-	-	38,776	67,140	451	-	106,367
Insurance premiums and reinsurance assets	5,874	5,496	3,839	552	11	-	161	15,933
Current tax asset	2	-	5,723	-	-	-	-	5,725
Deferred tax asset	-	-	186	361	(2)	1,061	-	1,606
Other assets	15,655	10,314	19,533	147,860	7	63,094	837	257,300
Total assets	**3,213,522**	**858,837**	**449,514**	**1,866,193**	**443,457**	**369,829**	**143,303**	**7,344,655**
Non-derivative liabilities								
Amounts due to banks and other financial institutions	27,185	2,462	9,571	42,105	44,605	-	-	125,928
Amounts due to customers	1,740,150	341,753	1,541,667	324,266	138,772	-	-	4,086,608
Debt securities issued	687	10,233	27,224	274,162	249,272	-	-	561,578
Subordinated debt	-	6,172	120	335,363	86,862	259	-	428,776
Liabilities to the mortgage company	-	-	9	701	27,068	-	-	27,778
Lease liabilities	87	591	2,653	8,950	195	-	-	12,476
Amounts payable under repurchase agreements	22,958	-	-	-	-	-	-	22,958
Deferred tax liabilities	-	-	1,602	-	345,238	-	-	346,840
Insurance contract provisions	7,723	10,068	25,695	2,894	221	-	-	46,601
Current tax liability	1,299	23	416	-	-	-	-	1,738
Other liabilities	63,422	2,749	43,665	6,284	16	78	1,016	117,230
Total liabilities	**1,863,511**	**374,051**	**1,652,622**	**994,725**	**892,249**	**1,737**	**1,016**	**5,778,511**
Net position	**1,350,011**	**484,786**	**(1,203,108)**	**871,468**	**(448,792)**	**368,092**	**142,287**	**1,566,144**

43. Banking - risk management, _continued_

The table below shows an analysis, by contractual maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2020:

(In thousands of US dollar unless otherwise stated)

At 31 December 2020	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*No maturity*	*Overdue*	*Total*
Non-derivative assets								
Cash and cash equivalents	3,345,961	844	-	-	-	-	-	3,346,805
Amounts due from banks and other financial institutions	156,965	27,209	5,726	1,167	7,951	-	-	199,018
Trading securities	39,145	1,856	121,621	78,757	11,980	10,511	-	263,870
Investment securities	202,743	228,171	295,888	91,598	570	62,109	-	881,079
Loans to customers	112,950	103,176	457,401	1,066,013	367,386	-	235,160	2,342,086
Promissory notes from the MFRK	1,561	-	-	243,534	-	-	-	245,095
Property and equipment and intangible assets	-	-	-	-	-	262,947	-	262,947
Non-current assets held for sale	-	1,379	10,173	223	-	-	-	11,775
Investment property	-	-	-	-	-	24,204	-	24,204
Insurance premiums and reinsurance assets	4,071	1,160	3,447	523	-	-	-	9,201
Current tax asset	-	-	2,169	-	-	-	-	2,169
Inventory	-	-	-	-	-	4,868	-	4,868
Deferred tax asset	-	-	-	528	5,916	-	-	6,444
Other assets	24,184	3,589	24,734	97,977	9,539	28,849	1,310	190,182
Total assets	**3,887,580**	**367,384**	**921,159**	**1,580,320**	**403,342**	**393,488**	**236,470**	**7,789,743**
Non-derivative liabilities								
Amounts due to banks and other financial institutions	60,162	12,548	19,227	46,997	63,486	-	-	202,420
Amounts due to customers	1,479,312	313,915	1,720,834	573,138	237,843	-	-	4,325,042
Debt securities issued	853	10,506	22,645	161,470	355,516	-	-	550,990
Subordinated debt	152	5,484	46,395	153,407	263,612	411	-	469,461
Liabilities to the mortgage company	100	-	17	25,854	12,942	-	-	38,913
Lease liabilities	105	502	2,348	10,646	658	-	-	14,259
Amounts payable under repurchase agreements	107,611	-	-	-	-	-	-	107,611
Deferred tax liabilities	-	-	-	365,262	-	-	-	365,262
Insurance contract provisions	52	2,479	20,102	1,612	-	-	-	24,245
Current tax liability	-	-	1,827	-	-	-	-	1,827
Other liabilities	33,676	3,064	21,648	26,058	17	3,718	406	88,587
Total liabilities	**1,682,023**	**348,498**	**1,855,043**	**1,364,444**	**934,074**	**1,737**	**406**	**6,188,617**
Net position	**2,205,557**	**18,886**	**(933,884)**	**215,876**	**(530,732)**	**391,751**	**236,064**	**1,601,126**

43. Banking - risk management, _continued_

Operational risk

Operational risk is the probability of loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors, such as those arising from legal and regulatory requirements (excluding strategic risk and reputational risk).

The Group had developed the policy on operational risk management, which was approved by the Board of Directors.

The Group is establishing the system of operational risk management that is organised in three levels:

- Level 1 – risk management by the departments of the Group.
- Level 2 – risk management by the independent operational risk management department.
- Level 3 – independent assessment of operational risk management system effectiveness by the internal audit department.

Level 1 relates to risk coordinators that were appointed in the departments of the Group, who are responsible for the collection and direction of information about the operational risk to the risk management department. Risk management department conducts the education of risk coordinators of the Group and controls the work performed by risk coordinators.

The Group uses automated systems for the collection and analysis of information about operation risk events. Risk coordinators collect the information about operation risk events, each event is evaluated by the risk management department together with process holders and then directed to the specialised collegial body.

Additional instrument of operational risk management is the process of self–assessment of operational risk in the departments of the Group. Self–assessment is conducted by risk management coordinators directed by the risk management department. The results are organised in risk maps.

Separate operational risk assessment is conducted before implementation of new products, processes and systems.

On a monthly basis, Management Board and Board of Directors review the information on operational risk.

44. Capital management

The Group and the Parent Company generally consider their capital to be the balance of the equity items as shown in their respective statements of financial position.

The Group activities include banking operations where capital management follows statutory regulation as capital for credit institutions in the Republic of Kazakhstan.

The information below is extracted from the financial statements of FHS.

Under the current capital requirements set by the NBRK banking conglomerates have to maintain a ratio of total capital to risk weighted assets, contingent liabilities above the prescribed minimum level. As at 31 December 2020 this minimum level of total capital to risk weighted assets and contingent liabilities is 8% (2020: 8%). As at 31 December 2021 the Group's ratio was equal to 39.7% (31 December 2020: 39.7%).

Bank

NBRK sets and monitors capital requirements for Jusan Bank. Jusan Bank defines as capital those items defined by statutory regulation as capital for credit institutions.

Tier 1 capital is a total of basic and additional capital. Basic capital comprises ordinary share capital, share premium, current and prior periods' retained earnings and reserves created thereof, less treasury share capital, intangible assets including goodwill, and current and prior periods losses, deferred tax asset net of deferred tax liability and other revaluation reserves. Additional capital comprises of perpetual contracts and paid-in preference share capital less adjustments for the Group's investment in its own perpetual financial instruments and treasury preference shares.

Tier 2 capital, which comprises the subordinated debt denominated in the national currency, less investments in the subordinated debt of the financial organisations not consolidated with Jusan Bank under IFRS.

(In thousands of US dollar unless otherwise stated)

44. Capital management, *continued*

Total capital is the sum of tier 1 and tier 2 capital less difference between retail deposits and equity according to the balance sheet data, multiplied by 5.5, and less the positive difference between provisions (reserves) calculated in accordance with the Guidelines on creation of provisions (reserves) for impairment of Jusan Bank's assets in the form of loans and receivables as per Appendix 1 to the Regulations and provisions (reserves) created and stated in Jusan Banks' accounting records under IFRS and the requirements of the Law of the RK on Accounting and Financial Reporting (the "positive difference"). Various further limits and qualifying criteria are applied to the above elements of the capital base. Various further limits and qualifying criteria are applied to the above elements of the capital base. Capital management, continued

In accordance with the regulations set by the NBRK the Group has to maintain total capital adequacy within the following coefficients:

- a ratio of basic capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1) at least at 0.075, inclusive of the capital conservation buffer;
- a ratio of tier 1 capital, net of investments, to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1-2) at least at 0.085, inclusive of the capital conservation buffer;
- a ratio of equity to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k2) at least at 0.010, inclusive of the capital conservation buffer.

The following table shows the composition of the capital position of the Group as at 31 December 2021 and 2020 calculated in accordance with the requirements established by the NBRK:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Tier 1 capital	898,495	635,599
Tier 2 capital	693,795	416,610
Total statutory capital	**1,592,290**	**1,052,209**
Total risk-weighted statutory assets, contingent liabilities and operational and market risks	**1,592,290**	**1,707,975**
k1	**0.282**	**0.36**
k1.2	**0.282**	**0.36**
k.2	**0.499**	**0.597**

NBRK's requirements established by covenants under liabilities incurred by the Jusan Bank and its subsidiary. The Jusan Bank and its subsidiaries complied with all externally imposed capital requirements as at 31 December 2021 (31 December 2020: the Group complied with all externally imposed capital requirements).

FHS

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the ratios established by the NBRK. During 2021 and 2020 the Company complied with its capital requirements imposed by the NBRK.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. According to the requirements of the NBRK, the capital adequacy ratio for brokerage and (or) dealer companies must be at least 1. Liquid assets and liabilities calculated in accordance with the NBRK requirements were derived from the Company's separate financial statements.

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

(In thousands of US dollar unless otherwise stated)

44. Capital management, *continued*

At 31 December, the Company's capital adequacy ratio calculated according to the NBRK requirements was as follow:

	31 December 2021	*31 December 2020*
	US$'000	**US$'000**
Liquid assets	122,510	163,619
Liabilities	(22,236)	(104,849)
Net liquid assets	**100,274**	**58,770**
Minimum capital required by NBRK	503	494
Capital adequacy ratio	**199**	**119**

45. Banking - Financial risk review

The corresponding description of accounting policies is presented in *Note 3*.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward–looking information.

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD (depending on the related group of risk of the financial instrument the movement of 100-200% increase in PD results in significant increase in credit risk).
- qualitative indicators; and
- backstop of 30 days past due.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

45. Banking - Financial risk review, *continued*

Significant increase in credit risk (continued)

Corporate exposure	All exposures (corporate and retail exposures)
• Information obtained during periodic review of borrowers' files – e.g., audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes. • Data from credit reference agencies, press articles, changes in external credit ratings. • Quoted bond and credit default swap ("CDS") prices for the issuer where available. • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	• Payment record – this includes overdue status as well as a range of variable about payment ratios. • Utilisation of the granted limit. • Requests for and granting of forbearance. • Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region, by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g., forbearance experience) on the risk of default. For the majority of exposures, the key driver would be GDP forecast growth and inflation.

Generating the term structure of PD

The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting period. The criteria for determining whether credit risk has increased significantly vary depending on different types of lending, in particular between corporate and retail, as well as by portfolio and include both quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The Group will deem the credit risk of a particular exposure to have increased significantly since initial recognition if, based on the Group's modelling, it is established that objective factors involving the deterioration of financial and economic condition of a counterparty are observed. In measuring increases in credit risk, remaining lifetime ECLs are adjusted for changes in maturity.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experience.

As a backstop, the Jusan Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, with the exception of amounts due from banks and investment securities, for which significant increase in credit risk occurs, if past due by more than 7 days. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

45. Banking - financial risk review, *continued*

Significant increase in credit risk (continued)

In these cases the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default.
- the criteria do not align with the point in time when an asset becomes 30 days past due.
- the average time between the identification of a significant increase in credit risk and default appears reasonable.
- exposures are not generally transferred directly from 12-month ECL measurement (Stage 1) to credit-impaired (Stage 3); and

there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (Stage 1) and lifetime ECL measurements (Stage 2).

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).
- the borrower is past due more than 90 (ninety) days on any material credit obligation to the Group, with the exception of amounts due from banks and investment securities, which are considered to be in default if past due more than 7 (seven) days. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- debt has been restructured due to deterioration of financial status of any of the significant loan liabilities of the borrower, or
- it is probable that the borrower goes bankrupt.

In assessing whether an issuer is in default, the Group considers indicators that are:

- qualitative – e.g., breaches of covenant.
- quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporating of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. To assess forward-looking information, the Group uses external information.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. This key driver is inflation and GDP forecasts.

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data for the last 5 (five) years.

Modified financial assets

The contractual terms of a loan agreement may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new instrument at fair value in accordance with the accounting policy.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

45. Banking - financial risk review, ***continued***

Modified financial assets, continued

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of expected credit losses

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD).
- loss given default (LGD).
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. ECL for exposures in Stage 2 and Stage 3 is calculated by multiplying lifetime PD by LGD and EAD.

For financial assets, which are individually credit-impaired, the amount of allowances is measured for the remaining lending period as difference between the gross carrying amount of assets and present value of future cash flows.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Measurement of expected credit losses continued

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where possible, the Group uses market inputs for assessment of PD of large counteragents - legal entities. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group estimates LGD parameters based on the history of recovery rates of operating activities and sale of collateral, which are based on statistical data and judgements on defaulted borrowers. The LGD models consider the structure, collateral and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value ("LTV") ratios are a key parameter in determining LGD. LGDs are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the guaranteed exposure when the financial guarantee becomes payable.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include instrument type; credit risk gradings, collateral type, LTV ratio for retail mortgages, date of initial recognition, remaining term to maturity, industry, and geographic location of the borrower.

The groupings must be subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Group has limited historical data, external benchmark information will be used to supplement the internally available data.

(In thousands of US dollar unless otherwise stated)

45. Banking - financial risk review, *continued*

Measurement of expected credit losses, continued

The portfolios at 31 December 2021 for which external benchmark information represents a significant input into measurement of ECLs are as follows.

Item	Carrying amount at 31 December 2021	External benchmarks used PD	LGD
	US$'000		
Cash and cash equivalents (less amounts held in cash)*	2,434,581	Moody's default study	100%. 0% - if the Government acts as a counterparty
Amounts due from banks and other financial institutions	82,605	Moody's default study	100%. 0% - if the Government acts as a counterparty
Investment securities**	1,485,707	Moody's default study	Moody's recovery rates study
Promissory notes from the MFRK	239,413	Moody's default study	0%

** Total balance sheet amount of (US$'000 – 2,682,264) less amounts held in cash in current accounts of (US$'000 247,683).*

*** US$'000 1,175,032 are measured using Moody's rates. Other Investment securities held in the group totalling US$'000 310,675 are measured using other market-based metrics.*

The portfolios at 31 December 2020 for which external benchmark information represents a significant input into measurement of ECLs are as follows.

Item	Carrying amount at 31 December 2020	External benchmarks used PD	LGD
	US$'000		
Cash and cash equivalents (less amounts held in cash)*	2,933,146	Moody's default study	100%. 0% - if the Government acts as a counterparty
Amounts due from banks and other financial institutions	199,018	Moody's default study	100%. 0% - if the Government acts as a counterparty
Investment securities	818,680	Moody's default study	Moody's recovery rates study
Promissory notes from the MFRK	245,095	Moody's default study	0%

** Total balance sheet amount of (US$'000 – 3,346,805) less amounts held in cash in current accounts of (US$'000 413,659).*

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, and FVTOCI debt instruments as at 31 December 2021 and 31 December 2020. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

(In thousands of US dollar unless otherwise stated)

45. Banking - financial risk review, *continued*

	31 December 2021			
	Stage 1	*Stage 2*	*POCI*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash and cash equivalents				
- rated from AA- to AA+	94,635	-	-	94,635
- rated from A- to A+	183,207	-	-	183,207
- rated from BBB- to BBB+	1,719,985	-	-	1,719,985
- rated from BB- to BB+	15,366	-	-	15,366
- rated from B- to B+	254,388	-	-	254,388
- not rated	33,967	-	-	33,967
Amounts receivable under reverse repurchase agreements	145,693	-	-	145,693
	2,447,241	-	-	2,447,241
Expected credit losses	(234)	-	-	(216)
Total	**2,447,007**	-	-	**2,447,025**
Amounts due from banks and other financial institutions				
- rated from A- to A+	13,849	-	-	13,849
- rated from BBB- to BBB+	43,493	-	-	43,493
- rated from BB- to BB+	1,188	-	-	1,188
- rated from B- to B+	2,597	-	-	2,597
- not rated	21,546	-	-	21,546
	82,673	-	-	82,673
Expected credit losses	(69)	-	-	(69)
Total	**82,604**	-	-	**82,604**
Investment securities measured at FVTOCI				
- rated from BBB- to BBB+	659,445	-	-	659,445
- rated from BB- to BB+	4,517	-	-	4,517
- not rated	-	1,349	-	1,349
Total	663,962	1,349	-	665,311
Expected credit losses (for information)	(276)	(393)	-	(395)
Investment securities measured at amortised cost				
- rated from BBB- to BBB+	493,539	-	-	493,539
- rated from BB- to BB+	-	-	-	-
- rated from B- to B+	16,336	-	-	16,336
	509,875	-	-	509,875
Expected credit losses	(154)	-	-	(154)
Total	509,721	-	-	509,721
Promissory note from the MFRK				
- rated from BBB- to BBB+	239,413	-	-	239,413
Total	**239,413**	-	-	**239,413**

(In thousands of US dollar unless otherwise stated)

45. Banking - financial risk review, *continued*

Credit quality analysis, continued

	31 December 2020			
	Stage 1	*Stage 2*	*POCI*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash and cash equivalents				
- rated from AA- to AA+	58,779	-	-	58,779
- rated from A- to A+	90,939	-	-	90,939
- rated from BBB- to BBB+	2,717,050	-	-	2,717,050
- rated from BB- to BB+	17,749	-	-	17,749
- rated from B- to B+	70,600	-	-	70,600
- not rated	7,682	-	-	7,682
Amounts receivable under reverse repurchase agreements	124,699	-	-	124,699
	3,087,498	-	-	3,087,498
Expected credit losses	(216)	-	-	(216)
Total	**3,087,282**	-	-	**3,087,282**
Amounts due from banks and other financial institutions				
- rated from A- to A+	10,951	-	-	10,951
- rated from BBB- to BBB+	163,474	-	-	163,474
- rated from BB- to BB+	1,585	-	-	1,585
- rated from B- to B+	3,732	-	-	3,732
- not rated	19,512	-	10,116	29,628
	199,254	-	10,116	209,370
Expected credit losses	(235)	-	(10,116)	(10,351)
Total	**199,019**	-	-	**199,019**
Investment securities measured at FVTOCI				
- rated from BBB- to BBB+	692,339	-	-	692,339
- rated from BB- to BB+	12,721	-	-	12,721
- not rated	-	1,459	-	1,459
Total	705,060	1,459	-	706,520
Expected credit losses (for information)	(88)	(307)	-	(395)
Investment securities measured at amortised cost				
- rated from BBB- to BBB+	93,654	-	-	93,654
- rated from BB- to BB+	3,066	-	-	3,066
- rated from B- to B+	15,593	-	-	15,593
	112,313	-	-	112,313
Expected credit losses	(152)	-	-	(152)
Total	112,161	-	-	112,161
Promissory note from the MFRK				
- rated from BBB- to BBB+	245,095	-	-	245,095
Total	**245,095**	-	-	**245,095**

(In thousands of US dollar unless otherwise stated)

45. Banking -financial risk review, ***continued***

Credit quality analysis, continued

	31 December 2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loans to corporate customers at amortised cost					
Not overdue	910,802	107,266	19,200	488,203	1,525,470
Overdue less than 30 days	6,663	3,664	310.30	12,548	23,185
Overdue 30–89 days	16	7,077	2,402	4,252	13,748
Overdue 90–179 days	-	-	2,356	58,693	61,049
Overdue 180–360 days	-	-	1,434	53,774	55,209
Overdue more than 360 days	-	-	3,813	153,023	156,836
	917,481	**118,007**	**29,515**	**770,493**	**1,835,497**
Expected credit losses	(5,280)	(4,335)	(9,210)	(526,266)	(545,091)
Total	**912,201**	**113,672**	**20,305**	**244,227**	**1,290,406**
Loans to retail customers at amortised cost					
Not overdue	569,704	2,616	2,846	9,031	584,196
Overdue less than 30 days	13,292	225	609	1,956	16,083
Overdue 30–89 days	1,191	5,034	947	1,289	8,461
Overdue 90–179 days	-	121.82	7,608	1,191	8,921
Overdue 180–360 days	-	-	9,438	2,177	11,615
Overdue more than 360 days	-	-	7,514	15,235	22,749
	584,187	**7,997**	**28,962**	**30,879**	**652,023**
Expected credit losses	(13,906)	(1,880)	(13,173)	(10,433)	(39,392)
Total	**570,281**	**6,116**	**15,789**	**20,445**	**612,631**

(In thousands of US dollar unless otherwise stated)

45. Banking -financial risk review, ***continued***

	31 December 2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loans to corporate customers at amortised cost					
Not overdue	1,040,147	34,877	808	586,409	1,662,240
Overdue less than 30 days	7,226	1,999	-	62,925	72,149
Overdue 30–89 days	4,321	185	128	27,000	31,635
Overdue 90–179 days	-	-	715	118,134	118,849
Overdue 180–360 days	-	-	11,801	146,267	158,069
Overdue more than 360 days	-	-	20,446	627,969	648,416
	1,051,694	**37,061**	**33,900**	**1,568,703**	**2,691,358**
Expected credit losses	(292)	(223)	(29,122)	(1,172,271)	(1,201,909)
Total	**1,051,402**	**36,838**	**4,778**	**396,432**	**1,489,449**
Loans to retail customers at amortised cost					
Not overdue	573,336	2,218	1,402	10,580	587,535
Overdue less than 30 days	13,373	1,293	207	5,213	20,085
Overdue 30–89 days	6,408	2,558	221	4,321	13,508
Overdue 90–179 days	26	-	3,477	5,724	9,227
Overdue 180–360 days	-	-	4,989	573	5,562
Overdue more than 360 days	21	-	28,894	39,196	68,111
	593,164	**6,068**	**39,191**	**65,606**	**704,029**
Expected credit losses	(3,551)	(1,835)	(31,922)	(42,076)	(79,385)
Total	**589,613**	**4,233**	**7,269**	**23,529**	**624,644**

	31 December 2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loans to retail customers at fair value through other comprehensive income					
Not overdue	140,032	7,304	-	-	147,336
Overdue less than 30 days	934	5,403	-	-	6,337
Overdue 30–89 days	-	5,978	-	-	5,978
Overdue 90–179 days	-	-	1,837	-	1,837
Overdue 180–360 days	-	-	3,763	-	3,763
Overdue more than 360 days	-	-	3,299	-	3,299
	140,966	**18,685**	**8,899**	**-**	**168,550**
Expected credit losses	-	-	-	-	(106,670)

(In thousands of US dollar unless otherwise stated)

45. Banking - financial risk review, ***continued***

Credit quality analysis, continued

	31 December 2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Other financial assets measured at amortised cost					
Not overdue	56,709	-	382	814	57,905
Overdue less than 30 days	4,825	-	-	60	4,885
Overdue 30–89 days	-	145	-	322	467
Overdue 90–179 days	-	46	308	48	402
Overdue 180–360 days	-	-	92	-	92
Overdue more than 360 days	-	-	347	-	347
	61,534	**191**	**1,129**	**1,244**	**64,098**
Expected credit losses	(1,830)	(306)	(864)	(60)	(3,060)
Total	**59,704**	**(115)**	**265**	**1,184**	**61,038**

	31 December 2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Other financial assets measured at amortised cost					
Not overdue	18,204	-	17,740	1,000	36,944
Overdue less than 30 days	310	-	3	5	318
Overdue 30–89 days	1,296	178	3	118	1,595
Overdue 90–179 days	24	-	13	-	37
Overdue 180–360 days	963	81	2,340	10	3,394
Overdue more than 360 days	89	-	23,873	-	23,962
	20,886	**259**	**43,972**	**1,133**	**66,250**
Expected credit losses	(79)	(108)	(3,584)	(37)	(3,808)
Total	**20,807**	**151**	**40,388**	**1,096**	**62,442**

46. Insurance risk management

The Group issues contracts that transfer insurance risk. This section summarises these risks and methods, which the Group uses to manage them.

Risk management objectives and policies for mitigating insurance risk

The Group's management of insurance is a critical aspect of the business. For insurance contracts, the objective is to select assets with duration and a maturity value which match the expected cash flows from the claims on those portfolios.

The primary insurance and reinsurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, cargo, health, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The theory of probability is applied to the pricing and provisioning for insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

46. Insurance risk management, *continued*

Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The underwriting strategy is set out in the business plan that sets out the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Group is prepared to underwrite. The strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to enforce appropriate risk selection within the portfolio.

Calculation of the tariffs and prices on insurance product reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to significantly mitigate financial risks.

Adherence to the underwriting authorities is being monitored by management on an on–going basis. Those transactions requiring special authorisation are subject to the special attention of the Board of Directors of Jusan Garant Insurance Company JSC.

Reinsurance strategy

The Group reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Group buys facultative and Excess–of–Loss ("XL") based reinsurance to reduce the net exposure and not to exceed the actual margin of solvency.

Ceded reinsurance contains credit risk, and such reinsurance recoveries are reported after deductions for known insolvencies and uncollectible items. The Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

The Group does not utilise any stop–loss reinsurance to control its risk of losses resulting from one-off event.

Terms and conditions of insurance contracts and nature of risks covered

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below. In addition, the following gives an assessment of the Group's main products and the ways in which it manages the associated risks.

General insurance contract – Civil liability of a carrier to passengers

Product features

The purpose of mandatory insurance of civil liability of a carrier to passengers is the carrier's property interest related to its obligation established by the civil legislation of the Republic of Kazakhstan to compensate damage caused to life, health and/or property of the passengers during their transportation. This product generates income from the insurance and reinsurance premiums less amounts paid to cover claims and expenses incurred by the Group. The amount payable to a passenger in case of his/her suffering a property damage and/or damage to health, life is fixed in accordance with the legislation of the Republic of Kazakhstan. General civil liability is generally considered a 'long tail' line, as it takes a relatively long period of time to finalise and settle claims for a given accident year.

Risk Management

The key risks associated with this product are underwriting risk, such as, uncertainty in calculation of the insurance payment and others. The estimated size of the reported loss is calculated based on the following information:

- In case of property damage the maximum amount is determined equal to the value of the baggage lost and/or things held by /(or put on) a passenger.
- In case of damage caused to health but without disability assignment a fixed amount is set as a compensation.
- If a disability is assigned a fixed amount is set for reimbursement, depending on the disability degree. If a passenger health is aggravated, and/or in case of his/her death, the reimbursable amount is subject to recalculation.
- In case of death a fixed reimbursable amount is determined.

Insurance risk is managed primarily through pricing, product design, underwriting and payments' management. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

46. Insurance risk management, ***continued***

Insurance contracts - Insurance against other financial losses

Product features

The subject of the contract of voluntary insurance against financial losses are the property interests of the policyholder related to the occurrence of losses resulting from a loss of work, loss of income, adverse acts of nature, continuous unforeseen expenses, loss of market value, non-performance/improper performance of contractual obligations of the counterparty to the policyholder and other losses arising from carrying out the financial and economic activity.

An insured event is occurrence of financial losses of the policyholder when the latter carries out its financial and economic activity.

Covered risks:

Inflation-related insured events:

- losses arising as a result of an unexpected increase in the inflation rate (unforeseen inflation means an inflation rate different from the one projected by the state authorities, in the amount established by the insurance contract), which caused decrease in purchasing power, etc.;
- losses of investors, banks and other credit institutions resulting from the unforeseen excess of interest rates paid on the funds raised over interest rates on loans provided, as well as losses resulting from changes in interest rates in the securities market in the amount established by the insurance contract;
- losses arising as a result of changes in the exchange rates of the foreign currencies in relation to the national monetary unit when carrying out the foreign trade, credit and currency operations, as well as losses related to changes in the exchange rate of the currency of payments during the period from the contract conclusion and to its performance, in the amount established by the insurance contract.

Insured events of commercial nature:

- losses arising from non-performance (improper performance) by the policyholder's counterparty of its contractual obligations to the policyholder in accordance with the procedure and by the deadline stipulated in the contract (non-payment of goods, works or services; failure to supply raw materials, goods, components, etc.) that have resulted in a total or partial loss of income (additional expenses) of the policyholder;
- losses arising from a partial or total loss of the cost of investment as a result of the actions of the state authorities and management bodies;
- losses arising from unauthorised access to the computer systems of the policyholder, processing company, electronic money transfer systems, electronic systems of communication with clients.

Risk Management

The key risks associated with this product are underwriting risk, such as, uncertainty in calculation of the insurance payment and others. The estimated size of the reported loss is calculated based on the following information:

The policyholder's accounting and financial reporting data, namely, breakdown of the expense items with the supporting documents attached. Depending on the circumstances accompanying an insured event, the list of required documents can be extended.

Insurance risk is managed primarily through pricing, product design, underwriting and payments' management. The Group therefore monitors and responds to changes in the general economic and commercial environment in which it operates.

Insurance contracts – Property

Product features

Property insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage to its own material property and business interruption arising from this damage.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (such as a fire or burglary) and the cause is readily determinable. The claim will thus be notified promptly and can be settled without delay. Property business is therefore classified as 'short–tail', contrasted with 'long–tail' classes where the ultimate claim cost takes longer to determine.

46. Insurance risk management, *continued*

Insurance contracts – Property, continued

Risk Management

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the different properties it insures. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a property portfolio.

Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts and relate to circumstances where significant liabilities could arise.

Insurance contracts – Vehicles owner's civil liability and general civil liability

Product features

The Group undertakes general civil liability insurance on compulsory and voluntary types of insurance in the Republic of Kazakhstan, and vehicles owner's civil liability on compulsory types of insurance in the Republic of Kazakhstan. Under these contracts policyholders are reimbursed for any monetary compensation awards paid for the injury caused to body, life, health and /or property of the third parties. General civil liability is generally considered a long tail line, as it takes a relatively long period of time to finalise and settle claims for a given accident year.

Risk Management

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Cargo Insurance

Product features

The Group writes cargo insurance. Cargo insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage of cargo during transportation to the buyers. The return to shareholders under this product arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Group. The event giving rise to a claim could be characterised as "low effect – high frequency" and the cause is readily determinable. The claim will thus be notified promptly and can be settled without delay. Cargo business is therefore classified as 'short–tail'.

Risk Management

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk. The Group will also be exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the different routes it insures. The risk on any policy will vary according to many factors such as route and destination, safety measures of the carrier, nature of cargo etc. Many commercial cargo proposals will comprise a unique combination of route and destination, type of cargo, and safety measures accepted by carriers. Calculating a premium commensurate with the risk for these policies will be subjective.

Cargo classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a cargo portfolio. Insurance risk is managed primarily through sensible pricing, product design, risk selection and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates. Within the insurance process, it is unlikely that concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Cargo supplies are generally made by limited batches and various supplies are not connected.

46. Insurance risk management, ***continued***

Insurance contracts – Casualty insurance

Product features

The purpose of the casualty insurance is to insure an employee in the event of death or significant injury caused to body, life or health, which leaded to full or partial disability of an insurant, or any other injury. Income from this product is generated from the receipt of insurance premiums less amounts paid to cover claims and expenses incurred by the Group. The amount payable to an employee in the event of death or injury is outlined in the contract and depends on the severity of injuries and their consequences. As a result of the long period that it typically takes to finalise and settle claims for a given accident year, casualty is regarded as "long tail" business.

Insurance contracts – Casualty insurance, continued

Risk Management

The key risks associated with this product are underwriting risk, such as, uncertainty in calculation of the insurance payment and others.

The estimated size of the reported loss is calculated based on the following information:

- in case of persistent disablement of the employee:
  - repayment period – the period of establishing physical disability by the medical expert committee (it may be several years for lifetime disability benefit)
  - degree of the insured's injury (disability).
- in case of death:
  - the payment is made in the amount of 100% of the insurance amount.

Concentration of insurance risk

A key aspect of the insurance risk faced by the Group is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contracts tranche.

Concentrations of risk can arise in both high–severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography or demographic trend.

The Group's key methods in managing these risks are two–fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed. Secondly, the risk is managed through the use of reinsurance. The Group purchases reinsurance coverage for various classes of its liability and property business. The Group assesses the costs and benefits associated with the reinsurance programme on an ongoing basis.

Total aggregate exposures

The Group sets out the total aggregate exposure that it is prepared to accept in relation to concentrations of risk. It monitors these exposures both at the time of underwriting a risk, and on a monthly basis by reviewing reports which show the key aggregations to which the Group is exposed. The Group uses a number of modelling tools to monitor aggregation in order to measure the effectiveness of the reinsurance programmes and the net exposure to which the Group is exposed.

(In thousands of US dollar unless otherwise stated)

46. Insurance risk management, *continued*

Total aggregate exposures *continued*

As at 31 December 2021 the Group has 496,435 insurance agreements in force (31 December 2020: 276,318 agreements).

Exposure to various business lines

The key concentrations identified as at 31 December 2021 are:

Type of insurance	*Total insured amount*	*Reinsurance amount*	*Net retention (after reinsurance)*
	US$'000	**US$'000**	**US$'000**
Vehicles owner's liability - obligatory	12,189,013	-	12,189,013
Property – voluntary	3,125,278	720,651	2,404,627
Civil liability of passenger carrier – obligatory	2,491,534	8,293	2,483,241
Civil liability – voluntary	1,227,128	154,953	1,072,175
Vehicles and cargo – voluntary	663,328	177,070	486,258
Financial losses liability – voluntary	421,811	16,117	405,694
Casualty - voluntary	59,438	51,333	8,105
Other voluntary	36,802	31,830	4,972
Other obligatory	43,957	-	43,957
Total	**20,258,289**	**1,160,247**	**19,098,042**

Exposure to various business lines, continued

The key concentrations identified as at 31 December 2020 are:

Type of insurance	*Total insured amount*	*Reinsurance amount*	*Net retention (after reinsurance)*
	US$'000	**US$'000**	**US$'000**
Vehicles owner's liability - obligatory	5,742,207	-	5,742,207
Property – voluntary	1,992,116	307,552	1,684,564
Civil liability of passenger carrier – obligatory	1,634,126	2,308	1,631,818
Civil liability – voluntary	461,470	89,696	371,774
Vehicles and cargo – voluntary	1,284,051	217,166	1,066,885
Financial losses liability – voluntary	29,322	-	29,322
Casualty - voluntary	45,518	31,026	14,492
Other voluntary	250,797	6,748	244,049
Other obligatory	36,771	30,254	6,518
Total	**11,476,378**	**684,750**	**10,791,628**

Exposure by other countries

The Group is exposed to risks in countries other than the Republic of Kazakhstan, as the Group has no insurance contracts covering risk outside the Republic of Kazakhstan.

Exposure to catastrophe events

The greatest likelihood of significant losses to the Group arises from catastrophic events, such as earthquake damage, resulting from an earthquake in Almaty. The Group does not possess catastrophe modelling techniques and the software facilitating the modelling of Probable Maximum Loss ("PML"). However, the Group made an estimate of its losses that it believes will not exceed 20% of total aggregate exposure.

(In thousands of US dollar unless otherwise stated)

46. Insurance risk management, ***continued***

The key concentration identified is:

	Total insurance amount	*Estimated PML (before reinsurance)*	*Net retention (after reinsurance)*
Catastrophe events	**US$'000**	**US$'000**	**US$'000**
Almaty earthquake with magnitude exceeding seven points under Richter scale	856,296	171,259	99,345

Claims development

The Group uses statistical methods for insurance contract provisioning. Uncertainty about the amount and timing of claims payment for all insurance contracts is typically resolved within one year. While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, users of these consolidated financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Group believes that the estimate of total claims outstanding as of the end of 2021 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Analysis of claims development (gross) – total

	Accident year			
	2018	*2019*	*2020*	*2021*
Estimate of cumulative claims	**US$'000**	**US$'000**	**US$'000**	**US$'000**
At end of accident year	4,473	6,831	9,881	22,636
- one year later	3,317	6,436	9,316	-
- two years later	3,439	6,569	-	-
- three years later	2,841	-	-	-
Cumulative claims	2,841	6,569	9,316	22,636
Cumulative payments to date	(2,827)	(4,983)	(7,213)	(8,431)
Gross outstanding claims liabilities	**14**	**1,586**	**2,103**	**14,205**

Assumptions and sensitivity analysis

Process used to determine the assumptions

Assumptions used to assess insurance assets and liabilities are adopted for more accurate estimation of reserves needed to cover any future liabilities for insurance contracts.

However, given the uncertainty in establishing outstanding claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related external claims handling expenses, less amounts already paid. The provision for claims is not discounted for the time value of money.

The sources of data used as inputs for the assumptions are typically internal to the Company, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market information or other published information. However, there is a shortage of publicly available information on the Kazakhstan insurance market, which would be relevant for determining assumptions and susceptibility to changes in core business.

The estimation of incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than the estimates of outstanding claims already notified, where more information is available. IBNR claims may often not be apparent to the Group until sometime after the occurrence of the event giving rise to the claim. Due to the short tail nature of the Group's portfolio a substantial amount of claims are settled within one year after the occurrence of the event giving rise to the claim.

46. Insurance risk management, _continued_

Claims provisions for four classes of insurance (obligatory vehicle owner`s liability, obligatory employer's civil liability, voluntary transport insurance and voluntary medical insurance) are estimated using a range of statistical methods. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each accident year based upon observed development of earlier years and expected loss ratios.

The key statistical method is the chain ladder method, which uses historical data to estimate the paid and incurred to date proportions of the ultimate claim cost.

Process used to determine the assumptions, continued

The actual method or combination of methods used varies by the class of insurance contract based on observed historical claims development, but a key assumption which supports the determination of ultimate expected losses is the loss ratio of 60% of incurred losses.

Large claims are generally assessed separately and are measured on a case by case basis or projected separately in order to allow for the possible distorting effects on development and incidence of these large claims. Claims provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The method uses historical data, gross IBNR estimates and the terms and conditions of the reinsurance contracts to estimate the carrying value of the IBNR reinsurance asset. The Actuary of the Group is responsible for calculation of insurance reserves.

For other classes of insurance except for the mentioned above, the IBNR is calculated as minimum 5% of gross premium due to lack of statistics.

Sensitivity analysis

Management believes that, due to the 'short-tail' nature of the Group's business, the performance of the Group's portfolio is sensitive mainly to changes in observed claims developments of the reporting year. The Group adjusts its insurance tariffs on a regular basis based on the latest developments in these variables so that any emerging trends are taken into account.

(In thousands of US dollar unless otherwise stated)

47. Fair value of financial instruments

Group

Accounting classifications and fair values

For the purposes of fair value disclosures, the Group has determined categories of assets and liabilities based on their nature, characteristics and risks inherent to assets or liabilities as well as the level in the fair value hierarchy. The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2021:

	Measured at fair value through profit or loss	*Measured at amortised cost*	*Measured at fair value through other comprehensive income*	*Total carrying amount*	*Fair value*
Financial assets	US$'000	US$'000	US$'000	US$'000	US$'000
Cash and cash equivalents	-	2,682,264	-	2,682,264	2,682,264
Amounts due from banks and other financial institutions	-	82,605	-	82,605	82,605
Trading securities	289,946	-	-	289,946	289,946
Investment securities measured at fair value through other comprehensive income	242,778	-	-	242,778	242,778
Investment securities measured at fair value through profit or loss	-	-	733,209	733,209	733,209
Loans to customers	41,167	1,903,039	-	1,944,206	1,944,206
Investment securities measured at amortised cost	-	509,720	-	509,720	509,720
Promissory notes from the MFRK	-	-	239,413	239,413	239,413
Insurance premiums	-	15,933	-	15,933	15,933
Other financial assets	-	56,647	-	56,647	56,647
	573,890	5,250,208	972,622	6,796,722	6,796,722
Financial liabilities					
Amounts due to banks and other financial institutions	-	125,928	-	125,928	125,928
Amounts due to customers	-	4,086,608	-	4,086,608	4,086,608
Derivative financial liabilities	1,213	-	-	1,213	1,213
Debt securities issued	-	561,578	-	561,578	561,578
Subordinated debt securities issued	-	428,776	-	428,776	428,776
Lease liabilities	-	12,476	-	12,476	12,476
Amounts payable under repurchase agreements	-	22,958	-	22,958	22,958
Other financial liabilities	-	33,351	-	33,351	33,351
	1,213	5,271,675	-	5,272,888	5,272,887

(In thousands of US dollar unless otherwise stated)

47. Fair value of financial instruments, *continued*

Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020:

	Measured at fair value through profit or loss	*Measured at amortised cost*	*Measured at fair value through other comprehensive income*	*Total carrying amount*	*Fair value*
Financial assets	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Cash and cash equivalents	-	3,346,805	-	3,346,805	3,346,805
Amounts due from banks and other financial institutions	-	199,018	-	199,018	199,018
Trading securities	263,870	-	-	263,870	263,870
Investment securities measured at FVTPL	62,033	-	-	62,033	62,033
Investment securities measured at FVOCI	-	-	706,653	706,653	706,653
Loans to customers	59,442	2,114,093	168,551	2,342,086	2,342,086
Investment securities measured at amortised cost	-	112,393	-	112,393	112,393
Acquired right of claim on promissory note to the MFRK	-	245,095	-	245,095	245,095
Insurance premiums	-	9,201	-	9,201	9,201
Other financial assets	-	53,445	-	53,445	53,445
	385,345	**6,080,050**	**875,204**	**7,340,599**	**7,340,599**
Financial liabilities					
Amounts due to banks and other financial institutions	-	202,420	-	202,420	202,420
Current accounts and deposits from customers	-	4,325,042	-	4,325,042	4,325,042
Derivative financial instruments	462	-	-	462	462
Debt securities issued	-	550,990	-	550,990	550,990
Subordinated debts	-	469,461	-	469,461	469,461
Lease liabilities	-	14,259	-	14,259	14,259
Amounts payable under repurchase agreements	-	107,611	-	107,611	107,611
Other Loans	-	8,012	-	8,012	8,012
Other financial liabilities	-	19,218	-	19,218	19,218
	462	**5,697,013**	**-**	**5,697,475**	**5,697,475**

(In thousands of US dollar unless otherwise stated)

47. Fair value of financial instruments, ***continued***

Company

31 December 2021:

	Measured at fair value through profit or loss	*Measured at amortised cost*
	US$'000	**US$'000**
Financial assets		
Cash and cash equivalents	-	14,894
Other bank deposit (restricted cash) – *note 20*	-	33,500
Investments measured at fair value through profit or loss	66,311	-
Other financial assets	-	78
	66,311	**48,472**
Financial liabilities		
Derivative financial liabilities	(20,495)	-
Other financial liabilities	-	(4,097)
	(20,495)	**(4,097)**

31 December 2020:

	Measured at fair value through profit or loss	*Measured at amortised cost*
	US$'000	**US$'000**
Financial assets		
Cash and cash equivalents	-	146,966
Other bank deposit (restricted cash) – *note 20*	-	27,500
Investments measured at fair value through profit or loss	59,235	-
Other financial assets	-	80
	59,235	**174,546**
Financial liabilities		
Derivative financial liabilities	(28,624)	-
Other financial liabilities	-	(119)
	(28,624)	**(119)**

Investments measured at fair value through profit or loss are level 1 in the fair value hierarchy. Derivative financial liabilities are level 2 in the fair value hierarchy.

Fair value estimation

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

47. Fair value of financial instruments, ***continued***

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk–free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, the Group uses proprietary valuation models. 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. Example of instruments involving significant unobservable inputs includes certain securities for which there is no active market.

The following assumptions are used by the Management to estimate the fair values of financial instruments as at 31 December 2021:

- discount rates of 13.26% - 15.62% p.a., 6.00% - 31.00% p.a. and 4.40% - 23.00% p.a. are used for discounting future cash flows from loans to corporate customers denominated in KZT, KGS and USD, respectively (31 December 2020: 12.2% - 15.3% p.a., 5.00% - 30.00% p.a. and 4.00% - 19.00% p.a., respectively);
- discount rates of 9.52% - 33.70% p.a. and 7.00% - 31.00% p.a. are used for discounting future cash flows from loans to retail customers denominated in KZT and KGS, respectively (31 December 2020: 4.60% - 22.00% p.a. and 4.00% - 32.00% p.a.);
- discount rates of 0.40% - 7.50% p.a., 0.01% - 13.00% p.a. and 0.6% - 8.4% p.a. are used for discounting future cash flows from current accounts and deposits of corporate and retail customers denominated in KZT, KGS and USD, respectively (31 December 2020: 0.4% - 8.9% p.a., 1.20% - 13.00% p.a. and 0.50% - 13.00% p.a., respectively);
- discount rates of 13.80% - 14.60% p.a. are used for discounting future cash flows from debt securities issued denominated in KZT, and 5.30% p.a. - on debt securities issued denominated in USD (31 December 2020: 11.2% - 13.5% p.a.);
- discount rate of 13.82% - 14.64% p.a. is used for discounting future cash flows from subordinated debt (31 December 2020: 11.7% - 15.3% p.a.).

Assets for which fair value approximates 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 their fair value. This assumption is also applied to current accounts, demand deposits and savings accounts without a specific maturity.

Fair value hierarchy

The table below analyses financial instruments measured at fair value at 31 December 2021 and 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

(In thousands of US dollar unless otherwise stated)

47. Fair value of financial instruments, ***continued***

For other financial assets and financial liabilities not presented below carrying amounts are not materially different to fair value.

As at 31 December 2021	*Measurement date*	*Fair value measurement using* *Input data of Level 1*	*Input data of Level 2*	*Input data of Level 3*	*Total*
		US$'000	**US$'000**	**US$'000**	**US$'000**
Financial instruments measured at fair value through profit or loss					
- derivative financial liabilities	31 Dec 2021	-	1,078	-	**1,078**
- trading securities	31 Dec 2021	148,219	141,728	-	**289,946**
- loans to customers	31 Dec 2021	-	-	41,167	**41,167**
Equity financial instruments measured at FVOCI					
- corporate shares	31 Dec 2021	-	67,899	-	**67,899**
Debt financial instruments measured at FVOCI					
- investment securities measured at FVOCI	31 Dec 2021	28,932	636,379	-	**665,311**
- acquired right of claim on promissory note to the MFRK	31 Dec 2021	-	239,413	-	**239,413**

As at 31 December 2020	*Measurement date*	*Fair value measurement using* *Input data of Level 1*	*Input data of Level 2*	*Input data of Level 3*	*Total*
		US$'000	**US$'000**	**US$'000**	**US$'000**
Financial instruments at FVTPL:					
- derivative financial liabilities	31 Dec 2020	-	(462)	-	**(462)**
- trading securities	31 Dec 2020	225,253	38,620	-	**263,873**
- loans to customers	31 Dec 2020	-	-	59,442	**59,442**
- investment securities	31 Dec 2020	66,033	-	-	**66,033**
Debt financial instruments at FVTOCI:					**-**
- investment securities at FVTOCI	31 Dec 2020	43,612	663,041	-	**706,653**
- loans to customers	31 Dec 2020	-	168,551	-	**168,551**
- promissory notes from the MFRK	31 Dec 2020	-	245,095	-	**245,095**

Securities, which are listed on Kazakh Stock Exchange, but which do not have an active market as at 31 December 2021 and 2020 are classified as Level 2 in the fair value hierarchy. As at 31 December 2021, the financial instruments classified as Level 2, include government securities for the amount of US$ 636,38 million (KZT 276,863 million) (31 December 2020: US$661.7 million (KZT 287,371 million)) and promissory notes from the MFRK in the amount of US$ 239,41 million (KZT 104,159 million) (31 December 2020: US$245.1 million (KZT 103,114 million)).

During 2021 and 2020, the Group did not make any transfers between levels 1 and 2, 2 and 3 of the fair value hierarchy.

In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the currency market. In cases where all inputs are not observable, for example because there are no observable trades in a similar risk at the reporting date, the Group uses valuation techniques that rely on unobservable inputs – e.g., volatilities of certain underlying, expectations on termination periods.

(In thousands of US dollar unless otherwise stated)

47. Fair value of financial instruments, *continued*

Changes in Level 3 assets measured at fair value

The fair value of loans to customers measured at FVTPL is determined using the discounted cash flows valuation technique. The valuation model considers the present value of expected future cash flows from the foreclosure of collateral, discounted using a risk-adjusted discount rate from 16.28% to 19.30% p.a. (31 December 2020: from 11.95% to 14.95% p.a.). Unobservable inputs to valuation models include credit, market and liquidity risk adjustments associated with expected cash flows from the borrower's operations or the valuation of collateral. For the assumptions used in estimation of expected future cash flows from the foreclosure of collateral please refer to *Note 24.*

The following table shows a reconciliation of the amounts recognised at the beginning and at the end of the reporting period for Level 3 financial assets carried at fair value:

	Fair value measurement	
Loans to customers measured at fair value through profit or loss	*2021*	*2020*
	US$'000	**US$'000**
At 1 January	59,442	76,609
Net interest income	4,519	8,588
Interest paid	(3,034)	(2,114)
Net expense from movements in fair value	(17,800)	(16,620)
Exchange differences	(1,960)	(7,021)
At 31 December	**41,167**	**59,442**

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

48. Subsequent events

On 14 May 2022 a call option agreement was entered between the Company and minority shareholders to buy back 3.38% of the ordinary voting shares of FHS. This call option was exercised and the transfer of shares to the Company was fully completed on 14 June 2022. As a result, the Company's share of FHS has increased to 99.48% of voting shares.

On 14 May 2022 a call option deed was entered between the Company and a minority shareholder to buyback 12,255,099 B Ordinary Shares of the Company. This call option was exercised and the transfer of shares to the Company was completed on 22 May 2022.

On 21 June 2022 shareholders of the Company decided to pay dividends in the amount of US$ 12.39 million. On 14 July 2022 the Company paid dividends in the amount of US$ 12 million to Jysan Holding LLC.

(In thousands of US dollar unless otherwise stated)

49. Business combinations and disposals

Acquisition of Jusan Mobile JSC by JV:

	As at December 31, 2021 US$'000
Investments	45,729
Minority share	2,119
Net assets at the acquisition date	(44,248)
Goodwill	3 600

The non-controlling interest was recognized as a proportionate share of the minority's interest in the net assets of the transferred companies.

Difference between the consideration paid and the carrying amounts of net assets were next:

	As at January 1, 2021 US$'000	As at December 31, 2020 US$'000
Net assets received	3 380	8 150
The non-controlling interest as at acquisition date	13	(34)
Change in non-controlling interests during the period	6	
Investments in subsidiaries	(1 861)	(10 406)
Minority share supplement	21	
Additional paid-in capital (balance)	1 559	(2 290)

Disposal of subsidiaries

On 7 September 2021, the Group lost control over Kvant Mobile Bank PJSC due to sale of 100% shares of Pioneer Capital Invest LLP, a company related to the Group by a special relationship, under the terms set forth in the share purchase agreement dated 31 August 2021. The total value of transaction (or the market value of transaction) for Kvant Mobile Bank PJSC's shares was RUB 2.359 million or RUB 12.21 per share.

The loss on disposal of Kvant Mobile Bank PJSC recognised in the consolidated statement of changes in equity amounted to US$ 24,052 million.

On 12 July 2021, management decided to sell to Rodnik INC LLC 100% interest in the charter capital of KazTransCom Industrial Outsourcing Zhezkazgan LLC for an agreed price of 278 thousand tenge, and 100% interest in the charter capital of KazTransCom Industrial Outsourcing LLC for an agreed price of 278 thousand tenge.

The loss on disposal of subsidiaries of Jusan Mobile JSC recognised in the consolidated statement of changes in equity amounted to US$0.143 million.

Total losses on disposal recognised in the consolidated statement of profit and loss amounted US$24,195m, being the sum of the above disposals of Kvant Mobile Bank PJSC and Jusan Mobile JSC.

50. Non-controlling interests

At 31 December 2021 the following non-controlling interests were reported:

	2021 US$'000	2020 US$'000
First Heartland Jusan Bank JSC	270,944	255,890
Subsidiaries of Jusan Ventures LLP	12	115
	270,956	**256,005**

The only material non-controlling interest reported in the consolidated financial statements is in respect of Jusan Bank (see note 51) whereby 21.27% of the equity of that subsidiary is held by non-controlling interests.

Summarised financial information relating to that non-controlling interest is stated below.

Dividends

Dividends in the amount US$5,138 thousands were paid to the non-controlling interest during the year.

(In thousands of US dollar unless otherwise stated)

50. Non-controlling interests, ***continued***

Summarised Financial Information

	2021		**2020**	
	US$'000	**KZT (million)**	**US$'000**	**KZT (million)**
Assets	6,886,399	2,995,994	7,538,870	3,171,678
Liabilities	5,789,416	2,518,741	6,257,006	2,632,385
Net assets	**1,096,983**	**477,253**	**1,281,864**	**539,293**
Non-controlling interest carrying amount	96,975	42,190	82,035	34,513
Profit	111,365	47,510	626,362	258,199
Other comprehensive income	12,508	5,336	1,727	714
Total comprehensive income	**123,873**	**52,846**	**628,089**	**258,913**
Profit attributable to a non-controlling interest	1,692	722	(2)	(1)
Other comprehensive income attributable to a non-controlling interest	206	88	-	-
Net cash flows from operating activities	139,388	59,465	600,377	248,172
Net cash (used)/from investing activities	(423,180)	(180,535)	1,921,664	794,339
Net cash (used)/from financing activities (dividends to non-controlling shareholders in 2021) KZT 1,319 million; dividends to non-controlling shareholders in 2020: none)	(327,966)	(139,915)	100,005	41,338
Net (decrease)/increase in cash and cash equivalents	**(611,758)**	**(260,985)**	**2,676,142**	**1,106,210**

(In thousands of US dollar unless otherwise stated)

51. Subsidiary undertakings

Cost	*2021* US$'000	*2020* US$'000
Balance at beginning of year		
Arising on a group reconstruction	987,962	987,962
Additions	191,284	-
Balance at end of year	**1,179,246**	**987,962**

The tables below set out the Company's subsidiary undertakings:

Name	Country of Incorporation	% of Voting rights held	Activities	Registered office
Subsidiary of company				
First Heartland Securities JSC ("FHS")	Kazakhstan	96.1%	Brokerage activity on transactions with securities, with the exception of activities related to the management of the assets of the national fund, gold and foreign exchange assets of the national bank, pension assets; Activities related to the management of financial markets	Almaty, Nursultan Nazarbayev Avenue, 242
Subsidiaries of FHS (direct and indirect)				
First Heartland Jusan Bank JSC ("JB")	Kazakhstan	78.73%	Commercial banking, providing loans and guarantees, attracting deposits, opening and maintaining customer accounts, providing settlement and cash services, conducting transactions with securities and foreign currency.	Almaty, Nursultan Nazarbayev Avenue, 242
First Heartland Jusan Invest JSC	Kazakhstan	95.00%	Brokerage and dealer activities in transactions with securities and goods, except for activities related to the management of the assets of the national fund, gold and foreign exchange assets of the national bank, management of investment portfolios of clients.	Nur-Sultan, Syganak Street, 24

(In thousands of US dollar unless otherwise stated)

51. Subsidiary undertakings, *continued*

The tables below set out the Company's subsidiary undertakings, *continued*:

Name	Country of Incorporation	% of Voting rights held	Activities	Registered office
Subsidiaries of FHS (direct and indirect)				
Insurance Company Jusan Garant JSC	Kazakhstan	100.00%	Civil liability insurance of vehicle owners, other types of civil liability, property, vehicle and cargo insurance, accident insurance and other types of insurance.	Almaty, Auezova street, 60
First Heartland Capital JSC	Kazakhstan	100.00%	Investment portfolio management without the right to attract voluntary pension contributions, providing consulting services on the activities in the securities market.	Almaty, Khadzhy Mukan Street, 45
Ousa Yug LLP	Kazakhstan	100.00%	Distressed asset management activities	Almaty, Abaya Avenue, 20/14
Jusan Development LLP	Kazakhstan	100.00%	Distressed asset management activities	Almaty, Dostyk Avenue, 248B
Optima Bank OJSC	Kyrgyzstan	97.14%	Commercial banking, providing loans and guarantees, attracting deposits, opening and maintaining customer accounts, providing settlement and cash services, conducting transactions with securities and foreign currency.	Bishkek, Zhibek Zholy Avenue, 493

(In thousands of US dollar unless otherwise stated)

51. Subsidiary undertakings, ***continued***

The tables below set out the Company's subsidiary undertakings, *continued*:

Name	Country of Incorporation	% of Voting rights held	Principal activity	Registered office
Jusan Inkassaciya LLP (before TobetGroup LLP)	Kazakhstan	100.00%	Safe transportation of currency, precious metals, and the provision of related services.	Almaty, Fyodorova street, 12G
Jusan Property LLP (before ATF Project LLP)	Kazakhstan	100.00%	Distressed asset management activities	Nur- Almaty, Dostyk Avenue, 248B
VBR Real Estate LLP	Kazakshtan	52.00%	Leasing and property management	Almaty, Al-Farabi Avenue, 140A
SAPA NAN LLP	Kazakhstan	99.99%	Production of bread products	Nur-Sultan, Al-Farabi Avenue, 31/1
JFOOD KAZAKHSTAN LLP (before Concern Tsesna-Astyk LLP)	Kazakhstan	99.00%	Purchase, processing, sale of grain and products of its processing, packaging of products of our own production, wholesale and retail trade, commercial and intermediary activities, foreign economic activity.	Nur-Sultan, Al-Farabi Avenue, 45
JFOOD Mills LLP (before Elevator Tsesna Astyk LLP)	Kazakhstan	100.00%	Warehouse services with the issuance of grain receipts, the production and sale of flour products, mixed fodders, bakery and pasta products, the provision of storage services for fuels and lubricants, solid fuels, the provision of services for the provision of non-production areas of a grain-receiving enterprise for the installation of telecommunications facilities.	Nur-Sultan, Al-Farabi Avenue, 42/2
JFOOD Trade LLP (before Trade House Tsesna Astyk LLP)	Kazakhstan	100.00%	Retail sale primarily of food, beverages and tobacco in non-specialized stores	Nur-Sultan, Al-Farabi Avenue, 41
JFOOD Production LLP (before Tsena Mak LLP)	Kazakhstan	100.00%	Production of pasta and flour, production of heat energy by independent boiler houses.	Nur-Sultan, Al-Farabi Avenue, 45/2
Akmola-dirmen LLP	Kazakhstan	100.00%	Renting and managing your own real estate	Nur-Sultan, Al-Farabi Avenue, 45/3
JFOOD Distribution LLP (before Alma-Tses LLP)	Kazakhstan	100.00%	Wholesale of other food products; Wholesale trade in grain, seeds and animal feed; Electrical work on the laying of telecommunication, computer and television networks	Nur-Sultan, Bokeikhanova street, 39

(In thousands of US dollar unless otherwise stated)

51. Subsidiary undertakings, *continued*

The tables below set out the Company's subsidiary undertakings, *continued*:

Name	Country of Incorporation	% of Voting rights held	Principal activity	Registered office
Subsidiary of Company				
Jusan Ventures LLP ("JV")	Kazakhstan	100%	Activities of holding company	Almaty, Nursultan Nazarbayev Avenue, 242
Subsidiaries of JV (direct and indirect)				
Jusan Mart LLP	Kazakhstan	99.59%	Software development; Other activities in the field of information technology and information systems, not included in other groups; Postal activities within the framework of the provision of public services; Other postal and courier activities	Almaty, Al-Farabi Avenue 36
Astana Cargo Service LLP	Kazakhstan	99.00%	Logistic activities	Nur-Sultan, Alash road, 24/2
Kunar Trade LLP	Kazakhstan	99.99%	Commercial and intermediary activities, warehousing and storage of food products, logistics activities, purchase and sale, including for export, of grain	Nur-Sultan, Alash road, 24/6
Astyk Logistic LLP	Kazakhstan	99.96%	Logistic and distribution activities	Nur-Sultan, Alash road, 24/2
Almanit RUS LLC	Russia	100%	IT development activities	Moscow, Zhukov route, 23
Jpost LLP	Kazakhstan	100%	Activities related to various modes of transport and moving service, postal and courier activities, auxiliary transport activities, warehousing and storage of goods	Almaty, Al-Farabi Avenue 36
JTrade LLP	Kazakhstan	99.98%	Non-specialized wholesale of food, beverages and tobacco products; Other retail trade outside stores; Wholesale trade in a wide range of goods without any specification	Almaty, Dostyk Avenue 91/2 office 410
Trade Center Astykzhan LLP	Kazakhstan	99.00%	Trade activities	Nur-Sultan, Beysekov street, 3
Astykzhan Kostanay LLP	Kazakhstan	100%	Retail trade activities	Kostanay, Abay Avenue, 1B
Jusan Mobile JSC	Kazakhstan	95.00%	Local and international telephone communications, Internet access services, satellite communications, mobile communications	Radostovets street 69
CTC LLP	Kazakhstan	100%	other wireless telecommunications	Nauryzbai Batyra street 17

(In thousands of US dollar unless otherwise stated)

51. Subsidiary undertakings, ***continued***

The tables below set out the Company's subsidiary undertakings, *continued*:

Name	Country of Incorporation	% of Voting rights held	Principal activity	Registered office
Subsidiary of Company				
CTC Network LLP	Kazakhstan	100%	wired telecommunications for government agencies through a single transport environment	Nauryzbai Batyra street 17
Cloud Master LLP	Kazakhstan	100%	other activities in the field of information technology and information systems, not included in other groups	Severnyi residential quarter 3, building 3a
Subsidiary of Company				
JT International Sarl	Luxemburg	100%	Investment holding company	Luxemburg, Rue Goethe Street, 5