

**NATIONAL BANK
OF THE REPUBLIC OF
KAZAKHSTAN**

**CONSOLIDATED FINANCIAL
STATEMENTS**

**FOR THE YEAR
ENDED 31 DECEMBER 2021**

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**CONTENTS**

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021	3-4
INDEPENDENT AUDITORS’ REPORT	5-13
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021:	
Consolidated Statement of Profit or Loss	14-15
Consolidated Statement of Comprehensive Income	16
Consolidated Statement of Financial Position	17-18
Consolidated Statement of Cash Flows	19-22
Consolidated Statement of Changes in Equity	23-25
Notes to the Consolidated Financial Statements	26-195

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

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

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the National Bank of the Republic of Kazakhstan (the “NBK”) and its subsidiaries (the NBK and its subsidiaries together – the “National Bank”) as at 31 December 2021, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with the Basis of Preparation described in the Note 2 to the consolidated financial statements (the “Basis of Preparation”).

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

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- following requirements of the Basis of Preparation; and
- preparing the consolidated financial statements on a going concern basis.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the National Bank;
- maintaining adequate accounting records that disclose with reasonable accuracy at any time the consolidated financial position of the National Bank and which enable them to ensure that the consolidated financial statements of the National Bank comply with the requirements of the Basis of Preparation;
- maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the National Bank; and
- detecting and preventing and detecting fraud, errors and other irregularities.

The consolidated financial statements for the year ended 31 December 2021 were approved by the National Bank’s Management Board on 4 April 2022.

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Pirmatov G.O.
Governor

4 April 2022
Nur-Sultan, Kazakhstan

Taishibayeva D.A.
Chief Accountant

4 April 2022
Nur-Sultan, Kazakhstan



«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
Қазақстан, А25D6T5 Алматы,
Достық д-лы 180,
Tel.: +7 (727) 298 0898

KPMG Audit
Limited Liability Partnership
Kazakhstan A25D6T5 Almaty, 180
Dostyk Avenue
E-mail: company@kpmg.kz

Independent Auditors' Report

To the Management Board of the National Bank of the Republic of Kazakhstan

Qualified Opinion

We have audited the consolidated financial statements of the National Bank of the Republic of Kazakhstan and its subsidiaries (the “National Bank”), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the National Bank as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the basis of preparation described in Note 2 to the consolidated financial statements (the “Basis of Preparation”).

Basis for Qualified Opinion

The National Bank has measured unquoted equity securities stated at KZT 750,000,000 thousand as at 31 December 2021 and 31 December 2020 at cost on the basis that it was unable to obtain a reliable measurement of their fair value. A reliable measure of fair value could have been obtained, and therefore such investments should have been stated at fair value in accordance with the Basis of Preparation. The effects of this departure from the Basis of Preparation on investment securities at fair value through other

«КПМГ Аудит» ЖШС, Қазақстан Республикасы заңнамасына сәйкес тіркелген компания, жауапкершілігі өз қатысушыларының кепілдіктерімен шектелген KPMG International Limited жекеше ағылшын компаниясының құрамына кіретін KPMG тәуелсіз фирмалары жаһандық ұйымының қатысушысы.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



comprehensive income, assets, reserve for changes in fair value of financial assets, equity, other comprehensive income as at and for the years ended 31 December 2021 and 31 December 2020 have not been determined.

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

Key audit matters

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

In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Recognition of expenses on rehabilitation of the banking sector and the economy

Key audit matter	How the matter was addressed in our audit
Refer to Note 10 to the consolidated financial statements.	



As part of its activity to ensure stability of the financial system and the economy of Kazakhstan, the National Bank implements a number of programs aimed at providing financial support to the second-tier banks and programs to support the economy.

We focused on these matters due to the significance of these transactions, and also due to judgement involved in accounting for such transactions and the use of estimates and underlying assumptions in determining the fair value on initial recognition of the respective financial instruments.

During the reporting period such transactions comprise, in particular, purchase of debt securities issued by financial organisations of the quasi-public sector and second-tier banks, which are recognised in the consolidated statement of financial position as loans issued in the “Placements and loans with banks and other financial institutions” caption.

We have analysed the economic substance of transactions performed and recognition and disclosure thereof in the consolidated financial statements.

We have assessed the key assumptions used as a basis for estimation of the fair value of purchased bonds of financial organisations of the quasi-public sector and second-tier banks upon initial recognition, such as the discount rates. We have assessed the reasonableness of forecasted cash flows and compared the inputs, such as discount rates, against industry, financial and economic data from the external sources.

We assessed whether the consolidated financial statements disclosures appropriately reflect the key judgments related to initial recognition of the purchased bonds, including those judgments related to measurements of fair value upon initial recognition.



Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the National Bank to the President of the Republic of Kazakhstan for the year 2021 (the “Annual Report”), but does not include the consolidated financial statements and our auditors’ report thereon. The Annual Report is expected to be made available to us after the date of this auditors’ report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

—Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

—Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Bank's internal control.

—Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

—Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required



NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
Independent Auditors' Report

to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the National Bank to cease to continue as a going concern.

—Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

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

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

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



NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
Independent Auditors' Report

The engagement partner on the audit resulting in this independent auditors' report is:

Assel Urdabayeva
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. МФ-0000096 of 27 August 2012

KPMG Audit LLC

State License to conduct audit # 0000021 dated 6 December 2006 issued by
the Ministry of Finance of the Republic of Kazakhstan

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

4 April 2022

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 KZT'000	2020 KZT'000
Interest income calculated using effective interest method	5	351,627,649	367,183,664
Interest expense	5	<u>(588,903,792)</u>	<u>(464,594,508)</u>
Net interest loss		<u>(237,276,143)</u>	<u>(97,410,844)</u>
Fee and commission income	6	40,128,566	24,760,756
Fee and commission expenses	7	<u>(7,364,126)</u>	<u>(6,366,774)</u>
Net fee and commission income		<u>32,764,440</u>	<u>18,393,982</u>
Net gain on financial instruments at fair value through profit or loss	8	248,333,316	95,283,203
Net gain on investment securities at fair value through other comprehensive income	9	22,606,726	40,759,957
Share of profit of associates		1,335,836	3,389,666
Expenses on rehabilitation of the banking sector and economy	10	(128,177,122)	(936,370,397)
Other operating income/(expense), net	11	<u>17,949,829</u>	<u>(26,117,161)</u>
Operating expenses		<u>(42,463,118)</u>	<u>(902,071,594)</u>
Income on recovery of/(loss) on allowance for credit losses	12	2,870,049	(162,794,967)
Provisions for estimated liabilities	33	(22,406,405)	(37,648,928)
Banknotes and coins production expenses	13	(22,389,937)	(30,558,468)
Personnel expenses	14	(24,397,644)	(23,780,793)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 KZT'000	2020 KZT'000
Depreciation and amortisation		(5,163,179)	(4,130,697)
Other general administrative expenses	15	(26,054,901)	(48,913,667)
Loss before income tax		(140,005,135)	(1,209,899,114)
Income tax benefit	16	19,237,436	89,716,100
Loss for the year		<u>(120,767,699)</u>	<u>(1,120,183,014)</u>
(Loss) income attributable to:			
- Equity holders of the National Bank		(120,925,235)	(1,120,376,050)
- Non-controlling interests		157,536	193,036
Loss for the year		<u>(120,767,699)</u>	<u>(1,120,183,014)</u>

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Pirmatov G. O.
Governor

Taishibayeva D. A.
Chief Accountant

4 April 2022
Nur-Sultan, Kazakhstan

4 April 2022
Nur-Sultan, Kazakhstan

The notes on pages 24-195 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	KZT'000	KZT'000
Loss for the year	(120,767,699)	(1,120,183,014)
Other comprehensive income, net of income tax		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Movement in fair value reserve (debt instruments):		
- Net change in fair value	(49,020,525)	51,464,154
- Net change in fair value transferred to profit or loss	(17,819,146)	(32,933,329)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	<i>(66,839,671)</i>	<i>18,530,825</i>
<i>Items that will not be reclassified to profit or loss:</i>		
Movement in fair value reserve (equity instruments)	4,764,034	2,469,575
Foreign currency translation reserve	27,705,339	125,869,458
Precious metals revaluation reserve	(87,365,671)	2,652,217,250
Revaluation reserve for property and equipment	6,110,350	-
<i>Total items that will not be reclassified to profit or loss</i>	<i>(48,785,948)</i>	<i>2,780,556,283</i>
Other comprehensive income for the year, net of income tax	(115,625,619)	2,799,087,108
Total comprehensive (loss)/income for the year	(236,393,318)	1,678,904,094
Total comprehensive (loss)/income attributable to:		
- Equity holders of the National Bank	(236,554,717)	1,678,711,058
- Non-controlling interests	161,399	193,036
Total comprehensive (loss)/income for the year	(236,393,318)	1,678,904,094

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Pirmatov G. O.
Governor

Taishibayeva D. A.
Chief Accountant

4 April 2022
Nur-Sultan, Kazakhstan

4 April 2022
Nur-Sultan, Kazakhstan

The notes on pages 24-195 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Note	2021 KZT'000	2020 KZT'000
ASSETS			
Cash on hand in foreign currency	17	112,430,324	122,879,854
Gold	18	10,254,959,287	9,946,269,671
Placements and loans with banks and other financial institutions	19	3,195,568,022	4,630,905,561
Financial instruments under management at fair value through profit or loss	20	965,401,344	633,025,926
Reverse repurchase agreements	21	549,162,352	20,012,508
Investment securities measured at fair value through other comprehensive income			
- Pledged under sale and repurchase agreements	22	140,891,608	94,346,826
- Not pledged under sale and repurchase agreements	22	3,120,523,009	3,489,090,231
Investment securities measured at amortised cost	23	1,193,349,488	1,121,943,735
Investments in associates		7,255,451	5,683,549
Property, plant and equipment and intangible assets	24	80,626,994	70,335,177
Current tax asset		6,735,771	2,481,329
Deferred tax assets	16	346,258,930	325,613,503
Other assets	25	869,136,777	999,301,782
Total assets		20,842,299,357	21,461,889,652
LIABILITIES			
Currency in circulation	26	3,452,220,118	3,250,868,479
Deposits and balances from banks and other financial institutions	27	7,197,414,543	7,328,415,884
Financial instruments under management at fair value through profit or loss	20	1,816,270	968,165
Repurchase agreements	28	150,097,813	100,597,147
Current accounts of the National Fund of the Republic of Kazakhstan	29	1,062,130,685	441,555,267
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	30	904,928,019	1,432,152,238
Customer accounts	31	206,932,122	239,047,013

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Note	2021 KZT'000	2020 KZT'000
Debt securities issued	32	3,062,328,192	3,645,971,357
Estimated liabilities	33	61,130,493	53,056,189
Current tax liability		11,824	166
Deferred tax liabilities	16	2,610,066	2,406,638
Other liabilities	34.	31,469,566	33,833,600
Total liabilities		16,133,089,711	16,528,872,143
EQUITY			
Charter capital	35	20,000,000	20,000,000
Special guarantee reserve	35	685,322,567	598,376,004
Other provisions		4,032,306	4,032,306
Revaluation reserve for property and equipment		28,982,199	23,184,009
Reserve for changes in fair value of financial assets		(23,584,179)	41,861,301
Revaluation reserve for foreign currency and precious metals		7,573,609,256	7,633,270,564
Accumulated losses		(3,580,710,836)	(3,389,104,209)
Total equity attributable to equity holders of the National Bank		4,707,651,313	4,931,619,975
Non-controlling interests	35	1,558,333	1,397,534
Total equity		4,709,209,646	4,933,017,509
Total liabilities and equity		20,842,299,357	21,461,889,652

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Pirmatov G. O.
Governor

4 April 2022
Nur-Sultan, Kazakhstan

Taishibayeva D. A.
Chief Accountant

4 April 2022
Nur-Sultan, Kazakhstan

The notes on pages 24-195 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	KZT'000	KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(140,005,135)	(1,209,899,114)
<i>Adjustments for:</i>		
Depreciation and amortisation	7,431,480	6,545,036
(Income on recovery of)/loss on allowance for credit losses	(2,903,660)	162,717,766
Provisions for estimated liabilities	22,406,405	37,648,928
Impairment loss on other non-financial assets	33,611	77,201
Loss on disposal of inventories	-	7,076
Proceeds from disposal of property, plant and equipment	(348,237)	-
Revaluation loss on property, plant and equipment	42,939	-
Interest expense on debt securities issued	384,754,150	348,204,505
Amortisation of premium and discount on financial assets	(4,657,563)	(3,516,723)
Unrealised gain on financial instruments at fair value through profit or loss	(155,420,295)	(46,888,758)
Share of profit of associates	(1,335,836)	(3,389,666)
Cash from/(used) in operating activities before changes in operating assets and liabilities	109,997,859	(708,493,749)
(Increase)/decrease in operating assets		
Gold	(398,999,399)	(61,954,557)
Placements and loans with banks and other financial institutions	117,094,257	(854,544,624)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	KZT'000	KZT'000
Financial instruments under management at fair value through profit or loss	(169,771,981)	(105,559,720)
Investment securities measured at fair value through other comprehensive income	306,864,182	(72,176,030)
Other assets	158,445,992	(680,306,384)
Increase/(decrease) in operating liabilities		
Currency in circulation	201,351,639	562,120,693
Deposits and balances from banks and other financial institutions	(216,994,526)	2,628,278,622
Financial instruments under management at fair value through profit or loss	802,940	(14,793)
Repurchase agreements	49,500,666	72,655,831
Current accounts of the National Fund of the Republic of Kazakhstan	620,575,418	(283,174,740)
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	(525,134,709)	1,032,140,906
Customer accounts	(32,168,601)	54,272,625
Estimated liabilities	(14,332,101)	(17,755,167)
Other liabilities	(3,743,620)	4,797,891
Net cash flows from operating activities before income tax paid	203,488,016	1,570,286,804
Income tax paid	(259,070)	(1,790,137)
Net cash flows from operating activities	203,228,946	1,568,496,667

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	KZT'000	KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities measured at amortised cost	(232,392,096)	(187,567,093)
Repayment of investment securities measured at amortised cost	171,143,544	64,616,231
Acquisition of property, plant and equipment and intangible assets	(22,139,686)	(8,465,639)
Proceeds from sale of property, equipment and intangible assets	401,935	73,995
Investments in capital of associates	(236,299)	-
Net cash used in investing activities	(83,222,602)	(131,342,506)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of debt securities	22,660,504,762	14,795,265,568
Repayment of debt securities issued	(23,212,157,298)	(14,783,505,350)
Interest expense on debt securities issued	(416,744,779)	(334,704,804)
Net cash used in financing activities	(968,397,315)	(322,944,586)
Net (decrease)/increase in cash and cash equivalents	(848,390,971)	1,114,209,575
Effect of changes in exchange rates on cash and cash equivalents	33,670,276	71,054,468
Cash and cash equivalents at the beginning of the year, gross	2,383,626,832	1,198,362,789
Cash and cash equivalents at the end of the year, gross (Note 17)	1,568,906,137	2,383,626,832

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Interest paid and received during the year ended 31 December 2021 amounted to KZT 572,320,645 thousand and KZT 342,455,848 thousand, respectively (31 December 2020: KZT 454,858,457 thousand and KZT 287,442,537 thousand, respectively).

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Pirmatov G. O.
Governor

4 April 2022
Nur-Sultan, Kazakhstan

Taishibayeva D. A.
Chief Accountant

4 April 2022
Nur-Sultan, Kazakhstan

The notes on pages 24-195 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

KZT'000	Equity attributable to equity holders of the National Bank									
	Charter capital	Special guarantee reserve	Other reserves	Revaluation reserve for property and equipment	Reserves for changes in fair value of financial assets	Revaluation reserve for foreign currency and precious metals	Accumulated losses	Total	Non-controlling interest	Total equity
Balance at 1 January 2021	20,000,000	598,376,004	4,032,306	23,184,009	41,861,301	7,633,270,564	(3,389,104,209)	4,931,619,975	1,397,534	4,933,017,509
Restated prior year retained earnings due to fair value remeasurement of certain assets *	-	-	-	-	-	-	12,587,640	12,587,640	-	12,587,640
Restated balance at 1 January 2021	20,000,000	598,376,004	4,032,306	23,184,009	41,861,301	7,633,270,564	(3,376,516,569)	4,944,207,615	1,397,534	4,945,605,149
Total comprehensive loss	-	-	-	-	-	-	(120,925,235)	(120,925,235)	157,536	(120,767,699)
Loss for the year	-	-	-	-	-	-	(120,925,235)	(120,925,235)	157,536	(120,767,699)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<i>Movement in fair value reserve (debt instruments):</i>										
Net change in fair value	-	-	-	-	(49,020,525)	-	-	(49,020,525)	-	(49,020,525)
Net change in fair value transferred to profit or loss	-	-	-	-	(17,819,146)	-	-	(17,819,146)	-	(17,819,146)
<i>Movement in fair value reserve (equity securities):</i>										
Net change in fair value	-	-	-	-	1,394,191	-	3,369,843	4,764,034	-	4,764,034
Foreign currency translation reserve	-	-	-	-	-	27,704,363	-	27,704,363	976	27,705,339
Precious metals revaluation reserve	-	-	-	-	-	(87,365,671)	-	(87,365,671)	-	(87,365,671)
Revaluation of property and equipment	-	-	-	6,107,463	-	-	-	6,107,463	2,887	6,110,350
Total other comprehensive income	-	-	-	6,107,463	(65,445,480)	(59,661,308)	3,369,843	(115,629,482)	3,863	(115,625,619)
Total comprehensive loss for the year	-	-	-	6,107,463	(65,445,480)	(59,661,308)	(117,555,392)	(236,554,717)	161,399	(236,393,318)
Transfer of revaluation reserve resulting from depreciation and disposals	-	-	-	(309,273)	-	-	309,273	-	-	-
Transactions with owners recorded directly in equity:										
Addition to special guarantee reserve	-	86,946,563	-	-	-	-	(86,946,563)	-	-	-
Additional paid-in capital of subsidiaries	-	-	-	-	-	-	(1,585)	(1,585)	-	(1,585)
Decrease in non-controlling interest	-	-	-	-	-	-	-	-	(600)	(600)
Total transactions with owners	-	86,946,563	-	-	-	-	(86,948,148)	(1,585)	(600)	(2,185)
Balance at 31 December 2021	20,000,000	685,322,567	4,032,306	28,982,199	(23,584,179)	7,573,609,256	(3,580,710,836)	4,707,651,313	1,558,333	4,709,209,646

* As the effect is immaterial, restatement was reflected only in the consolidated statement of changes in equity

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

KZT*000	Equity attributable to equity holders of the National Bank							Total	Non-controlling interest	Total equity
	Charter capital	Special guarantee reserve	Other reserves	Revaluation reserve for property and equipment	Reserves for changes in fair value of financial assets	Revaluation reserve for foreign currency and precious metals	Accumulated losses			
Balance 1 January 2020	20,000,000	500,764,758	4,032,306	23,623,561	22,271,185	4,855,183,856	(2,184,530,568)	3,241,345,098	1,204,365	3,242,549,463
Restated prior year retained earnings due to fair value remeasurement of certain assets *	-	-	-	-	-	-	11,296,364	11,296,364	-	11,296,364
Restated balance at 1 January 2020	20,000,000	500,764,758	4,032,306	23,623,561	22,271,185	4,855,183,856	(2,173,234,204)	3,252,641,462	1,204,365	3,253,845,827
Total comprehensive income	-	-	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	(1,120,376,050)	(1,120,376,050)	193,036	(1,120,183,014)
Other comprehensive income										
<i>Movement in fair value reserve (debt instruments):</i>										
Net change in fair value	-	-	-	-	51,464,154	-	-	51,464,154	-	51,464,154
Net amount transferred to profit or loss	-	-	-	-	(32,933,329)	-	-	(32,933,329)	-	(32,933,329)
<i>Movement in fair value reserve (equity securities):</i>										
Net change in fair value	-	-	-	-	1,059,291	-	1,410,284	2,469,575	-	2,469,575
Foreign currency translation reserve	-	-	-	-	-	125,869,458	-	125,869,458	-	125,869,458
Precious metals revaluation reserve	-	-	-	-	-	2,652,217,250	-	2,652,217,250	-	2,652,217,250
Total other comprehensive income	-	-	-	-	19,590,116	2,778,086,708	1,410,284	2,799,087,108	-	2,799,087,108
Total comprehensive income for the year	-	-	-	-	19,590,116	2,778,086,708	(1,118,965,766)	1,678,711,058	193,036	1,678,904,094
Transfer of revaluation reserve resulting from depreciation and disposals	-	-	-	(439,552)	-	-	443,128	3,576	133	3,709
Transactions with owners recorded directly in equity:										
Addition to special guarantee reserve	-	97,611,246	-	-	-	-	(97,611,246)	-	-	-
Additional paid-in capital of subsidiaries	-	-	-	-	-	-	2,041	2,041	-	2,041
Disposal of subsidiary	-	-	-	-	-	-	261,838	261,838	-	261,838
Total transactions with owners	-	97,611,246	-	-	-	-	(97,347,367)	263,879	-	263,879
Balance at 31 December 2020	20,000,000	598,376,004	4,032,306	23,184,009	41,861,301	7,633,270,564	(3,389,104,209)	4,931,619,975	1,397,534	4,933,017,509

* As the effect is immaterial, restatement was reflected only in the consolidated statement of changes in equity.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Pirmatov G. O.
Governor

Taishibayeva D. A.
Chief Accountant

4 April 2022
Nur-Sultan, Kazakhstan

4 April 2022
Nur-Sultan, Kazakhstan

The notes on pages 24-195 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. INTRODUCTION**(a) Organisation and operations**

These consolidated financial statements comprise the consolidated financial statements of the National Bank of the Republic of Kazakhstan (the “NBK”) and its subsidiaries (together referred to as the “National Bank”).

The NBK was established in accordance with the Resolution of the Supreme Council of the Republic of Kazakhstan No. 2134-XII dated 13 April 1993. Pursuant to this Resolution the State Bank of Kazakh SSR was renamed as the National Bank of the Republic of Kazakhstan.

The primary role of the NBK is to ensure stability of prices in the Republic of Kazakhstan. The NBK is imposed with the following tasks: development and implementation of the monetary policy of the state; ensuring functioning of payment systems; exchange regulation and exchange control; ensuring stability of the financial system; conducting statistical activities in the field of monetary statistics and external sector statistics; other functions in accordance with the laws of the Republic of Kazakhstan and the acts of the President of the Republic of Kazakhstan.

In accordance with the tasks imposed thereon, the National Bank exercises the following principal functions: develops and implements the monetary policy in the Republic of Kazakhstan; acts as a sole issuer of banknotes and coins in the Republic of Kazakhstan and manages currency in circulation on the territory of the Republic of Kazakhstan; exercises currency regulation and currency control in the Republic of Kazakhstan; ensures management of the foreign currency assets and precious metals; performs trust management of the National Fund the Republic of Kazakhstan based on the trust agreement entered into between the NBK and the Government of the Republic of Kazakhstan; performs trust management of the pension assets of “Unified National Pension Fund” JSC (“UNPF”) based on the trust agreement entered into between the NBK and UNPF; exercises other functions and performs other duties as provided for by the Law “On the National Bank of the Republic of Kazakhstan”, other laws of the Republic of Kazakhstan and Decrees of the President of the Republic of Kazakhstan.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. INTRODUCTION, CONTINUED

(a) Organisation and operations, continued

The NBK's head office is registered at 57A Mangilik El avenue, Nur-Sultan, Z05T8F6, Republic of Kazakhstan. As at 31 December 2021 the NBK operates 18 branches, 1 representative office in Almaty and has 11 subsidiaries in the Republic of Kazakhstan.

Below is the list of all NBK subsidiaries registered in the Republic of Kazakhstan:

Name	Year of establis hment	Principal activity	Ownership interest, %	
			2021	2020
RSE "Kazakhstan Mint of the National Bank of the Republic of Kazakhstan"	1994	Coin manufacturing	100.00	100.00
RSE "Kazakhstan Centre of Inter-Bank Settlements of the National Bank of the Republic of Kazakhstan"	1996	Electronic cash transfers	100.00	100.00
RSE "Banking Service Bureau of the National Bank of the Republic of Kazakhstan"	1996	Software maintenance and development	100.00	100.00
Kazakhstan Deposit Guarantee Fund JSC (KDIF)	1999	Individual deposit guarantee	100.00	100.00
RSE "Banknote Factory of the National Bank of the Republic of Kazakhstan"	2004	Banknote manufacturing	100.00	100.00

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. INTRODUCTION, CONTINUED

(a) Organisation and operations, continued

Name	Year of establis hment	Principal activity	Ownership interest	
			2021	2020
Center for the Development of Payment and Financial Technologies of the National Bank of the Republic of Kazakhstan JSC	2007	Provision of research and advisory services for the National Bank in the field of payment and financial technologies	100.00	100.00
Center of Activities Maintenance of the National Bank of Kazakhstan JSC	2011	Transportation services, economic activity on property management	100.00	100.00
National Investment Corporation of the National Bank of Kazakhstan JSC (NIC NBK JSC)	2012	Management of assets of the National Fund of the Republic of Kazakhstan, gold and foreign currency assets of the NBK and management of pension assets	100.00	100.00
State Credit Bureau JSC	2012	Generation of credit histories and issued of credit reports	100.00	100.00
Kazakhstan Sustainability Fund JSC (KSF)	2017	Ensuring financial stability of the banking sector through financial support of second-tier banks and economy	100.00	100.00
Central Securities Depository JSC	1996	Depository activity	63.24	63.24

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. INTRODUCTION, CONTINUED**(a) Organisation and operations, continued**

Since 2019 the investments in KASE JSC are classified as investments in associates.

Based on the Resolution of the NBK dated 23 December 2019, a decision was made to reorganise MO Baspana JSC through its merger with another subsidiary of the NBK - KSF JSC, in the Q1 2020. The merger occurred in February 2020.

Due to relocation of the NBK to Nur-Sultan city in June 2020, a decision was made to open the Permanent Representative Office of the National Bank in Almaty city (hereinafter, the “Representative Office”), and the structure of the Representative Office and Regulation on the Office were approved.

(b) Kazakhstan business environment

The National Bank’s operations are primarily located in Kazakhstan. Consequently, the National Bank is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. Legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Kazakhstan.

The volatility in the global price of oil and the COVID-19 pandemic have also increased the level of uncertainty in the business environment. A military conflict of recent weeks in Ukraine has further increased the level of economic uncertainties in Kazakhstan.

To continue as a going concern, the National Bank keeps carrying out its operations using a remote access and takes measures to protect health of the employees working on site, including provision of the individual protective devices, observance of distancing regime, and disinfection of the National Bank’s premises.

The consolidated financial statements reflect management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the National Bank. The future business environment may differ from management’s assessment.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. BASIS OF PREPARATION**(a) Statement of compliance**

In accordance with the Law of the Republic of Kazakhstan No. 2155 dated 30 March 1995 “On the National Bank of the Republic of Kazakhstan” the NBK determines its accounting policies based on International Financial Reporting Standards (“IFRS”).

These consolidated financial statements have been prepared to present fairly the consolidated financial position of the National Bank and the results of its operations and have been prepared in accordance with the accounting policy of the NBK which was approved by the Board of Directors of the National Bank on 27 June 2013 and which the National Bank considers to be appropriate given the nature of central bank activity. The accounting policy of the National Bank is based on IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) with principal modifications as described below:

- gold and gold deposits are revalued based on market value of gold; gains resulting from mark to market of gold and foreign currency assets and liabilities are recognised as other comprehensive income within equity. Losses resulting from revaluation are recognised in profit or loss except to the extent that they reverse a previous revaluation increase recognised as other comprehensive income directly in equity, in which case they are recognised in other comprehensive income;

- to perform the role and functions of the central bank and given the fact that results of investment securities management are achieved by both obtaining the contractual cash flows and their sales, these debt financial assets in the NBK portfolio, which are under external management, are classified into the category as “measured at fair value through other comprehensive income”, despite the fact that before 2018 these debt financial assets, which are in the NBK portfolio of assets under external management, were classified as “measured at fair value through profit or loss” managed on a fair value basis in accordance with IAS 39.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. BASIS OF PREPARATION, CONTINUED**(b) Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis except that gold, financial instruments at fair value through profit or loss, investment securities measured at fair value through other comprehensive income and buildings, constructions, land plots and vehicles are stated at revalued amounts.

(c) Functional and presentation currency for the purposes of consolidated financial statements

The functional currency of the National Bank and its subsidiaries is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The Kazakhstan tenge is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgements

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. BASIS OF PREPARATION, CONTINUED**(d) Use of estimates and judgements, continued
Judgements**

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(g)(i);
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit losses (“ECL”) and selection and approval of models used to measure ECL – Note 4;
- statement of compliance – Note 2;
- accounting for expenses on rehabilitation of the banking sector and the economy – Note 10.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the consolidated financial statements for the year ended 31 December 2021 is included in the following notes:

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 4;
- fair value of subordinated and coupon bonds upon initial recognition – Note 10;
- financial assets and liabilities: fair value and accounting classifications – Note 42.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES

The National Bank has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

(a) Basis of consolidation***(i) Subsidiaries***

Subsidiaries are investees controlled by the National Bank. The National Bank controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the National Bank consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Funds management

The National Bank manages and administers assets held in investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the National Bank controls the entity.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(a) Basis of consolidation, continued*****(iii) Associates***

Associates are those entities in which the National Bank has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the National Bank's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the National Bank's share of losses exceeds the National Bank's interest (including long-term loans) in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the National Bank has incurred obligations in respect of the associate.

(iv) Transactions eliminated on consolidation

Intra-group assets and liabilities, equity, income, expenses and cash flows associated with transactions between the subsidiaries, between the NBK and subsidiaries are eliminated in preparing the consolidated financial statements.

(v) Non-controlling interest

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to the NBK.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the NBK. Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated statements of income and comprehensive income.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(b) Gold**

Gold comprises gold deposits with foreign banks and gold bullion in depositories. Gold is measured at market price at the reporting date in the consolidated financial statements. Market price is based on the morning fixing set by London Bullion Market Association (“LBMA”). Gains on revaluation of gold are recorded directly in other comprehensive income. Losses resulting from revaluation are recognised in profit or loss except to the extent that they reverse a previous revaluation increase recognised as other comprehensive income directly in equity, in which case they are recognised in other comprehensive income. Revaluation of gold is not transferred to profit or loss.

(c) Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Gain on foreign currency differences arising on retranslation of monetary assets and liabilities to foreign currency are recognised in other comprehensive income. Losses resulting from revaluation of monetary assets and liabilities are recognised in profit or loss except to the extent that they reverse a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income. Revaluation of foreign currency is not transferred to profit or loss. 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 items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(d) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the National Bank in the management of short-term commitments.

(e) Interest income and expenses***Effective interest rate***

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the National Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(e) Interest income and expense, continued*****Amortised cost and gross carrying amount***

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(e) Interest income and expense, continued*****Calculation of interest income and expense, continued***

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3(g)(iv).

Presentation

Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss includes:

- interest on financial assets measured at amortised cost;
- interest on debt securities measured at FVOCI.

Interest expense presented in the consolidated statement of profit or loss includes financial liabilities measured at amortised cost.

Interest income on non-derivative debt financial assets measured at fair value through profit or loss included in “Net gain on financial instruments at fair value through profit or loss” in the consolidated statement of profit or loss.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(f) Fees and commission**

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 (see Note 3(e)).

Fee and commission income, including investment management fees, pension asset management fees, fiduciary assets fees and financial markets management and transfer operations, is recognised as the related services are performed.

Other fee and commission expenses mainly include fees related to asset management, brokerage and custody fees, which are expensed as the related services are received.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

(g) Financial instruments***(i) Classification of financial instruments******Financial assets***

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated by the National Bank as at FVTPL:

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(i) Classification, continued*****Financial assets, continued***

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated by the National Bank as at FVTPL, except for the modifications to the accounting policy as described in Note 2(a):

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- expected credit losses and reversals.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(i) Classification, continued*****Financial assets, continued***

On initial recognition of an equity investment that is not held for trading, the National Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss.

Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings (accumulated losses) on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

Business model assessment

The National Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered by the National Bank includes:

- 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;

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(i) Classification, continued*****Financial assets, continued*****Business model assessment, continued**

- how the performance of the portfolio is evaluated and reported to the National Bank'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;

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the NBK stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(i) Classification, continued*****Financial assets, continued*****Assessment whether contractual cash flows are solely payments of principal and interest, continued**

In assessing whether the contractual cash flows are solely payments of principal and interest (“SPPI criterion”), the National Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, NBK considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the National Bank’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the National Bank changes its business model for managing financial assets.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(i) Classification, continued*****Financial liabilities***

Financial liabilities are not reclassified subsequent to their initial recognition.

(ii) Derecognition**Financial assets**

The National Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the National bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the National Bank is recognised as a separate asset or liability.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(ii) Derecognition, continued****Financial assets, continued**

The National Bank enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

Financial liabilities

The National Bank derecognises a financial liability when its contractual obligations are discharged, or cancelled or expire.

(iii) Modification of financial assets and financial liabilities**Financial assets**

If the terms of a financial asset are modified, the National Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued*****(iii) Modification of financial assets and financial liabilities, continued*****Financial assets, continued**

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms.

The National Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The National Bank 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.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the National Bank analogises to the guidance on the derecognition of financial liabilities.

The National Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If cash flows are modified when the counterparty/issuer is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued*****(iii) Modification of financial assets and financial liabilities, continued*****Financial assets, continued**

If the National Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The National Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the National Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the counterparty/issuer, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method (Note 3(e)).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued*****(iii) Modification of financial assets and financial liabilities, continued*****Financial liabilities**

The National Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The National Bank 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.

The National Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- inclusion of conversion feature.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iii) *Modification of financial assets and financial liabilities, continued*
Financial liabilities, continued**

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(iv) *Impairment*

See also Note 4.

The National Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued;

No impairment loss is recognised on equity investments.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iv) Impairment, continued**

The National Bank measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- 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 (see Note 4).

The National Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

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 for which a lifetime ECL is recognised are referred to as ‘Stage 2’ financial instruments (if credit risk on financial instruments has increased significantly upon initial recognition but financial instrument is not credit-impaired) and ‘Stage 3’ (if financial instrument is credit-impaired).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iv) Impairment, continued*****ECL measurement***

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 National Bank in accordance with the contract and the cash flows that the National Bank 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;
- financial guarantee contracts: the present value of expected payments to reimburse the holder less any amounts that the National Bank expects to recover.

See also Note 4.

Restructured 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 counterparty/issuer, 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 (see Note 4).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iv) Impairment, continued*****Restructured financial assets, continued***

- 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.

Credit-impaired financial assets

At each reporting date, the National Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI 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 that a financial asset is credit-impaired includes the following observable data:

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iv) Impairment, continued*****Credit-impaired financial assets, continued***

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 loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt (other financial assets) is credit-impaired, the National Bank 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 conformity with the required criteria.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iv) Impairment, continued*****Presentation of allowance for ECL in the consolidated statement of financial position***

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the National Bank determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'other operating income' in the consolidated statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the National Bank's procedures for recovery of amounts due.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iv) Impairment, continued*****Non-integral financial guarantee contracts***

The second-tier bank accession agreement to the system of compulsory deposit insurance is recognised as a financial guarantee contract under IFRS 9 *Financial Instruments* and is also within the scope of IAS 32 *Financial Instruments: Presentation*.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Therefore, contingent liabilities to pay the amount of compensation to the depositors of a member bank as a result of its default constitute a financial guarantee contract.

After initial recognition, the financial guarantee contract is subsequently measured at the higher of:

- 1) the loss allowance; and
- 2) the amount initially recognised less, when appropriate, total income recognised in accordance with IAS 15 *Revenue from Contracts with Customers*.

Indemnity payments are made only in case of a member bank's default in accordance with the terms of the accession agreement under which the guarantee is provided.

Expected credit losses are recognised in the statement of financial position in the respective liability accounts. Any adjustments are subsequently recognised in profit or loss.

In case of a member bank's default, the amount of accrued provisions to cover financial guarantees of the bank being liquidated is reclassified to the indemnity account, when sufficient. If the amount is insufficient, it is charged to provisions account to cover the financial guarantee, and then reclassified to the indemnity account.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(v) *Repurchase and reverse repurchase agreements***

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liabilities are recorded as repo agreements in the separate line of the consolidated statement of financial position. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as reverse repurchase agreements in the separate line of the consolidated statement of financial position. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the reverse repo agreement using the effective interest method.

(vi) *Derivatives*

Derivative financial instruments include swaps, forwards, futures and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(vi) Derivatives, continued**

Although the National Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(vii) Offsetting

Financial assets and liabilities of the National Bank are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(h) Currency in circulation

Currency in circulation is recorded in the consolidated statement of financial position at nominal value.

Currency in circulation is recorded as a liability when cash is issued by the National Bank to commercial banks. Banknotes and coins in national currency held in the vaults and cash offices are not included in the currency in circulation.

Banknotes and coins production expense include expenses for security, transportation, insurance and other expenses. Banknotes and coins production expense are recognised upon delivery to the vaults and recorded as a separate item in the consolidated income statement.

(i) Placements and loans with banks and other financial institutions

‘Placements and loans with banks and other financial institutions’ caption in the consolidated statement of financial position includes:

- loans to banks and placements with banks measured at amortised cost (see Note 3(g)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(i) Placements and loans with banks and other financial institutions, continued**

- loans to banks mandatorily measured at FVTPL due to non-compliance with the SPPI-criterion (see Note 3(g)(i)) are measured at fair value with changes recognised immediately in profit or loss.

(j) Investment securities

The ‘investment securities’ caption, presented in line items such as “Financial instruments under management at fair value through profit or loss”, “Investment securities at fair value through other comprehensive income” and “Investment securities measured at amortised cost” in the consolidated statement of financial position include:

- debt investment securities measured at amortised cost (see Note 3(g)(i)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL (see Note 3(g)(i) and (g)(v)); these are measured at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI (see Note 3(g)(i)); and
- equity investment securities designated as at FVOCI (see Note 3(g)(i)).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(k) Deposits of banks and other financial institutions, debt securities issued**

Deposits of banks and other financial institutions, debt securities issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Debt securities issued are recognised in accounting as at the transaction date.

(l) Special guarantee reserve

According to the Law of the Republic of Kazakhstan “On the obligatory guarantee of deposits placed in the second tier banks of the Republic of Kazakhstan” (with amendments dated 24 November 2015) the subsidiary of the National Bank – KDIF JSC is due to compensate the participating banks’ depositors amounts up to a certain level in case of forced liquidation of a participating bank. The National Bank establishes a reserve of guarantee funds to accumulate contributions of the banks that participate in the deposit guarantee scheme.

(m) Fiduciary assets

The National Bank provides custody services that result in holding of assets on behalf of third parties. These assets and income arising thereon are not recognised in these consolidated financial statements as they are not assets of the National Bank. Commissions received from such business are shown within fee and commission income in profit or loss.

(n) Property, plant and equipment**(i) Owned assets**

Items of property and equipment are stated in the consolidated financial statements at cost less accumulated depreciation and impairment losses, except for buildings, constructions, land plots and vehicles, which are stated at revalued amounts as described below.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(n) Property, plant and equipment, continued****(i) Owned assets, continued**

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.

(ii) Revaluation

Buildings, constructions, land plots and motor vehicles are subject to revaluation once per five years and if their carrying amounts are significantly different (more than 25%) from their fair values. A revaluation increase on buildings, constructions, land plots and vehicles is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss.

A revaluation decrease on buildings, constructions, land plots and vehicles is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income.

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation of the equipment of RSE “Banknote Factory of National Bank of the Republic of Kazakhstan” and RSE “Kazakhstan Mint of the National Bank of the Republic of Kazakhstan” used in production of the banknotes and coins is charged to profit and loss on a unit of production method over the expected output of the individual assets.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(n) Property, plant and equipment, continued

(iii) Depreciation, continued

Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings and constructions	1 to 100 years;
Furniture and equipment	5 to 25 years;
Computers	3 to 8 years;
Vehicles	7 to 25 years.

(o) Intangible assets

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 10 years.

(p) Impairment of assets

Non-financial assets

Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(q) Credit related commitments**

In the normal course of business, the National Bank enters into credit related commitments, comprising letters of credit and guarantees.

Financial guarantees are contracts that require the National Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3(g)(iv)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

(r) Taxation

In accordance with legislation of the Republic of Kazakhstan, the NBK is exempt from income tax and value-added tax.

Subsidiaries and associate organisations of the NBK are subject to all taxes.

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(r) Taxation, continued**

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Segment reporting

Activity of the National Bank represents one operating segment for the purposes of IFRS 8 *Operating Segments*. An operating segment is a component of the National Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the National Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) Leases

At inception of a contract, the National Bank 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. To assess whether a contract conveys the right to control the use of an identified asset, the National Bank uses the definition of a lease in IFRS 16.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(t) Leases, continued**
As a lessee

At commencement or on modification of a contract that contains a lease component, the National Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The National Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the National Bank by the end of the lease term or the cost of the right-of-use asset reflects that the National Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the National Bank's incremental borrowing rate. Generally, the National Bank uses its incremental borrowing rate as the discount rate.

The National Bank determines its incremental borrowing rate by obtaining interest rates from various external and internal sources and if necessary, makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the National Bank's estimate of the amount expected to be payable under a residual value guarantee, if the National Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(u) Standards issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the NBK has not early adopted the new or amended standards in preparing these consolidated financial statements.

Other standards

The following new and amended standards are not expected to have a significant impact on the consolidated financial statements of the National Bank.

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(v) Standards issued but not yet effective, continued****Other standards, continued**

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 *Insurance Contracts*.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

4. FINANCIAL RISK REVIEW

This note presents information about the National Bank's exposure to financial risks. For information on the National Bank's financial risk management framework, see Note 37.

Credit risk - Amounts arising from ECL**Inputs, assumptions and techniques used for estimating impairment**

See accounting policy in Note 3(g)(iv).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the National Bank 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 National Bank's historical experience and expert credit assessment and including forward-looking information.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. FINANCIAL RISK REVIEW**Credit risk - Amounts arising from ECL, continued*****Significant increase in credit risk, continued***

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; and
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument.

The National Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative criteria;
- qualitative indicators.

Credit risk grades

The National Bank 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. The National Bank will use these credit risk grades to identify significant increase in credit risk in accordance with IFRS 9. The credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors vary depending on the nature of the exposure and the type of counteragent.

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.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. FINANCIAL RISK REVIEW, CONTINUED**Credit risk - Amounts arising from ECL, continued****Credit risk grades, continued**

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower and assigned external credit rating according to international credit rating agencies. 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.

- data from credit reference agencies, press articles, changes in external credit ratings;
- information obtained during periodic review of counterparty files – e.g. audited financial statements, management accounts, budgets and projections;
- payment record – this includes overdue status;
- quoted bond and credit default swap (CDS) prices for the issuer where available;
- existing and forecast changes in business, financial and economic conditions;
- actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

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 National Bank collects performance and default information about its credit risk exposures analysed by region and by type of counterparty as well as by credit risk grading. The National Bank mainly uses information purchased from external credit reference agencies.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. FINANCIAL RISK REVIEW, CONTINUED**Credit risk - Amounts arising from ECL, continued****Determining whether credit risk has increased significantly**

The National Bank assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

Significant increase in credit risk – change in the credit rating of a financial asset by two grades relative to the credit rating at the date of initial recognition of the financial asset and (or) if there is breach of contract and (or) if there are outstanding payments overdue by 30-89 calendar days, which are related to the liabilities to the National Bank.

Definition of default

The National Bank considers a financial asset to be in default when:

- the counterparty/issuer is unlikely to pay its credit obligations to the National Bank in full, without recourse by the National Bank to actions such as realising security (if any is held);
- the counterparty is past due more than 90 days on any material credit obligation to the National Bank.

In assessing whether a counterparty/issuer is in default, the National Bank 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 National Bank; and
- based on data developed internally and obtained from external sources.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. FINANCIAL RISK REVIEW, CONTINUED**Credit risk - Amounts arising from ECL, continued****Definition of default, continued**

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The National Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The National Bank 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 variables and credit risk and credit losses. The National Bank also uses the forecast of international rating agencies (Rating Outlook) when calculating the correction of the forecast PD, based on the current rating of the counterparty/securities issuer.

Macroeconomic analysis is carried out on the basis of data on forecasts of changes in unemployment, gross domestic income of the country, data on energy and non-energy indices, the stock index of countries and changes in the share of financial assets with a reduced credit rating in the overall portfolio of financial assets of the National Bank.

Macroeconomic analysis for each country of a financial asset is taken into account when transforming the indicators of TTC PD (Through-the-Cycle PD) into the indicators of PIT PD (Point-in-Time PD).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. FINANCIAL RISK REVIEW, CONTINUED

Incorporating of forward-looking information, continued

Country/Indicator	Source	2022	2023	2024	2025	2026
Kazakhstan						
GDP rate growth	IMF	4%	6%	4%	3%	4%
	S&P	4%	4%	4%	4%	4%
	World Bank	4%	5%	5%	5%	5%
Unemployment rate growth	IMF	-2%	0%	0%	0%	0%
	S&P	0%	0%	0%	0%	0%
Other countries						
GDP rate growth	IMF	from 1% to 9%	from 1% to 7%	from 1% to 7%	from 1% to 7%	from 1% to 7%
		S&P	from - 1% to 8%	from 0% to 7%	from 0% to 7%	from 0% to 7%
	World Bank		from 2% to 8%	from 1% to 6%	from 1% to 6%	from 1% to 6%
		IMF	from - 35% to 13%	from - 14% to 5%	from - 9% to 3%	from - 7% to 3%
	S&P		from - 36% to 6%	from - 25% to 1%	from - 22% to 13%	0%
		Indicators used for all countries		2022	2023	2024
Change in the energy index	World Bank	1%	-15%	-2%	-2%	-2%
Change in the non-energy index	World Bank	-4%	-5%	-4%	-1%	-1%

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. FINANCIAL RISK REVIEW, CONTINUED**Credit risk - Amounts arising from ECL, continued****Modified financial assets**

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the counterparty. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(g)(iii).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms;
- with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. FINANCIAL RISK REVIEW, CONTINUED**Measurement of ECL, continued**

PD estimates are estimates at a certain date, which are calculated based on information of external credit rating agency S&P and issuer's/counterparty's economy sector and credit rating model purchased from S&P Global Market Intelligence LLC. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

Loss given default (LGD) is the magnitude of the likely loss if there is a default. The National Bank will estimate LGD parameters based on the history of recovery rates according to the data of international rating agencies, Bloomberg system and ECL model purchased from S&P Global Market Intelligence LLC.

To estimate allowance for expected credit losses, conservative rating assessment from rating agencies is used, i.e. the lowest rating according to international rating agencies Moody's, Fitch and S&P. Expected credit losses on financial assets are determined based on ECL forecast models.

EAD represents the positive carrying amount of claims outstanding as at the date of ECL calculation.

The National Bank will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset will be the gross carrying amount at default.

PD for financial assets in the first basket is calculated for 12 months.

For assessment of PD and LGD for financial assets in the second basket, a lifetime PD is used.

PD for financial assets in the third basket is equated to 100%.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis

The following table sets out information about the credit quality of accounts, placements with banks and other financial institutions, investment securities measured at FVOCI, investment securities measured at amortised cost, claims for repurchased loans and short-term receivables, included in other assets, as at 31 December 2021 and 31 December 2020. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

‘000 KZT	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Placements and loans with banks and other financial institutions</i>				
Rated AAA	179,347,990	-	-	179,347,990
Rated from AA to AA+	1,296,052,956	4,433,850	-	1,300,486,806
Rated from A- to A+	159,399,036	-	-	159,399,036
Rated from BBB- to BBB+	856,996,771	-	-	856,996,771
Rated from BB- to BB+	86,749,813	-	-	86,749,813
Rated from B- to B+	137,023,501	-	-	137,023,501
Not rated*	175,675,559	-	44,107,393	219,782,952
Gross carrying amount	2,891,245,626	4,433,850	44,107,393	2,939,786,869
Loss allowance	(8,126,659)	(403)	(41,324,717)	(49,451,779)
Carrying amount	2,883,118,967	4,433,447	2,782,676	2,890,335,090

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

‘000 KZT	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Investment securities at fair value through other comprehensive income</i>				
Rated AAA	115,506,177	-	-	115,506,177
Rated from AA- to AA+	757,041,536	3,125,823	-	760,167,359
Rated from A- to A+	476,944,258	22,432,179	-	499,376,437
Rated from BBB- to BBB+	1,001,688,457	85,326,018	-	1,087,014,475
Rated from BB- to BB+	20,440,543	2,477,268	-	22,917,811
Carrying amount	2,371,620,971	113,361,288	-	2,484,982,259
Loss allowance	(280,376)	(581,549)	-	(861,925)
Carrying amount – fair value**	2,371,620,971	113,361,288	-	2,484,982,259
<i>Investment securities measured at amortised cost</i>				
Rated AAA	57,703,071	-	-	57,703,071
Rated A+	103,397,484	-	-	103,397,484
Rated from BBB- to BBB+	952,116,828	-	-	952,116,828
Rated from BB- to BB+	80,356,131	-	-	80,356,131
Gross carrying amount	1,193,573,514	-	-	1,193,573,514
Loss allowance	(224,026)	-	-	(224,026)
Carrying amount	1,193,349,488	-	-	1,193,349,488

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

'000 KZT	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Claims for repurchased loans</i>				
Rated BB+	462,465,123	700,945	101,558	463,267,626
Rated B+	14,578,875	45,191	-	14,624,066
Rated B	332,982,914	238,576	59,894	333,281,384
Gross carrying amount	810,026,912	984,712	161,452	811,173,076
Loss allowance	(11,249)	(136)	(9,837)	(21,222)
Carrying amount	810,015,663	984,576	151,615	811,151,854

'000 KZT	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
<i>Placements and loans with banks and other financial institutions</i>				
Rated AAA	876,811,611	-	-	876,811,611
Rated from AA- to AA+	1,938,016,887	5,519,290	-	1,943,536,177
Rated from A- to A+	132,218,515	-	-	132,218,515
Rated from BBB- to BBB+	753,136,673	51,505	-	753,188,178
Rated from BB- to BB+	252,140,620	15,391	-	252,156,011
Rated from B- to B	245,403,913	-	-	245,403,913
Rated from CCC- to CCC+	-	-	14,088,019	14,088,019
Not rated*	135,767,657	-	33,105,332	168,872,989
Gross carrying amount	4,333,495,876	5,586,186	47,193,351	4,386,275,413
Loss allowance	(6,017,737)	(407)	(41,567,269)	(47,585,413)
Carrying amount	4,327,478,139	5,585,779	5,626,082	4,338,690,000

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

‘000 KZT	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
<i>Investment securities at fair value through other comprehensive income</i>				
Rated AAA	128,884,582	-	-	128,884,582
Rated from AA- to AA+	941,890,542	4,578,099	-	946,468,641
Rated from A- to A+	465,484,173	23,462,865	-	488,947,038
Rated from BBB- to BBB+	1,231,851,192	13,943,178	-	1,245,794,370
Rated from BB- to BB+	17,846,400	-	-	17,846,400
Carrying amount	2,785,956,889	41,984,142	-	2,827,941,031
Loss allowance	(551,519)	(79,088)	-	(630,607)
Carrying amount – fair value**	2,785,956,889	41,984,142	-	2,827,941,031
<i>Investment securities measured at amortised cost</i>				
Rated AAA	168,611,393	-	-	168,611,393
Rated A+	95,086,919	-	-	95,086,919
Rated from BBB- to BBB+	770,094,393	-	-	770,094,393
Rated from BB- to BB+	88,503,090	-	-	88,503,090
Gross carrying amount	1,122,295,795	-	-	1,122,295,795
Loss allowance	(352,060)	-	-	(352,060)
Carrying amount	1,121,943,735	-	-	1,121,943,735

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

'000 KZT	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
<i>Claims for repurchased loans</i>				
Rated BBB-	247,142,183	2,946,144	95,052	250,183,379
Rated BB	47,073,796	16,387	-	47,090,183
Rated B+	2,949,119	22,784	-	2,971,903
Rated B	227,334,370	236,447	80,828	227,651,645
Rated B-	11,762,497	192,387	-	11,954,884
Gross carrying amount	536,261,965	3,414,149	175,880	539,851,994
Loss allowance	(68,860)	(2,498)	(14,936)	(86,294)
Carrying amount	536,193,105	3,411,651	160,944	539,765,700
'000 KZT	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
<i>Short-term receivables</i>				
Rated BBB-	407,531,193	-	-	407,531,193
Gross carrying amount	407,531,193	-	-	407,531,193
Loss allowance	-	-	-	-
Carrying amount	407,531,193	-	-	407,531,193

* In 2021 Stage 1 (2020: Stage 1) include FPL bonds with no externally assigned credit rating. FPL is a 100% subsidiary of the Ministry of Finance of the Republic of Kazakhstan.

** Investment securities measured at fair value through other comprehensive income are stated at fair value, while the loss allowance is recognised in other comprehensive income.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. NET INTEREST LOSS

	2021	2020
	KZT'000	KZT'000
Interest income calculated using the effective interest method		
Interest income on financial assets measured at amortised cost:		
- Placements and loans with banks and other financial institutions	160,740,368	150,518,982
- Investment securities measured at amortised cost	93,040,754	79,844,576
- Claims for repurchased loans	36,849,339	17,723,288
- Reverse repurchase agreements	3,693,327	7,817,533
Interest income on financial assets measured at fair value through other comprehensive income		
- Investment securities at fair value through other comprehensive income	57,303,861	111,279,285
Total interest income calculated using the effective interest method	351,627,649	367,183,664
Interest expense		
Interest expense on financial liabilities measured at amortised cost:		
- Debt securities issued	(385,170,667)	(348,204,505)
- Deposits and balances from banks and other financial institutions	(197,850,670)	(109,447,963)
- Repurchase agreements	(3,486,301)	(4,854,777)
- Deposit accounts of the Ministry of Finance of the Republic of Kazakhstan	(2,396,154)	(2,087,263)
Total interest expense on financial liabilities measured at amortised cost	(588,903,792)	(464,594,508)
	(237,276,143)	(97,410,844)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. FEE AND COMMISSION INCOME

	2021	2020
	KZT'000	KZT'000
Pension asset management fee	26,372,449	6,954,406
Asset management fee	10,750,651	15,770,431
Depository operations and servicing of financial markets and transfer operations	3,005,466	2,035,919
	40,128,566	24,760,756

Fee and commission income on asset management operations consists of income for asset management services provided to the National Fund of the Republic of Kazakhstan and State Social Insurance Fund JSC. The NBK manages the assets of these organisations investing funds received in various financial instruments in accordance with customers' instructions.

Fee and commission income on pension asset management was received from UNPF JSC. In 2021, the condition to receive interest for excess of the target yield was eliminated. During 2020 the NBK received no interest for excess of the target yield.

Income on depository operations and servicing of financial markets consists of income from core activities of Central Securities Depository JSC, Kazakhstan Stock Exchange JSC.

Income on transfer operations consists of commission income from inter-banking, money transfers and clearing operations of Kazakhstan Interbank Settlement Centre of the National Bank of Kazakhstan RSE.

7. FEE AND COMMISSION EXPENSE

	2021	2020
	KZT'000	KZT'000
Asset management services	3,421,317	3,669,310
Broker operations and account maintenance fees	2,726,340	2,542,040
Custodian services	784,276	62,735
Other	432,193	92,689
	7,364,126	6,366,774

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. NET GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	KZT'000	KZT'000
Placements and loans with banks and other financial institutions measured at FVTPL - change in fair value	4,079,503	(41,153,235)
Placements and loans with banks and other financial institutions measured at FVTPL – other interest income	36,829,842	40,067,267
Assets under external management	212,576,008	94,502,925
Other derivative financial instruments:	(5,152,037)	1,866,246
	248,333,316	95,283,203

The gain generated from change in fair value of subordinated bonds is equal to KZT 4,123,273 thousand and the loss - on deposits with banks measured at fair value is equal to KZT 43,770 thousand (Note 19) (2020: loss of KZT 17,784,382 thousand and loss of KZT 23,368,853 thousand, respectively).

Other interest income comprise interest income on subordinated bonds measured at fair value and deposits with banks (Note 19) in the amount of KZT 33,341,220 thousand and KZT 3,488,622 thousand, respectively (2020: KZT 336,645,865 thousand and KZT 3,421,402 thousand, respectively).

9. NET GAIN ON INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	KZT'000	KZT'000
Sale of debt investment securities	17,819,146	32,933,329
Dividends	4,787,580	7,826,628
	22,606,726	40,759,957

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

**10. EXPENSES ON REHABILITATION OF THE BANKING SECTOR
AND THE ECONOMY**

During 2021 in accordance with the realisation of the Program Employment Roadmap for 2020-2021 and the Program Nurly Zher for 2020-2025 the subsidiary of the NBK, KSF JSC, purchased coupon bonds of a quasi-public sector organisation for the total amount of KZT 100,000,000 thousand and KZT 120,000,000 thousand, respectively (2020: KZT 700,000,000 thousand and KZT 270,000,000 thousand, respectively), bearing interest rates of 7% and 4% per annum, respectively (2020: 6% and 4% per annum), with an obligation of their repayment in 10 years and 20 years, respectively (2020: 10-12 and 2-20 years, respectively). The National Bank recognised such bonds at fair value on initial recognition (Note 19), determined using estimated market interest rates from 9.65% to 10.77% per annum, respectively (2020: 9.49% to 12.13% per annum and 11.19% to 13.19% per annum, respectively). The difference of KZT 22,424,141 thousand and KZT 59,622,346 thousand between the nominal value and fair value at the date of initial recognition was recognised in 2021 (2020: KZT 223,609,525 thousand and KZT 82,138,809 thousand, respectively) in profit or loss as expenses on rehabilitation of the banking sector and the economy.

In addition, during 2021, the coupon bonds of one quasi-public sector organisation purchased under the Nurly Zher Program in 2020 had their maturity date changed from 2022 to 2024. Due to a significant modification of the circulation terms, the National Bank derecognised old coupon bonds and recognised new financial assets. Therefore, the fair value at initial recognition of these coupon bonds was determined using the estimated market interest rate of 13.19% per annum, which resulted in recognition of the loss of significant modification to the terms and conditions in the amount of KZT 25,697,608 thousand, which was recognised in 2021 in profit or loss as expenses on rehabilitation of the banking sector and the economy.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

**10. EXPENSES ON REHABILITATION OF THE BANKING
SECTOR AND THE ECONOMY, CONTINUED**

Additionally, during 2021 in accordance with the Program on Improving the financial stability of the banking sector, coupon bonds of a quasi-public sector organisation were purchased for the total amount of KZT 6,536,981 thousand (2020: one quasi-public sector organisation and second-tier banks for the total amount of KZT 226,520,653 thousand), bearing interest rate of 10% per annum (2020: 0.1% to 10.85% per annum), with an obligation of their repayment in 5 years (2020: 10-20 years). The National Bank has recognised such bonds at fair value at initial recognition (Note 19), determined using estimated market interest rate of 14.78% per annum (2020: from 13.72% to 20.69% per annum). The difference of KZT 1,127,162 thousand in 2021 (2020: KZT 93,666,939 thousand) between the nominal value and fair value at the date of initial recognition was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy.

Also, during 2021 for the realisation of the Mechanism of lending to priority sectors of the economy KSF JSC purchased coupon bonds of a quasi-public sector organisation and second-tier banks for the total amount of KZT 28,207,681 thousand (2020: a quasi-public sector organisation for KZT 32,024,836 thousand), bearing interest rates of 10.85% to 10.95% per annum (2020: 10.75% per annum), with an obligation of their repayment in 1-10 years (2020: 1-10 years). The National Bank has recognised such bonds at fair value on initial recognition (Note 19), determined using estimated market interest rates from 12.26% to 13.98% per annum (2020: from 10.35% to 15.83% per annum). The difference of KZT 4,626,022 thousand in 2021 (2020: KZT 5,262,159 thousand) between the nominal value and fair value at the date of initial recognition was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

**10. EXPENSES ON REHABILITATION OF THE BANKING
SECTOR AND THE ECONOMY, CONTINUED**

In 2021 as part of other Government programs, KSF JSC purchased coupon bonds of quasi-public sector organisations for the total amount of KZT 1,303,774 thousand (2020: quasi-public sector organisations for KZT 9,479,994 thousand), bearing an interest rate of 0.1% per annum (2020: 0.1% to 5.00% per annum), with an obligation of their repayment in 30 years (2020: 1-30 years). The National Bank has recognised such bonds at fair value at initial recognition (Note 19), determined using estimated market interest rate of 9.70% per annum (2020: 9.46% to 9.48% per annum). The difference of KZT 1,217,535 thousand in 2021 (2020: KZT 828,466 thousand) between the nominal value and fair value at the date of initial recognition was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy.

In addition, during 2021 the terms of issue of previously purchased coupon bonds of second-tier banks and quasi-public sector organisations under other government programs of KSF JSC regarding extension of their maturity dates were changed. This restructuring has resulted in the modification loss in the amount of KZT 13,352,346 thousand, which was recognised in 2021 in profit or loss as expenses on rehabilitation of the banking sector and the economy.

During 2020 the maturity date for a coupon bond of one second-tier bank purchased in 2019, was extended from 2034 to 2040. This restructuring has resulted in the modification loss in the amount of KZT 35,555,736 thousand, which was recognised in 2020 in profit or loss as expenses on rehabilitation of the banking sector and the economy.

In 2021, the condition of the issue regarding the extension of the maturity date was changed for previously purchased subordinated bonds of a second-tier bank. This restructuring has resulted in the modification loss in the amount of KZT 109,962 thousand, which was recognised in 2021 in profit or loss as expenses on rehabilitation of the banking sector and the economy.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

**10. EXPENSES ON REHABILITATION OF THE BANKING
SECTOR AND THE ECONOMY, CONTINUED**

In 2020 KSF JSC purchased subordinated bonds of second-tier banks in the amount of KZT 121,829,031 thousand, bearing interest rates from 0.10% to 4.00% per annum, with an obligation of their repayment in 15-20 years. The National Bank has recognised such bonds at fair value at initial recognition (Note 19), determined using the estimated market interest rates from 14.60% to 14.81% per annum. The difference of KZT 99,545,510 thousand between the nominal value and fair value at the date of initial recognition was recognised in 2020 in profit or loss as expenses on rehabilitation of the banking sector.

In addition, during 2020 nominal interest rates for subordinated bonds of some second-tier banks, purchased in 2017, were decreased from 4.00% to 0.01% per annum, and maturity dates extended from 2032 to 2040. This restructuring has resulted in the modification loss in the amount of KZT 70,980,515 thousand which was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy.

All subordinated bonds were purchased in accordance with the Program on Improving the financial stability of the banking sector.

Estimated market interest rates applied are based on external credit ratings of the counterparties.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

**10. EXPENSES ON REHABILITATION OF THE BANKING
SECTOR AND THE ECONOMY, CONTINUED**

During 2018 and 2019 KSF JSC acquired bonds issued by FPL for the total amount of KZT 450,000,000 thousand and KZT 614,086,276 thousand, respectively, which were recognised at fair value at initial recognition. In December 2020 these bonds were restructured by means of a partial repurchase in exchange to the long-term deposit held with a second-tier bank and transfer of the remaining part of bonds at nominal value to the Government organisation on gratuitous basis. As the result of this restructuring the difference between the fair value of bonds at the date of restructuring in the amount of KZT 367,958,420 thousand and the fair value of the consideration received in the amount of KZT 43,175,682 thousand was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy. The remaining difference between the carrying value and the fair value of these bonds was recognised in profit or loss as allowance for expected credit losses (Note 12). The fair value of FPL bonds was determined based on the fair value of the underlying assets of FPL with applying the haircut discounts of between 10% to 20% to the appraised value of the assets and a delay of 12 to 24 months in obtaining proceeds from the sale of these assets.

11. OTHER OPERATING INCOME/(EXPENSES), NET

	2021	2020
	KZT'000	KZT'000
Deposits under the Program of mortgage loans refinancing	(35,412,416)	(71,218,797)
Contributions of banks participating in the guarantee system, net	48,760,297	39,172,057
Sale of printed products	2,331,057	1,428,796
Sale of collection coins and repurchase of measured bullions	1,826,763	1,857,431
Sale of medals, badges and jewellery	473,225	447,566
Rent of property and equipment	2,574	2,612
Other (expense)/income, net	(31,671)	2,193,174
	17,949,829	(26,117,161)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. OTHER OPERATING INCOME/(EXPENSES), NET, CONTINUED

According to the Order of the Ministry of Finance of the RK dated 29 December 2017, No.765 “On Further Implementation of the Program of Refinancing of Mortgage Housing Loans/Mortgage Loans” the implementation of functions of the Program of Refinancing of Mortgage Housing Loans/Mortgage Loans dated 24 April 2015, No.69 (hereinafter, the “Program of Mortgage Loans Refinancing”) was transferred from FPL JSC to KSF JSC without compensation. As part of this Program of Mortgage Loans Refinancing, targeted placement of deposits is provided with the second-tier banks at the interest rates of 0.10% and 2.99% per annum and maturity of up to 20 years.

During 2021 and 2020 KSF JSC placed deposits in certain banks with low interest rates. In 2021 the loss of KZT 32,182,214 thousand was recognised on deposits as the resulted difference between the nominal value and fair value at the date of initial recognition of these deposits calculated using the market interest rates from 9.6 % to 15.16% per annum (2020: the loss of KZT 67,989,718 thousand using the interest rates from 11.59 % to 15.16% per annum). The amount of KZT 35,412,416 thousand (2020: KZT 71,218,797 thousand) also includes reimbursement of expenses of KZT 3,230,202 thousand incurred by the second-tier banks on the state duties charged on the claims filed to the court with regard to the borrowers’ loans due to refinancing of the problem loans denominated in foreign currency (2020: KZT 3,229,079 thousand).

Contributions of the banks participating in the guarantee system, net, in 2021 comprise proceeds of KDIF JSC from contributions of bank-participants, penalty and proceeds from a liquidation committee of a forcibly liquidated bank in the amount of KZT 55,210,836 thousand as well as expenses on compensation paid to depositors of forcibly liquidated banks in the amount of KZT 6,450,539 (2020: KZT 39,172,057 thousand and KZT nil, respectively).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. INCOME ON RECOVERY OF/(LOSS ON) ALLOWANCE FOR CREDIT LOSSES

	2021	2020
	KZT'000	KZT'000
Placements and loans with banks and other financial institutions (Note 19)	3,207,035	(164,417,961)
Investment securities measured at amortised cost	128,050	588,765
Investment securities at fair value through other comprehensive income	(216,207)	766,311
Other financial assets	(280,290)	(334,853)
Claims for repurchased loans	65,072	679,972
Inventories	(25,452)	(65,228)
Other non-financial assets	(8,159)	(11,973)
	2,870,049	(162,794,967)

13. BANKNOTES AND COINS PRODUCTION EXPENSES

	2021	2020
	KZT'000	KZT'000
Banknotes production	12,677,100	8,354,828
Coins production	9,404,193	21,438,694
Other	308,644	764,946
	22,389,937	30,558,468

Banknotes and coins production expenses for 2021 include depreciation charge of equipment of KZT 685,559 thousand (2020: KZT 1,417,263 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. PERSONNEL EXPENSES

	2021	2020
	KZT'000	KZT'000
Payroll	13,801,036	12,775,050
Bonuses	8,612,490	8,966,328
Social tax	1,268,200	1,453,955
Insurance	522,667	434,950
Training	138,959	87,287
Other	54,292	63,223
	24,397,644	23,780,793

15. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	KZT'000	KZT'000
Information and other services	17,356,858	39,436,119
Communication	2,250,511	2,213,393
Taxes other than income tax	1,634,136	1,287,232
Repair and maintenance of property and equipment	1,271,426	1,346,875
Short-term rent expenses	559,806	546,642
Gratuitous assignment of property	437,045	935,755
Property and equipment and inventories	436,100	529,356
Security	361,806	360,239
Utilities	342,317	304,171
Representation expenses	216,725	185,669
Business trip expenses	214,415	378,346
Transportation	112,997	230,962
Insurance of property and equipment	61,398	62,063
Advertising, announcements and presentations in mass media	37,984	51,685
Depreciation and amortisation	7,074	339,049
Other	754,303	706,111
	26,054,901	48,913,667

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. INCOME TAX BENEFIT

In accordance with legislation of the Republic of Kazakhstan, the NBK is exempt from income tax. Subsidiaries and associate organisations of the NBK are subject to income tax.

	2021	2020
	KZT'000	KZT'000
Current income tax expense	(1,428,473)	(1,625,922)
Movement in deferred tax assets due to origination and reversal of temporary differences	20,665,909	91,342,022
Total income tax benefit	19,237,436	89,716,100

In 2021 the applicable tax rate for current and deferred tax is 20% (2020: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

	2021		2020	
	KZT'000	%	KZT'000	%
Loss before income tax	(140,005,135)		(1,209,899,114)	
Income tax at the applicable tax rate	28,001,027	(20.00)	241,979,823	(20.00)
Effect of non-taxable operations of the NBK	(49,077,727)	35.05	(59,000,123)	4.88
Non-taxable income on securities	11,977,907	(8.56)	7,971,652	(0.66)
Non-taxable income on activities of KDIF JSC	10,652,781	(7.61)	5,481,709	(0.45)
Non-taxable income/(non-deductible expenses) on activities of KSF JSC	17,619,298	(12.58)	(15,967,361)	1.32
Write-off of previously recognised DTA on FPL bonds	-	-	(91,158,636)	7.53
Other non-taxable income	64,150	(0.05)	409,036	(0.03)
	19,237,436	(13.74)	89,716,100	(7.42)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. INCOME TAX BENEFIT, 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 assets and deferred tax liabilities as at 31 December 2021 and 31 December 2020. Future tax benefits can be obtained only if the NBK subsidiaries are able to make a profit, from which it will be possible to offset the unused tax loss, and if there are no changes in the legislation of the Republic of Kazakhstan that adversely affect the ability of the NBK subsidiaries to use these benefits in future periods.

The NBK is not a payer of income tax.

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

16. INCOME TAX BENEFIT, CONTINUED

Deferred tax assets and liabilities, continued

Movements in temporary differences during the years 2021 and 2020 are presented as follows:

KZT'000	Balance at 1 January 2021	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2021
Placements and loans with banks and other financial institutions	325,340,691	20,645,261	-	345,985,952
Property, plant and equipment and intangible assets	(2,627,270)	(50,471)	(223,180)	(2,900,921)
Other assets	59,807	(203,626)	-	(143,819)
Other liabilities	406,486	5,712	(730)	411,468
Tax loss carry-forwards	216,811	269,033	-	485,844
	323,396,525	20,665,909	(223,910)	343,838,524
Unrecognised deferred tax liabilities	(189,660)	-	-	(189,660)
Recognised deferred tax assets	323,206,865	20,665,909	(223,910)	343,648,864
Deferred tax assets	325,613,503	20,673,985	(28,558)	346,258,930
Deferred tax liabilities	(2,406,638)	(8,076)	(195,352)	(2,610,066)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

16. INCOME TAX BENEFIT, CONTINUED

Deferred tax assets and liabilities, continued

KZT'000	Balance at 1 January 2020	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2020
Placements and loans with banks and other financial institutions	234,111,296	91,229,395	-	325,340,691
Property, plant and equipment and intangible assets	(2,652,467)	21,487	3,710	(2,627,270)
Debt securities issued	929,770	(929,770)	-	-
Other assets	22,654	37,153	-	59,807
Other liabilities	356,665	49,821	-	406,486
Tax loss carry-forwards	23,931	192,880	-	216,811
	232,791,849	90,600,966	3,710	323,396,525
Unrecognised deferred tax liabilities	(930,716)	741,056	-	(189,660)
Recognised deferred tax assets	231,861,133	91,342,022	3,710	323,206,865
Deferred tax assets	234,344,611	91,268,112	780	325,613,503
Deferred tax liabilities	(2,483,478)	73,910	2,930	(2,406,638)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

16. INCOME TAX BENEFIT, CONTINUED

Deferred tax assets and liabilities, continued

As at 31 December 2021 deferred tax assets of KZT 345,754,161 thousand (31 December 2020: KZT 325,340,691 thousand) were recognised by the subsidiary of NBK, KSF JSC. Management of KFS JSC assessed the recoverability of deferred tax assets and concluded that KFS JSC would have sufficient taxable income after taking into account deductible temporary differences and it is appropriate to recognise deferred tax assets. The recovery of the deferred tax asset will take place upon the amortisation of the discount on these investments through an adjustment to interest income. The carrying amount of the deferred tax asset is subject to the reassessment at the end of each reporting period. KSF JSC will reduce the carrying amount of the deferred tax asset, if necessary. Therefore, at the reporting date, the deferred tax asset represents an adjustment to initial recognition and subsequent amortisation of that amount.

17. CASH AND CASH EQUIVALENTS

	2021	2020
	KZT'000	KZT'000
Nostro accounts in foreign banks	905,319,981	2,238,402,909
Cash on hand in foreign currency	112,430,324	122,879,854
Reverse repurchase agreements with initial maturity of less than three months	549,162,352	20,012,508
Tenge denominated deposits with Kazakhstan banks with the original maturity of less than three months	1,182,092	1,550,029
Nostro accounts in Kazakhstan banks	805,120	759,473
Accounts with the Bank for International Settlements	6,268	6,668
Deposits in foreign banks with the original maturity of less than three months	-	15,391
Total cash and cash equivalents in the consolidated statement of cash flows	1,568,906,137	2,383,626,832

As at 31 December 2021 nostro accounts in foreign banks included restricted for use uninvested cash under management of NIC NBK JSC in the amount of KZT 40,336,981 thousand (31 December 2020: KZT 16,295,863 thousand) that was not included in cash equivalents.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

18. GOLD

	2021	2020
	'000 KZT	'000 KZT
Gold bullion in NBK depository	8,195,802,264	8,316,001,083
Gold deposits with foreign banks:		
- Rated AAA	-	50,779,800
- Rated AA-	-	45,902,111
- Rated from A- to A+	182,371,314	684,330,921
Total gold on deposits with foreign banks	182,371,314	781,012,832
Gold bullion in a foreign bank depository:		
- Rated AAA	708,633,295	717,707,368
- Rated A+	1,168,152,414	131,548,388
Total gold bullion in a foreign bank depository	1,876,785,709	849,255,756
	<u>10,254,959,287</u>	<u>9,946,269,671</u>

The credit ratings are presented in accordance with the standards of the rating agency Standard and Poor's or with similar standards of other international rating agencies.

19. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021	2020
	'000 KZT	'000 KZT
Placements and loans with banks and other financial institutions measured at amortised cost	2,890,335,090	4,338,690,000
Placements and loans with banks and other financial institutions measured at FVTPL	305,232,932	292,215,561
	<u>3,195,568,022</u>	<u>4,630,905,561</u>

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

19. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

	2021	2020
	'000 KZT	'000 KZT
MEASURED AT AMORTISED COST		
Placements with foreign banks and other financial institutions		
Nostro accounts in banks		
- Rated AAA	179,341,723	876,804,943
- Rated from AA- to AA+	600,419,350	1,241,290,929
- Rated from A- to A+	66,111,069	68,052,184
- Rated from BBB- to BBB+	6,997,256	4,488,595
- Rated from BB- to BB+	1,698,859	2,047,425
- Rated B	109,375	87,115
Gross nostro accounts in banks	854,677,632	2,192,771,191
Allowance for expected credit losses	(589)	(1,589)
Net nostro accounts in banks	854,677,043	2,192,769,602
Other accounts and deposits		
Non-invested cash under external management (Note 22)		
- Rated A+	90,979,330	61,937,952
	90,979,330	61,937,952
Accounts with International Monetary Fund	700,067,456	702,245,248
Receivables on foreign currencies transactions	30,939,624	14,786,910
Accounts with the Bank for International Settlements	6,267	6,668
Total other accounts and deposits	821,992,677	778,976,778
Total accounts and deposits in foreign banks and other financial institutions	1,676,669,720	2,971,746,380

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

19. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

	2021 '000 KZT	2020 '000 KZT
Nostro accounts of subsidiaries with second tier banks		
- Rated from BB- to BB+	301,676	561,037
- Rated B	503,445	188,065
Gross nostro accounts of subsidiaries with second tier banks	805,121	749,102
Allowance for expected credit losses	-	(168)
Net nostro accounts of subsidiaries with second tier banks	805,121	748,934
Placements, loans and receivables of Kazakhstan banks and other financial institutions		
Placements with banks		
- Rated BBB-	28,964	52,601,287
- Rated from BB- to BB+	51,916,257	185,808,411
- Rated from B- to B+	6,697,096	133,798,301
- not rated	906,806	869,309
Gross placements with banks	59,549,123	373,077,308
Allowance for expected credit losses	(198,258)	(3,183,249)
Net placements with banks	59,350,865	369,894,059
Loans issued *		
- Rated BBB-	846,094,083	693,488,838
- Rated from BB- to BB+	32,833,021	63,723,747
- Rated from B- to B+	129,713,585	111,330,432
- Rated CCC-	-	14,088,019
- not rated	190,245,159	155,460,540
Gross loans issued (Note 10)	1,198,885,848	1,038,091,576
Allowance for expected credit losses	(49,252,932)	(44,400,407)
Net loans issued	1,149,632,916	993,691,169
Receivables from other financial institutions		
Receivables from "UAPF" JSC	336,237	545,354
Receivables from Ministry of Finance of the Republic of Kazakhstan	3,540,231	2,064,104
Total receivables from other financial institutions	3,876,468	2,609,458
Total placements with banks and receivables from Kazakhstan banks and other financial institutions	1,212,860,249	1,366,194,686
Gross placements and loans with banks and other financial institutions measured at amortised cost	2,939,786,869	4,386,275,413
Total allowance for expected credit losses	(49,451,779)	(47,585,413)
Net placements and loans with banks and other financial institutions measured at amortised cost	2,890,335,090	4,338,690,000

* Loans issued measured at amortised cost include FPL bonds and coupon bonds of second-tier banks and quasi-public sector organisations (Note 10).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

19. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

In December 2020 FPL bonds, purchased by KSF JSC in 2018 and 2019, were restructured, as a result of which a difference between fair value of the bonds as at the date of restructuring and fair value of consideration received was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy (Note 10).

	2021	2020
	'000 KZT	'000 KZT
MEASURED AT FVTPL		
Deposits in banks		
- Rated BB	17,668,784	15,788,599
- Rated from B- to B+	20,839,528	20,553,952
Total deposits in banks	38,508,312	36,342,551
Loans issued*		
- Rated BBB	308,533	-
- Rated BBB-	-	335,074
- Rated from B- to B+	266,416,087	255,537,936
Total loans issued (Note 10)	266,724,620	255,873,010
Total placements and loans with banks and other financial institutions measured at fair value	305,232,932	292,215,561

* Loans measured at fair value through profit or loss represent subordinated bonds of banks purchased under the program of financial support of the banking sector (Note 10). In accordance with IFRS 9, subordinated bonds were classified as mandatory at fair value through profit or loss due to non-compliance with the SPPI criterion, due to the existence of a mechanism of the exchange of subordinated debt into ordinary shares of the bank in the event of deterioration of the financial position of banks and disclosure of facts indicating assets withdrawal.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
19. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED
Analysis of allowance for expected credit losses

Movement in allowance for expected credit losses for placements and loans with banks and other financial institutions for 2021 and 2020 is as follows:

'000 KZT	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Placements and loans with banks and other financial institutions					
Balance at 1 January	6,017,737	407	41,567,269	-	47,585,413
Net movement in loss allowance	(1,105,769)	1	(242,552)	(5,073,364)	(6,421,684)
New financial assets originated or purchased*	6,263,734	-	-	-	6,263,734
Financial assets that have been derecognised	(3,049,080)	(5)	-	-	(3,049,085)
Recovery of previously written-off assets	-	-	-	5,073,364	5,073,364
Foreign exchange and other movements	37	-	-	-	37
Balance at 31 December	8,126,659	403	41,324,717	-	49,451,779
'000 KZT	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Placements and loans with banks and other financial institutions					
Balance at 1 January	4,020,295	1,576	275,510,316	30,730,063	310,262,250
- Transfer to Stage 1	6	(6)	-	-	-
- Transfer to Stage 2	(52)	52	-	-	-
Net remeasurement of loss allowance	(1,958,067)	1,008	78,877,079	83,544,081	160,464,101
New financial assets originated or purchased*	4,222,474	5	-	-	4,222,479
Financial assets that have been derecognised	(266,418)	(2,201)	-	-	(268,619)
Write-offs	(493)	-	(312,820,126)	(124,338,231)	(437,158,850)
Recovery of previously written-off assets	-	-	-	10,064,087	10,064,087
Foreign exchange and other movements	(8)	(27)	-	-	(35)
Balance at 31 December	6,017,737	407	41,567,269	-	47,585,413

*includes new financial assets created during the year, including transfers of these assets between stages.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

19. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

During 2021 the loss allowance for bonds of DSFK Special Finance Company LLP was written off and recovered in the total amount of KZT 5,073,364 thousand (2020: loss allowance written off and recovered in the total amount of KZT 10,064,087 thousand).

In 2021 purchase by KSF JSC of FPL bonds resulted in increase in loss allowance in the total amount of KZT 5,866,713 thousand.

During 2021, the closing of the KSF JSC deposits of KZT 317,838,889 thousand with the second-tier banks resulted in decrease of loss allowance by KZT 3,022,906 thousand.

During 2020 the net remeasurement of loss allowance for FPL bonds acquired by KSF JSC in 2018 and 2019 amounted to KZT 67,064,105 thousand and KZT 93,608,168 thousand for bonds in Stage 3 and POCI bonds, respectively.

In December 2020 FPL bonds, purchased by KSF JSC in 2018 and 2019, were restructured (Note 10), which resulted in the write-off of the loss allowance in the total amount of KZT 437,158,357 thousand. As at the date of disposal of FPL bonds, the carrying value and allowance for expected credit losses of the bonds were determined based on the fair value of the underlying assets of FPL issuer with applying the haircut discounts of between 10% to 20% to the appraised value of the assets and a delay of 12 to 24 months in obtaining proceeds from the sale of these assets.

As at 31 December 2021 and 31 December 2020 the National Bank has no placements with a counterparty-banks in the amount exceeding 10% of equity.

As at 31 December 2021 the “nostro” accounts opened in local banks in the amount of KZT 805,121 thousand (31 December 2020: KZT 748,934 thousand), belong to subsidiary companies of the NBK.

As at 31 December 2021 loans amounting to KZT 41,296,297 thousand were past due for more than 90 days (31 December 2020: KZT 43,796,297 thousand) and 100% allowance was created against these loans.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

20. FINANCIAL INSTRUMENTS UNDER MANAGEMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments under management at fair value through profit or loss consisted of the following at 31 December 2021 and 31 December 2020:

	2021	2020
	'000 KZT	'000 KZT
Assets		
Assets under external management		
Hedge funds, private equity and real estate funds	964,623,156	632,525,226
Futures	600,729	262,297
Forwards	126,359	238,403
Assets under own management		
Forwards	51,100	-
Total financial instruments under management at fair value through profit or loss	965,401,344	633,025,926
Liabilities		
Liabilities under external management		
Forwards	(585,958)	(467,296)
Futures	(1,214,569)	(499,811)
Liabilities under own management		
Swap	(15,743)	(1,058)
Total financial instruments under management at fair value through profit or loss	(1,816,270)	(968,165)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

20. FINANCIAL INSTRUMENTS UNDER MANAGEMENT AT FAIR VALUE THROUGH PROFIT OR LOSS, CONTINUED

Investments in alternative instruments comprised investments in hedge-funds and private equity funds in accordance with the strategy of gold and foreign exchange reserves and Investment Strategy for management of portfolio of alternative instruments of the National Bank's gold and foreign currency reserves approved by the Resolution of the NBK dated 28 May 2018, No. 100, and in accordance with the terms and conditions of the Investment Trust Management Contract No.122NB/10 dated 29 March 2013 concluded between the NBK and subsidiary NIC NBK JSC. NIC NBK JSC invests a part of the gold and foreign currency reserves of the National Bank in the alternative classes of assets through the special purpose companies and/or partnerships established to invest in hedge funds, private equity funds and real estate funds.

Investments in hedge funds

Investments in the hedge funds under management of NIC NBK JSC (hereinafter, the "Portfolio of investments in hedge funds") comprise investments, which are made through the structure of the fund of funds to different investment funds established to accumulate the investors' funds to invest in accordance with certain investment strategies in various markets and in different types of financial instruments. As at 31 December 2021 and 2020, the geographical distribution of the Portfolio of investments in hedge funds falls mostly on the North America and Europe. US Dollar is the investment currency in the hedge funds. Investment funds are established in the form of the companies or partnerships. In turn, these investment funds hold a significant part of their positions in the highly liquid securities and financial derivatives which are measured at the quoted market value.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

20. FINANCIAL INSTRUMENTS UNDER MANAGEMENT AT FAIR VALUE THROUGH PROFIT OR LOSS, CONTINUED**Investments in private equity funds**

Investments in the private equity funds under management of NIC NBK JSC (hereinafter, the “Private Equity Portfolio”) comprise investment in the funds and co-investments with the funds through the structure of the fund of funds made to accumulate the investors’ funds to invest the share capital or securities of the invested companies. Investment funds may be established in the form of the companies or partnerships. The Private Equity Portfolio comprises the funds investing in different sectors and different regions. As at 31 December 2021 participation in direct investments in the sectors of information technology, consumer goods and services, health care, industrial and financial sectors, accounts for a major part in the Portfolio. A majority of investments falls in the North America and Western Europe. US dollar is a major currency of investments in the funds; however, there are investments denominated in euro and British pounds.

Investments in real estate funds

Investments in the real estate funds under management of NIC NBK JSC (hereinafter, the “Real Estate Portfolio”) comprise investment in the funds through the structure of the fund of funds made to earn income from rent payment and/or increase cost of real estate. Investment funds may be established in the form of the companies or partnerships. Real Estate Portfolio comprises the funds investing in various types of buildings in various regions. Investing in real estate commenced in 2018. As at 31 December 2020 a majority of investments in real estate portfolio falls in North America, Europe, and Asia. US dollar is a major currency of investments in the real estate funds; however, there are investments denominated in euro and Japanese yen.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

20. FINANCIAL INSTRUMENTS UNDER MANAGEMENT AT FAIR VALUE THROUGH PROFIT OR LOSS, CONTINUED

The tables below summarises, by major currencies, the contractual amounts of the National Bank's outstanding balances from derivative transactions, as at 31 December 2021 and 31 December 2020 with details of the contracted weighted average exchange rates and remaining periods to maturity.

	Contract/ notional amount '000 KZT		Weighted-average contracted futures prices/exchange rates			
	2021	2020	2021	2020		
Swap						
for the period less than 3 months						
Buy USD to KZT	19,862,800	(19,878,543)	1,154,826	(1,155,884)	432.14	421.30
Forwards						
for the period less than 3 months						
Buy EUR to USD	88,329,630	(88,278,530)	-	-	1.13	-
Buy USD to AUD	2,966,760	(3,013,887)	2,571,028	(2,642,983)	1.40	1.36
Buy CHF to USD	6,209,133	(6,150,689)	2,031,255	(1,995,389)	1.09	1.11
Buy USD to GBP	3,887,269	(3,947,694)	3,424,656	(3,452,615)	0.75	0.75
Buy USD to CAD	20,067,576	(20,237,045)	15,903,233	(16,029,212)	1.27	1.30
Buy USD to EUR	2,105,733	(2,111,738)	1,615,113	(1,645,639)	0.88	0.83
Buy JPY to USD	4,451,135	(4,525,927)	5,963,061	(5,938,480)	0.0088	0.0096
Buy EUR to USD	256,483	(256,464)	-	-	1.14	-
Buy CAD to USD	92,290	(92,298)	-	-	0.79	-
Buy GBP to USD	395,382	(399,172)	1,376,572	(1,369,029)	1.34	1.34
Buy CHF to USD	1,941,196	(1,928,880)	6,675,567	(6,568,853)	1.09	1.11
Buy JPY to USD	1,848,827	(1,889,917)	1,876,616	(1,875,444)	0.0089	0.0096
Buy AUD to USD	878,123	(866,531)	1,651,113	(1,615,197)	0.72	0.74
Buy CAD to USD	3,184,244	(3,140,255)	4,002,483	(3,975,872)	0.78	0.77
Buy USD to EUR	7,231,004	(7,326,989)	12,201,476	(12,408,460)	0.89	0.83
Buy USD to EUR	7,992,240	(8,079,508)	-	-	0.89	-
Buy USD to JPY	-	-	3,475,885	(3,479,778)	-	103.85
	151,837,025	(152,245,524)	62,768,058	(62,996,951)		
Futures						
for the period less than 3 months						
Contract in USD	165,804,919	(166,370,592)	162,239,069	(162,470,767)	1.00	1.00
Contract in EUR	36,367,129	(36,200,675)	36,541,775	(36,547,762)	0.88	0.82
Contract in JPY	568,421	(569,790)	4,310,750	(4,313,912)	115.16	103.85
Contract in GBP	6,003,688	(5,983,154)	10,359,770	(10,346,629)	0.74	0.74
Contract in CAD	11,040,710	(11,271,031)	7,331,938	(7,341,746)	1.26	1.29
Contract in AUD	4,156,145	(4,159,610)	4,364,600	(4,364,600)	1.38	1.32
	223,941,012	(224,554,852)	225,147,902	(225,385,416)		
Total	395,640,837	(396,678,919)	289,070,786	(289,538,251)		

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

21. REVERSE REPURCHASE AGREEMENTS

	2021	2020
	'000 KZT	'000 KZT
- not rated	<u>549,162,352</u>	<u>20,012,508</u>
	<u>549,162,352</u>	<u>20,012,508</u>

The credit ratings are presented in accordance with the standards of the rating agency Standard and Poor's or with similar standards of other international rating agencies.

As at 31 December 2021 the financial assets accepted as collateral under reverse repurchase agreements comprised debt securities of KSF JSC, treasury bills of the Ministry of Finance of the Republic of Kazakhstan, bonds of the Eurasian Development Bank and notes issued by NBK. As at 31 December 2021 the fair value of these financial assets is KZT 525,082,835 thousand (31 December 2020: KZT 19,121,142 thousand).

During 2021 not rated reverse repo transactions of KZT 549,162,352 thousand were entered in the auto repo market of KASE JSC (31 December 2020: KZT 20,012,508 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

22. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	'000 KZT	'000 KZT
Debt instruments		
Investments in foreign securities		
Government bonds		
US Government Treasury bonds	337,656,026	479,145,378
British Government Treasury bonds	90,503,044	79,846,362
Qatari Government bonds	78,436,530	86,512,041
Columbian Government bonds	77,026,848	74,078,171
UAE Government bonds	70,711,489	77,813,610
Indonesian Government bonds	64,209,173	82,736,717
Mexican Government bonds	62,042,682	57,717,845
Peru Government bonds	55,363,934	38,528,935
Chilean Government bonds	55,316,758	22,464,026
French Government bonds	47,333,775	54,014,331
Luxembourg Government bonds	41,968,339	-
Australian Government Treasury bonds	41,314,600	37,481,617
Philippine Government bonds	34,495,560	66,915,236
Canadian Government Treasury bonds	33,965,774	32,860,161
Polish Government Treasury bonds	22,413,147	27,784,582
German Government bonds	20,419,494	1,456,692
Japanese Government Treasury bonds	14,875,956	25,824,029
Panama Government bonds	14,443,058	16,813,276
Chinese Government bonds	10,159,459	15,598,428
Korean Government Treasury bonds	9,253,326	27,521,807
Paraguay Government bonds	9,188,571	8,667,468
Romanian Government bonds	7,988,611	1,014,001
Cayman Government bonds	5,420,369	8,743,560
Spanish Government Bonds	4,983,626	5,355,315
Malaysian Government bonds	3,673,289	6,102,685
Irish Government bonds	2,749,887	3,014,924

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

22. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

	2021	2020
	'000 KZT	'000 KZT
Saudi Arabia Government bonds	2,124,478	-
Singapore Government bonds	1,833,295	1,849,349
Italian Government bonds	1,691,793	-
Hongkong Government bonds	1,345,301	10,568,144
Israeli Government bonds	146,397	331,325
Lithuanian Government bonds	-	26,134,949
Russian Federation Government bonds	-	6,436,739
Morocco Government bonds	-	3,397,695
Estonian Government bonds	-	1,428,014
Total government bonds	1,223,054,589	1,388,157,412
Debt securities of international governmental and nongovernmental financial institutions		
- Rated AAA	22,993,025	52,952,728
- Rated AA+	4,314,507	-
- Rated AA	24,774,904	64,704,662
- Rated AA-	6,477,459	4,238,946
- Rated A+	19,409,453	30,450,628
- Rated A	8,403,420	13,840,763
- Rated A-	-	1,615,227
- Rated BBB+	5,511,639	2,630,392
- Rated BBB	-	453,607
- Rated BBB-	9,849,890	2,961,843
Total investments in debt securities of international governmental and nongovernmental financial institutions	101,734,297	173,848,796

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
22. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

	2021 '000 KZT	2020 '000 KZT
Corporate bonds of international companies		
- Rated AAA	7,260,792	4,133,384
- Rated from AA- to AA+	84,564,274	44,590,617
- Rated from A- to A+	291,297,237	287,985,948
- Rated from BBB to BBB+	380,112,302	372,597,532
- Rated BB- to BB+	13,729,240	8,619,023
Total investments in corporate bonds of international companies	776,963,845	717,926,504
Total investments in foreign securities	2,101,752,731	2,279,932,712
Investments in Kazakhstan securities		
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	242,337,920	453,101,583
Debt securities of Kazakhstan financial organisations	-	559,910
Pledged under sale and repurchase agreements		
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	140,891,608	94,346,826
Total investments in Kazakhstan securities	383,229,528	548,008,319
Total debt investments	2,484,982,259	2,827,941,031
Equity instruments		
Shares of NC "KazMunayGas" JSC	750,000,000	750,000,000
Corporate shares	26,432,358	5,496,026
Total equity investments	776,432,358	755,496,026
Gross investment securities measured at fair value through other comprehensive income	3,261,414,617	3,583,437,057
Allowance for expected credit losses	(861,925)	(630,607)
Total investment securities measured at fair value through other comprehensive income*	3,261,414,617	3,583,437,057

* Investment securities measured at fair value through other comprehensive income are stated at fair value, while the loss allowance is recognised in other comprehensive income.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

22. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

The credit ratings are presented in accordance with the standards of the rating agency Standard and Poor's or with similar standards of other international rating agencies.

As 31 December 2021 the bonds of the Ministry of Finance of the Republic of Kazakhstan with market value of KZT 140,891,608 (31 December 2020: KZT 94,346,826 thousand) were subject to a registered debenture to secure the repurchase agreements.

As at 31 December 2021 a portion of investment securities measured at fair value through other comprehensive income was under the management of six (31 December 2020: six) foreign asset management organisations. Depending on the mandate the managers invest into fixed income and equity instruments and are also allowed to use derivative instruments.

The portfolios under external management pursue the following investment strategies:

External manager	2021 '000 KZT	2020 '000 KZT	Strategy	Index
National Investment Corporation of the NBK JSC	175,216,070	200,547,370	Alternative instruments	MSCI ACWI Investable Market Net Total Return Index (M1WDIM) - 80% Barclays Global Aggregate Bond Index (LEGATRUH) - 20%
Amundi Corporate Bonds	115,385,963	116,817,894	Global corporate bonds of investment grade	ICE BofAML Q847 Custom Index

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

22. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

External manager	2021 '000 KZT	2020 '000 KZT	Strategy	Index
Nomura Asset Management U.K. Limited Wellington	356,234,813	357,970,439	Global corporate bonds of investment grade	ICE BofAML Q847 Custom Index
Aviva Investors Global Services Limited	111,175,717	113,090,636	Global corporate bonds of investment grade	ICE BofAML Q847 Custom Index
Deutsche Asset Management International GmbH	389,975,068	389,944,946	Bonds of emerging markets in hard currency	ICE BofAML Q846 Custom Index
	326,871,724	327,496,153	Bonds of emerging markets in hard currency	ICE BofAML Q846 Custom Index
Total assets under external management	<u>1,474,859,355</u>	<u>1,505,867,438</u>		

As at 31 December 2021 uninvested balances equivalent to KZT 90,979,330 thousand (31 December 2020: KZT 61,937,952 thousand), related to portfolios under external management are presented within "Placements and loans with banks and other financial institutions" (Note 19).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
22. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED
Analysis of allowance for expected credit losses

Movement in allowance for expected credit losses for investment securities measured at fair value through other comprehensive income is as follows:

'000 KZT	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment securities measured at fair value through other comprehensive income				
Balance at 1 January	551,518	79,088	-	630,606
- Transfer to Stage 1	21,303	(21,303)	-	-
- Transfer to Stage 2	(18,050)	18,050	-	-
Net remeasurement of loss allowance	(228,858)	485,994	-	257,136
New financial assets originated or purchased	203,190	109,001	-	312,191
Financial assets that have been derecognised	(256,016)	(97,104)	-	(353,120)
Foreign exchange and other movements	7,289	7,823	-	15,112
Balance at 31 December	280,376	581,549	-	861,925
'000 KZT	2020			
	Stage 1	Stage 2	Stage 3	Total
Investment securities measured at fair value through other comprehensive income				
Balance at 1 January	1,223,156	76,893	-	1,300,049
- Transfer to Stage 1	51,022	(51,022)	-	-
- Transfer to Stage 2	(939,318)	939,318	-	-
Net remeasurement of loss allowance	401,860	(802,330)	-	(400,470)
New financial assets originated or purchased	547,438	66,075	-	613,513
Financial assets that have been derecognised	(842,573)	(136,781)	-	(979,354)
Foreign exchange and other movements	109,934	(13,065)	-	96,869
Balance at 31 December	551,519	79,088	-	630,607

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

22. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

Unquoted equity instruments

Investment securities measured at fair value through other comprehensive income comprise unquoted ordinary shares of NC “KazMunayGas” JSC for KZT 750,000,000 thousand in 2021 (2020: KZT 750,000,000 thousand), the fair value of which cannot be reliably determined. There is no market for this equity instrument and there have not been any recent transactions that provide evidence of the current fair value.

23. INVESTMENT SECURITIES MEASURED AT AMORTISED COST

	2021	2020
	'000 KZT	'000 KZT
Investments in foreign securities		
Eurobonds rated AAA	49,052,000	154,570,395
Government bonds rated A+	103,397,484	95,086,919
Corporate bonds rated AAA	8,651,071	14,040,998
	161,100,555	263,698,312
Allowance for expected credit losses	(40,588)	(120,217)
Carrying amount of investments in foreign securities	161,059,967	263,578,095
Investments in Kazakhstan securities		
Bonds of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	862,325,244	719,355,438
Securities of second-tier banks and other organisations	154,704,960	139,242,045
Municipal bonds of Akimat of Almaty city	15,442,755	-
	1,032,472,959	858,597,483
Allowance for expected credit losses	(183,438)	(231,843)
Carrying amount of investments in Kazakhstan securities	1,032,289,521	858,365,640
Gross investment securities	1,193,573,514	1,122,295,795
Allowance for expected credit losses	(224,026)	(352,060)
Total investment securities	1,193,349,488	1,121,943,735

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. INVESTMENT SECURITIES MEASURED AT AMORTISED COST, CONTINUED

Analysis of allowance for expected credit losses

Movement in allowance for expected credit losses for investment securities measured at amortised cost for 2021 and 2020 is as follows:

'000 KZT	2021	2020
	Stage 1	Stage 1
Investment securities measured at amortised cost		
Balance at 1 January	352,060	940,800
Net remeasurement of loss allowance	(134,070)	(629,926)
New financial assets originated or purchased	6,072	41,222
Financial assets that have been derecognised	(52)	(61)
Foreign exchange and other movements	16	25
Balance at 31 December	224,026	352,060

As at 31 December 2021 and 31 December 2020 the National Bank recognises loss allowances on investment securities measured at amortised cost at an amount equal to 12-month ECL.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

24. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

'000 KZT	Land, buildings and structures	Furniture and equipment	Computer equipment	Vehicles	Right-of-use asset	Construction in progress/ equipment not yet installed	Intangible assets	Total
Historical/revalued cost								
Balance as at 1 January 2021	35,230,990	35,449,509	7,280,108	2,600,893	2,809,726	4,648,960	8,702,702	96,722,888
Additions	889,186	1,987,962	336,992	-	825,398	2,767,984	4,996,380	11,803,902
Disposals	(161,093)	(542,324)	(3,869)	(53,640)	-	-	(495,975)	(1,256,901)
Write-offs	(1,665,784)	(1,083,011)	(372,354)	(605,397)	-	(27,344)	(978,454)	(4,732,344)
Revaluation	5,064,636	-	-	1,256,694	-	-	-	6,321,330
Transfers	450,280	524,012	171,393	-	-	(1,145,685)	-	-
Balance as at 31 December 2021	39,808,215	36,336,148	7,412,270	3,198,550	3,635,124	6,243,915	12,224,653	108,858,875
Depreciation and amortisation and impairment losses								
Balance as at 1 January 2021	1,190,489	16,324,406	3,369,269	657,450	805,439	-	4,040,658	26,387,711
Depreciation and amortisation for the year	776,170	2,459,153	901,148	262,119	1,415,828	-	1,617,062	7,431,480
Disposals	(139,905)	(542,324)	(3,869)	(53,640)	-	-	(482,225)	(1,221,963)
Write-offs	(1,665,784)	(1,071,471)	(371,511)	(594,903)	-	-	(661,678)	(4,365,347)
Balance at 31 December 2021	160,970	17,169,764	3,895,037	271,026	2,221,267	-	4,513,817	28,231,881
Carrying amount								
Balance as at 31 December 2021	39,647,245	19,166,384	3,517,233	2,927,524	1,413,857	6,243,915	7,710,836	80,626,994

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

24. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS, CONTINUED

'000 KZT	Land, buildings and structures	Furniture and equipment	Computer equipment	Vehicles	Right-of-use asset	Construction in progress/ equipment not yet installed	Intangible assets	Total
Historical/revalued cost								
Balance as at 1 January 2020	34,528,609	34,126,852	5,287,887	2,536,275	-	2,980,897	7,486,160	86,946,680
Additions	750,845	2,182,383	2,219,951	94,876	2,809,726	1,747,818	1,469,766	11,275,365
Disposals	(42,523)	(180,825)	(185,299)	(27,609)	-	(63,306)	(70,249)	(569,811)
Write-offs	(5,941)	(678,901)	(42,431)	(2,649)	-	(16,449)	(182,975)	(929,346)
Balance as at 31 December 2020	35,230,990	35,449,509	7,280,108	2,600,893	2,809,726	4,648,960	8,702,702	96,722,888
Depreciation and amortisation and impairment losses								
Balance as at 1 January 2020	582,721	14,396,001	2,694,700	456,835	-	-	3,137,580	21,267,837
Depreciation and amortisation for the year	656,249	2,791,888	905,452	229,707	805,439	-	1,156,301	6,545,036
Disposals	(42,541)	(184,632)	(187,959)	(27,660)	-	-	(70,249)	(513,041)
Write-offs	(5,940)	(678,851)	(42,924)	(1,432)	-	-	(182,974)	(912,121)
Balance at 31 December 2020	1,190,489	16,324,406	3,369,269	657,450	805,439	-	4,040,658	26,387,711
Carrying amount								
Balance as at 31 December 2020	34,040,501	19,125,103	3,910,839	1,943,443	2,004,287	4,648,960	4,662,044	70,335,177

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2021 and 2020.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

24. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS, CONTINUED

Depreciation expenses in the amount of KZT 5,163,179 thousand (2020: KZT 4,130,697 thousand) were included in depreciation and amortisation expenses, KZT 7,074 thousand (2020: KZT 339,049 thousand) – in other general and administrative expenses, KZT 685,559 thousand (2020: KZT 1,417,263 thousand) – in banknotes and coins production expenses, KZT 555,608 thousand (2020: KZT 641,534 thousand) – in fee and commission income, KZT 1,020,060 thousand (2020: KZT 16,493 thousand) – in other operating income.

Revalued assets

During 2021, land plots, buildings, structures and vehicles owned by the National Bank were revalued.

As at 31 December 2020 buildings, constructions and vehicles owned by the National Bank were not revalued.

The fair values of the National Bank's land plots, buildings, structures and vehicles are categorised into Level 2 of the fair value hierarchy.

Should the land plots, buildings, constructions and vehicles not be revalued, then their carrying amounts as at 31 December 2021 would have been KZT 13,408,388 thousand (31 December 2020: KZT 12,588,036 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

25. OTHER ASSETS

	2021 '000 KZT	2020 '000 KZT
Claims for repurchased loans	811,173,076	539,851,994
Short-term receivables	-	407,531,193
Other receivables	18,889,860	26,467,506
Gross other financial assets	830,062,936	973,850,693
Allowance for expected credit losses on claims on repurchased loans	(21,222)	(86,294)
Charge of allowance for expected credit losses on other financial assets	(807,730)	(546,715)
Allowance for expected credit losses	(828,952)	(633,009)
Total other financial assets	829,233,984	973,217,684
Inventories	17,367,670	17,952,756
Refined and non-refined precious metals and stones	4,439,518	3,254,765
Prepayments for property, plant and equipment	17,684,438	1,670,486
Prepayment for banknotes and coins production	6,110	823,635
Other	405,057	2,382,456
Total other non-financial assets	39,902,793	26,084,098
Total other assets	869,136,777	999,301,782

Claims on repurchased mortgage loans include amounts receivable from commercial bank-partners for purchased rights of claim on KZT-denominated mortgage loans.

KSF JSC is an Operator of two socially significant programs on mortgage loans financing: “7-20-25. New Opportunities for Housing Purchase for Each Family” and “Baspana Hit”. “Baspana Hit” program (conclusion of the bank loan agreements) was in effect until the end of 2021. During 2021 KSF JSC purchased mortgage loan portfolios from nine second-tier banks (2020: KSF JSC purchased mortgage loan portfolios from eight second-tier banks).

As at 31 December 2021 the volume of claims on repurchased loans was KZT 811,173,076 thousand (2020: KZT 539,851,994 thousand). As at 31 December 2021 the allowance for expected credit losses on claims on repurchased loans amounted to KZT 21,222 thousand (31 December 2020: KZT 86,294 thousand).

In accordance with the terms of agreements with bank-partners, they are obligated to repurchase the rights of claim to loans if there is a delay in the payment of principal debt and interest for a period of more than 90 days.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
25. OTHER ASSETS, CONTINUED

As at 31 December 2020 short-term receivables in the amount of KZT 407,531,193 thousand comprise of claims to the second-tier banks under the Program of concessional lending for small and medium-size enterprises (the “Program”), distributed among second-tier banks – participants of the Program, on special accounts with the NBK for further lending to business entities.

Under the Program, cash placed as a conditional deposit with the second-tier banks at an interest rate of 5% per annum as at 31 December 2020, is disclosed under the caption “Placements and loans with banks and other financial institutions” of the consolidated statement of financial position (Note 19).

The purpose of the placement is issuance of loans and financing under credit line facilities of enterprises to replenish working capital for a period of not exceeding 12 months at a preferential interest rate of 8% per annum, who suffered as a result of the introduction of a state of emergency in the Republic of Kazakhstan, starting from March 2020.

As at 31 December 2020 the short-term receivables are included in Stage 1 of the credit risk grade.

Analysis of allowance for expected credit losses

Movement in allowance for expected credit losses for repurchased loans for 2021 and 2020 is as follows:

*000 KZT	2021			
	Stage 1	Stage 2	Stage 3	Total
Claims for repurchased loans				
Balance at 1 January	68,860	2,498	14,936	86,294
Transfer to Stage 1	3,640	(1,767)	(1,873)	-
Transfer to Stage 2	(68)	68	-	-
Transfer to Stage 3	(16)	-	16	-
Net remeasurement of loss allowance	(58,383)	5	4,504	(53,874)
New financial assets originated or purchased	4,880	40	2,066	6,986
Financial assets that have been derecognised	(7,664)	(708)	(9,812)	(18,184)
Balance at 31 December	11,249	136	9,837	21,222

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
25. OTHER ASSETS, CONTINUED
Analysis of allowance for expected credit losses, continued

'000 KZT	2020			
	Stage 1	Stage 2	Stage 3	Total
Claims for repurchased loans				
Balance at 1 January	710,711	3,340	8,729	722,780
Transfer to Stage 2	(2,299)	2,299	-	-
Transfer to Stage 3	(274)	-	274	-
Net remeasurement of loss allowance	(719,848)	(4,214)	(1,169)	(725,231)
New financial assets originated or purchased	37,084	1,073	7,102	45,259
Other	43,486	-	-	43,486
Balance at 31 December	68,860	2,498	14,936	86,294

Movement in the impairment allowance for expected credit losses on other financial assets for 2021 and 2020 is as follows:

'000 KZT	2021			
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
Balance at 1 January	209,502	12,229	324,984	546,715
Net remeasurement of loss allowance	167,629	(11,141)	123,802	280,290
Write-offs	(19,275)	-	-	(19,275)
Balance at 31 December	357,856	1,088	448,786	807,730

'000 KZT	2020			
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
Balance at 1 January	212,688	-	4,997	217,685
Net remeasurement of loss allowance	2,637	12,229	319,987	334,853
Write-offs	(5,823)	-	-	(5,823)
Balance at 31 December	209,502	12,229	324,984	546,715

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

25. OTHER ASSETS, CONTINUED

Credit quality analysis

The following table sets out information about the credit quality of other financial assets measured at amortised cost for 2021 and 2020:

'000 KZT	2021			
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
Not overdue	829,485,067	-	-	829,485,067
Overdue 31-90 days	-	18,175	-	18,175
Overdue 91-180 days	-	-	15,893	15,893
Overdue 181-360 days	-	-	543,801	543,801
Gross carrying amount	829,485,067	18,175	559,694	830,062,936
Loss allowance	(369,105)	(1,224)	(458,623)	(828,952)
Carrying amount	829,115,962	16,951	101,071	829,233,984
'000 KZT	2020			
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
Not overdue	973,430,018	-	-	973,430,018
Overdue 31-90 days	-	38,825	-	38,825
Overdue 91-180 days	-	-	161,418	161,418
Overdue 181-360 days	-	-	220,432	220,432
Gross carrying amount	973,430,018	38,825	381,850	973,850,693
Loss allowance	(278,363)	(14,726)	(339,920)	(633,009)
Carrying amount	973,151,655	24,099	41,930	973,217,684

26. CURRENCY IN CIRCULATION

	2021	2020
	'000 KZT	'000 KZT
Banknotes and coins in circulation	3,453,582,980	3,252,242,640
Less banknotes and coins on hand	(1,362,862)	(1,374,161)
	3,452,220,118	3,250,868,479

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

27. DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021 '000 KZT	2020 '000 KZT
Deposits and balances from foreign banks and other financial institutions		
Current accounts of international financial organisations	580,310,854	582,114,441
OECD based banks	2,156,666	907,483
Other foreign banks	3,767,767	1,472,363
Total deposits and balances from foreign banks and other financial institutions	586,235,287	584,494,287
Deposits and balances from Kazakhstan banks and other financial institutions		
Loro accounts		
Kazakhstan 10 top banks*	1,558,315,077	1,378,388,716
Other Kazakhstan banks and financial institutions	705,385,374	581,552,657
Deposits		
Kazakhstan 10 top banks*	3,410,208,174	3,121,368,484
Other Kazakhstan banks and financial institutions	937,270,631	1,662,611,740
Total deposits and balances from Kazakhstan banks	6,611,179,256	6,743,921,597
Total deposits and balances from banks and other financial institutions	7,197,414,543	7,328,415,884

* based on total assets as at 31 December 2021.

As at 31 December 2021 the National Bank has five counterparties (31 December 2020: five counterparties), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2021 is KZT 4,126,961,332 thousand (31 December 2020: KZT 4,175,833,677 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

27. DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

As at 31 December 2021 the current accounts of international financial organisations include the membership quota of the Republic of Kazakhstan in the International Monetary Fund (the “IMF”) in the amount of KZT 580,302,377 thousand (31 December 2020: KZT 582,107,599 thousand). A membership quota expressed in Special Drawing Rights (“SDRs”) is assigned to each member of the IMF. The NBK issued promissory notes to the IMF in the amount of the quota (SDR 960,225 thousand).

28. REPURCHASE AGREEMENTS

In December 2021, the National Bank concluded repurchase agreements in the auto repo market of KASE JSC in the amount of KZT 150,097,813 thousand (31 December 2020: KZT 100,597,147 thousand).

As at 31 December 2021, the fair value of financial assets collateralising repurchase agreements is KZT 140,891,608 thousand (31 December 2020: KZT 94,346,826 thousand).

29. CURRENT ACCOUNTS OF THE NATIONAL FUND OF THE REPUBLIC OF KAZAKHSTAN

As at 31 December 2021 current accounts of the National Fund of the Republic of Kazakhstan (the “National Fund”) amounted to KZT 1,062,130,685 thousand (31 December 2020: KZT 441,555,267 thousand).

During 2021 and 2020 the National Bank performed the trust management activities over the assets of the National Fund. Assets and liabilities of the National Fund are not included in these consolidated financial statements, except for current accounts of the National Fund in NBK.

30. CURRENT ACCOUNTS OF THE MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN

	2021	2020
	'000 KZT	'000 KZT
In national currency	901,426,804	959,663,575
In foreign currency	3,501,215	472,488,663
	904,928,019	1,432,152,238

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

31. CUSTOMER ACCOUNTS

	2021	2020
	'000 KZT	'000 KZT
In national currency	206,753,402	238,954,354
In foreign currency	178,720	92,659
	<u>206,932,122</u>	<u>239,047,013</u>

During 2021 and 2020 the National Bank maintained customer accounts in foreign and national currencies. NBK customers' industry is state management, and industries, in which the customers of the NBK's subsidiaries are operating are financial agency services, insurance and liquidation of banks.

As at 31 December 2021 customer accounts did not include customers with a balance exceeding 2% of equity (31 December 2020: no customers).

32. DEBT SECURITIES ISSUED

As at 31 December 2021 debt securities issued comprise the following issues:

Issues	Carrying amount	Date of issue	Date of maturity	Effective interest rate
KZW100012977	104,052,707	23/07/2021	21/01/2022	9.18
KZW100013033	103,423,789	20/08/2021	18/02/2022	9.44
KZW100013108	102,542,141	24/09/2021	25/03/2022	9.59
KZW100013132	216,562,125	15/10/2021	14/01/2022	9.59
KZW100013157	49,647,133	22/10/2021	22/04/2022	9.70
KZW100013181	225,881,870	05/11/2021	04/02/2022	9.81
KZW100013215	101,117,431	19/11/2021	20/05/2022	9.84
KZW100013249	301,605,042	08/12/2021	05/01/2022	9.68
KZW100013256	234,076,090	10/12/2021	11/03/2022	9.80
KZW100013264	223,687,108	15/12/2021	12/01/2022	9.73
KZW100013272	175,309,131	22/12/2021	19/01/2022	9.75
KZW100013280	55,307,227	24/12/2021	24/06/2022	9.96
KZW100013298	217,698,645	29/12/2021	26/01/2022	9.74
	<u>2,110,910,439</u>			

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount	Date of issue	Date of maturity	Effective interest rate
KZ2C00006336	5,170,027	26/12/2019	26/12/2022	10.79
KZ2C00006336	16,122,416	26/12/2019	26/12/2022	10.75
KZ2C00006336	8,135,514	26/12/2019	26/12/2022	10.75
KZ2C00006484	14,849,338	27/02/2020	27/02/2023	10.75
KZ2C00006484	6,497,161	27/02/2020	27/02/2023	10.75
KZ2C00006484	15,216,324	27/02/2020	27/02/2023	11.48
KZ2C00006484	2,079,609	27/02/2020	27/02/2023	11.55
KZ2C00006484	6,900,896	27/02/2020	27/02/2023	11.45
KZ2C00006484	7,288,542	27/02/2020	27/02/2023	11.43
KZ2C00006484	5,207,706	27/02/2020	27/02/2023	11.37
KZ2C00006484	2,083,751	27/02/2020	27/02/2023	11.35
KZ2C00006484	6,253,416	27/02/2020	27/02/2023	11.32
KZ2C00006484	5,211,522	27/02/2020	27/02/2023	11.29
KZ2C00006484	5,211,552	27/02/2020	27/02/2023	11.30
KZ2C00006484	3,134,278	27/02/2020	27/02/2023	11.06
KZ2C00006484	6,268,390	27/02/2020	27/02/2023	11.06
KZ2C00006484	5,224,749	27/02/2020	27/02/2023	11.03
KZ2C00006484	10,448,950	27/02/2020	27/02/2023	11.05
KZ2C00006484	2,478,186	27/02/2020	27/02/2023	10.99
KZ2C00006476	4,910,376	10/04/2020	10/04/2025	11.52
KZ2C00006476	6,396,369	10/04/2020	10/04/2025	11.44
KZ2C00006476	2,955,548	10/04/2020	10/04/2025	11.39
KZ2C00006476	4,926,655	10/04/2020	10/04/2025	11.37
KZ2C00006476	2,958,583	10/04/2020	10/04/2025	11.35
KZ2C00006476	2,959,840	10/04/2020	10/04/2025	11.33
KZ2C00006476	4,934,685	10/04/2020	10/04/2025	11.32
KZ2C00006476	494,923	10/04/2020	10/04/2025	11.20
KZ2C00006476	4,950,900	10/04/2020	10/04/2025	11.19
KZ2C00006476	2,978,639	10/04/2020	10/04/2025	11.12
KZ2C00006476	10,917,815	10/04/2020	10/04/2025	11.10
KZ2C00006948	7,072,033	04/09/2020	04/09/2022	10.93
KZ2C00006948	7,071,499	04/09/2020	04/09/2022	10.97
KZ2C00006948	5,050,972	04/09/2020	04/09/2022	10.97
KZ2C00006948	5,050,913	04/09/2020	04/09/2022	10.97
KZ2C00006948	6,766,169	04/09/2020	04/09/2022	10.98
KZ2C00006948	3,030,597	04/09/2020	04/09/2022	10.97
KZ2C00006948	10,102,953	04/09/2020	04/09/2022	10.95
KZ2C00006948	6,366,747	04/09/2020	04/09/2022	10.96
KZ2C00006955	6,612,435	11/09/2020	11/09/2025	11.17

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount	Date of issue	Date of maturity	Effective interest rate
KZ2C00006955	6,610,791	11/09/2020	11/09/2025	11.29
KZ2C00006955	15,125,278	11/09/2020	11/09/2025	11.25
KZ2C00006906	204,714,712	21/10/2020	21/10/2032	11.92
KZ2C00007037	13,026,381	06/11/2020	06/11/2022	10.95
KZ2C00007037	15,030,734	06/11/2020	06/11/2022	10.94
KZ2C00007037	15,034,032	06/11/2020	06/11/2022	10.92
KZ2C00007037	12,030,490	06/11/2020	06/11/2022	10.89
KZ2C00007037	5,515,096	06/11/2020	06/11/2022	10.85
KZ2C00007037	4,522,392	06/11/2020	06/11/2022	10.57
KZ2C00007136	9,221,754	20/11/2020	20/11/2030	11.11
KZ2C00007110	4,792,238	11/12/2020	11/12/2025	11.10
KZ2C00007110	9,597,787	11/12/2020	11/12/2025	10.99
KZ2C00007110	9,220,878	11/12/2020	11/12/2025	10.71
KZ2C00007128	14,086,461	14/12/2020	14/12/2027	11.05
KZ2C00007318	42,066,892	22/01/2021	22/01/2026	10.70
KZ2C00007318	10,540,889	22/01/2021	22/01/2026	10.60
KZ2C00007300	10,724,701	29/01/2021	29/01/2024	10.33
KZ2C00007300	5,367,971	29/01/2021	29/01/2024	10.26
KZ2C00007300	10,748,952	29/01/2021	29/01/2024	10.19
KZ2C00007300	10,765,646	29/01/2021	29/01/2024	10.10
KZ2C00007326	31,173,225	12/02/2021	12/02/2028	10.53
KZ2C00007326	20,867,252	12/02/2021	12/02/2028	10.42
KZ2C00007334	15,328,722	05/03/2021	05/03/2031	10.47
KZ2C00007458	10,506,453	04/06/2021	14/06/2022	9.90
KZ2C00007573	10,373,159	18/06/2021	18/06/2024	10.10
KZ2C00007516	10,432,001	18/06/2021	18/06/2023	10.01
KZ2C00007466	10,449,228	25/06/2021	05/07/2022	9.90
KZ2C00007474	7,834,516	02/07/2021	12/07/2022	9.85
KZ2C00007474	2,597,900	02/07/2021	12/07/2022	9.84
KZ2C00007581	10,326,035	02/07/2021	02/07/2024	10.14
KZ2C00007482	10,397,077	16/07/2021	26/07/2022	9.81
KZ2C00007490	10,335,333	06/08/2021	16/08/2022	9.95
KZ2C00007508	5,693,690	13/08/2021	23/08/2022	9.98
KZ2C00007508	4,621,080	13/08/2021	23/08/2022	9.98
KZ2C00008050	3,073,234	10/09/2021	10/09/2022	9.96
KZ2C00008050	17,415,204	10/09/2021	10/09/2022	9.96
KZ2C00008050	10,234,170	10/09/2021	10/09/2022	10.11
KZ2C00008043	10,177,615	01/10/2021	01/10/2022	10.12

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount	Date of issue	Date of maturity	Effective interest rate
KZ2C00008043	10,178,594	01/10/2021	01/10/2022	10.10
KZ2C00008043	10,179,938	01/10/2021	01/10/2022	10.09
KZ2C00008035	10,072,237	05/11/2021	05/11/2022	10.32
KZ2C00008035	10,074,268	05/11/2021	05/11/2022	10.29
KZ2C00008035	10,076,519	05/11/2021	05/11/2022	10.26
KZ2C00008027	4,625,772	03/12/2021	03/12/2022	10.28
KZ2C00008027	5,370,198	03/12/2021	03/12/2022	10.41
KZ2C00008027	9,981,958	03/12/2021	03/12/2022	10.51
KZ2C00008027	9,987,322	03/12/2021	03/12/2022	10.45
	951,417,753			
	3,062,328,192			

As at 31 December 2020 debt securities issued comprise the following issues:

Issues	Carrying amount	Date of issue	Date of maturity	Effective interest rate
KZW100011771	285,288,716	17/01/2020	15/01/2021	10.14
KZW100011839	82,724,937	07/02/2020	05/02/2021	10.14
KZW100011938	35,468,108	20/03/2020	19/03/2021	12.00
KZW100011979	77,275,949	03/04/2020	02/04/2021	12.00
KZW100012076	166,899,832	15/05/2020	14/05/2021	10.72
KZW100012159	91,072,177	19/06/2020	18/06/2021	10.69
KZW100012225	95,454,285	24/07/2020	22/01/2021	9.99
KZW100012290	162,761,170	21/08/2020	19/02/2021	9.90
KZW100012365	124,133,965	25/09/2020	26/03/2021	9.93
KZW100012407	127,712,618	16/10/2020	15/01/2021	9.54
KZW100012423	101,836,444	23/10/2020	23/04/2021	9.87
KZW100012456	211,906,764	06/11/2020	05/02/2021	9.53
KZW100012480	101,086,656	20/11/2020	21/05/2021	9.81
KZW100012514	215,947,708	09/12/2020	06/01/2021	9.02
KZW100012522	323,784,296	11/12/2020	12/03/2021	9.50
KZW100012530	231,815,382	15/12/2020	13/01/2021	9.01
KZW100012548	196,249,836	23/12/2020	20/01/2021	9.02
KZW100012555	100,178,326	25/12/2020	25/06/2021	9.74
KZW100012563	185,895,963	30/12/2020	27/01/2021	9.01
	2,917,493,132			

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount	Date of issue	Date of maturity	Effective interest rate
KZ2C00006211	8,219,741	26/09/2019	26/09/2021	10.33
KZ2C00006211	2,518,078	26/09/2019	26/09/2021	10.49
KZ2C00006211	15,063,861	26/09/2019	26/09/2021	10.92
KZ2C00006211	23,081,892	26/09/2019	26/09/2021	11.02
KZ2C00006211	21,424,716	26/09/2019	26/09/2021	11.02
KZ2C00006328	19,812,181	15/11/2019	15/11/2021	10.92
KZ2C00006328	9,736,786	15/11/2019	15/11/2021	10.91
KZ2C00006328	19,491,945	15/11/2019	15/11/2021	10.91
KZ2C00006328	11,992,408	15/11/2019	15/11/2021	10.89
KZ2C00006328	990,832	15/11/2019	15/11/2021	10.90
KZ2C00006328	3,964,539	15/11/2019	15/11/2021	10.86
KZ2C00006328	6,940,286	15/11/2019	15/11/2021	10.81
KZ2C00006328	19,828,519	15/11/2019	15/11/2021	10.82
KZ2C00006328	6,340,602	15/11/2019	15/11/2021	10.81
KZ2C00006336	1,357,026	26/12/2019	26/12/2022	10.81
KZ2C00006336	3,714,866	26/12/2019	26/12/2022	10.78
KZ2C00006336	15,821,422	26/12/2019	26/12/2022	10.75
KZ2C00006336	7,983,571	26/12/2019	26/12/2022	10.75
KZ2C00006484	14,593,063	27/02/2020	27/02/2023	10.75
KZ2C00006484	6,385,323	27/02/2020	27/02/2023	10.75
KZ2C00006484	14,869,075	27/02/2020	27/02/2023	11.48
KZ2C00006484	2,031,380	27/02/2020	27/02/2023	11.55
KZ2C00006484	6,745,812	27/02/2020	27/02/2023	11.45
KZ2C00006484	7,127,103	27/02/2020	27/02/2023	11.43
KZ2C00006484	5,093,587	27/02/2020	27/02/2023	11.37
KZ2C00006484	2,038,601	27/02/2020	27/02/2023	11.35
KZ2C00006484	6,119,578	27/02/2020	27/02/2023	11.32
KZ2C00006484	5,100,246	27/02/2020	27/02/2023	11.29
KZ2C00006484	5,100,298	27/02/2020	27/02/2023	11.30
KZ2C00006484	3,073,017	27/02/2020	27/02/2023	11.06
KZ2C00006484	6,145,742	27/02/2020	27/02/2023	11.06
KZ2C00006484	5,123,359	27/02/2020	27/02/2023	11.03
KZ2C00006484	10,245,760	27/02/2020	27/02/2023	11.04
KZ2C00006484	2,429,962	27/02/2020	27/02/2023	11.01
KZ2C00006476	4,815,750	10/04/2020	10/04/2025	11.52
KZ2C00006476	6,276,252	10/04/2020	10/04/2025	11.44

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount	Date of issue	Date of maturity	Effective interest rate
KZ2C00006476	2,900,872	10/04/2020	10/04/2025	11.39
KZ2C00006476	4,835,696	10/04/2020	10/04/2025	11.37
KZ2C00006476	2,904,594	10/04/2020	10/04/2025	11.35
KZ2C00006476	2,906,135	10/04/2020	10/04/2025	11.33
KZ2C00006476	4,845,543	10/04/2020	10/04/2025	11.32
KZ2C00006476	486,339	10/04/2020	10/04/2025	11.20
KZ2C00006476	4,865,443	10/04/2020	10/04/2025	11.19
KZ2C00006476	2,929,216	10/04/2020	10/04/2025	11.12
KZ2C00006476	10,735,708	10/04/2020	10/04/2025	11.10
KZ2C00006948	6,935,912	04/09/2020	04/09/2022	10.93
KZ2C00006948	6,934,711	04/09/2020	04/09/2022	10.97
KZ2C00006948	4,953,144	04/09/2020	04/09/2022	10.97
KZ2C00006948	4,953,012	04/09/2020	04/09/2022	10.97
KZ2C00006948	6,634,980	04/09/2020	04/09/2022	10.98
KZ2C00006948	2,971,919	04/09/2020	04/09/2022	10.97
KZ2C00006948	9,908,551	04/09/2020	04/09/2022	10.95
KZ2C00006948	6,244,068	04/09/2020	04/09/2022	10.96
KZ2C00006955	6,494,639	11/09/2020	11/09/2025	11.17
KZ2C00006955	6,492,668	11/09/2020	11/09/2025	11.29
KZ2C00006955	14,858,194	11/09/2020	11/09/2025	11.25
KZ2C00006906	204,726,300	21/10/2020	21/10/2032	11.92
KZ2C00007037	12,879,550	06/11/2020	06/11/2022	10.95
KZ2C00007037	14,861,614	06/11/2020	06/11/2022	10.94
KZ2C00007037	14,868,285	06/11/2020	06/11/2022	10.92
KZ2C00007037	11,901,233	06/11/2020	06/11/2022	10.89
KZ2C00007037	5,457,001	06/11/2020	06/11/2022	10.85
KZ2C00007136	9,164,899	20/11/2020	20/11/2030	11.11
KZ2C00007110	4,746,947	11/12/2020	11/12/2025	11.01
KZ2C00007110	9,509,698	11/12/2020	11/12/2025	10.98
KZ2C00007128	13,974,175	14/12/2020	14/12/2027	11.05
	728,478,225			
	3,645,971,357			

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

32. DEBT SECURITIES ISSUED, CONTINUED

Reconciliation of change in the debt securities issued and cash flows from financing activities

In 2021 and 2020 the change in the debt securities issued is as follows:

	2021 '000 KZT
Balance at the beginning of the year	3,645,971,357
Notes issued, paid by cash	22,660,504,762
Nominal cost repaid	<u>(23,212,157,298)</u>
Total changes in cash flows from financing activities	(551,652,536)
Interest accrued	384,754,150
Interest paid	<u>(416,744,779)</u>
Balance at the end of the year	<u>3,062,328,192</u>
	2020 '000 KZT
Balance at the beginning of the year	3,618,820,899
Notes issued, paid by cash	14,795,265,568
Nominal cost repaid	<u>(14,783,505,350)</u>
Total changes in cash flows from financing activities	11,760,218
Other changes	
Interest accrued	350,095,044
Interest paid	<u>(334,704,804)</u>
Balance at the end of the year	<u>3,645,971,357</u>

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

33. ESTIMATED LIABILITIES

Provision for guaranteeing deposits is recognised in equity in the consolidated statement of financial position of the National Bank as “Special guarantee reserve” and amounts to KZT 685,322,567 thousand (31 December 2020: KZT 598,376,004 thousand) (Note 35).

Provision to cover guarantees related to payment of the guaranteed compensation was recognised within liabilities in the consolidated statement of financial position of the National Bank as “Estimated liabilities” and amounted to KZT 61,130,493 thousand (31 December 2020: KZT 53,056,189 thousand).

The table below shows analysis of movement in the provision for guarantees for the years ended 31 December 2021 and 31 December 2020:

	2021	2020
	'000 KZT	'000 KZT
Provision for guarantees at 1 January	53,056,189	33,162,428
<i>Changes affecting contributions to provision for estimated liabilities</i>		
Change in risk parameters	15,575,772	14,197,985
Occurrence of default event (transfer from stage 2 to stage 3)	-	17,360,768
Significant increase in credit risk (transfer from stage 1 to stage 2)	-	418,280
Change in the amount of guaranteed compensation on deposits	6,830,633	5,671,895
Total expenses stated in profit or loss for the year	22,406,405	37,648,928
Transfer to liabilities to depositors due to liquidation	(14,332,101)	(17,755,167)
Provision for guarantees at 31 December	61,130,493	53,056,189

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
33. ESTIMATED LIABILITIES, CONTINUED
Guarantee reserve movement

The change in the guarantee reserve for 2021 and 2020 is presented as follows:

'000 KZT	2021			
	Stage 1	Stage 2	Stage 3	Total
Guarantee reserve				
Balance at 1 January	53,056,189	-	-	53,056,189
- Transfer to Stage 3	(14,332,101)	-	14,332,101	-
Net change in reserve	22,406,405	-	-	22,406,405
Payment of guaranteed compensation due to the liquidation	-	-	(14,332,101)	(14,332,101)
Balance at 31 December	61,130,493	-	-	61,130,493
'000 KZT	2020			
	Stage 1	Stage 2	Stage 3	Total
Guarantee reserve				
Balance at 1 January	27,991,973	5,170,455	-	33,162,428
- Transfer to Stage 2	(418,280)	418,280	-	-
- Transfer to Stage 3	-	(17,360,768)	17,360,768	-
Net change in reserve	25,482,496	11,772,033	394,399	37,648,928
Payment of guaranteed compensation due to the liquidation	-	-	(17,755,167)	(17,755,167)
Balance at 31 December	53,056,189	-	-	53,056,189

In 2021 payments of guarantee compensation to depositors of these banks due to their liquidation were made at the expense of previously created reserves and expenses of the current period. The amount of liabilities for these banks amounted to KZT 14,332,101 thousand (2020: KZT 17,755,167 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

33. ESTIMATED LIABILITIES, CONTINUED

A guaranteed compensation is a total amount of money paid to a depositor in case of forced liquidation of a participating bank. According to the Law of the Republic of Kazakhstan “On the obligatory guarantee of deposits placed in the second-tier banks of the Republic of Kazakhstan”, a depositor shall receive a guarantee compensation in the amount equal to deposit(s) balances without accrued interest and not exceeding the amount of maximum state guarantee per each depositor for each bank separately. Maximum state guarantee amount per each depositor shall be:

- up to 15 million KZT on savings deposits in national currency;
- up to 10 million KZT on non-term and term deposits, demand deposits, current accounts and payment cards in national currency;
- up to 5 million KZT on deposits and accounts in foreign currency.

The National Bank calculates a reserve for expected credit losses on payment of guaranteed compensation to depositors in case of forced liquidation of participating banks, taking into account their probability of default and portion of funds not subject to be recovered in the course of bank liquidation, according to the Methods of Calculation of Reserves for Guarantees related to payment of guaranteed compensation. The probability of bank’s default is determined in accordance with a risk-classification group, which in turn shows extent of bank’s exposure to risk. A risk-classification group is determined based on analysis of capital adequacy, assets quality, return on assets and liquidity. Portion of funds not subject to be recovered in the course of bank liquidation is determined according to the history of guaranteed compensation payments to depositors and recovery of paid funds in the course of forced liquidation of a participating bank.

The following components have a significant impact on estimated reserve for expected credit losses: determination of probability of default, significant increase in credit risk, exposure at default and loss given default, as well as macroeconomic scenarios model.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

34. OTHER LIABILITIES

	2021	2020
	'000 KZT	'000 KZT
Other creditors on non-banking activity	17,257,189	20,182,833
Other creditors on banking activity	3,975,566	4,317,017
Total other financial liabilities	21,232,755	24,499,850
Salaries payable	8,025,073	7,293,138
Tax payable (except for corporate income tax)	1,518,907	1,326,586
Payables on purchase of property and equipment	458,730	297,381
Other prepayments received	234,101	416,645
Total other non-financial liabilities	10,236,811	9,333,750
Total other liabilities	31,469,566	33,833,600

As at 31 December 2021 other creditors on non-banking activity comprise obligations to pay for the purchase of gold from counterparties in the amount of KZT 11,602,915 thousand, which were settled in January 2022 (31 December 2020: KZT 15,442,141 thousand), and lease liability in the amount of KZT 1,467,064 thousand (31 December 2020: KZT 2,049,494 thousand).

In 2021 KDIF JSC recognised liabilities on payment of guaranteed compensation to the depositors of the banks being liquidated. The amount of liabilities thereon was KZT 14,332,101 thousand (2020: KZT 17,755,167 thousand). The payment of guaranteed compensation was made through the agent bank. As at 31 December 2021 the remaining portion of the liability on payment of guaranteed compensation is KZT 2,319,379 thousand (31 December 2020: KZT 2,255,315 thousand).

35. CHARTER CAPITAL

Charter capital

The charter capital of the National Bank is regulated by the Edict of the President of the Republic of Kazakhstan dated 30 March 1995 with subsequent amendments. The charter capital of the NBK is owned by the state and is formed in the amount of not less than KZT 20,000,000 thousand.

As at 31 December 2021 and 31 December 2020 the NBK charter capital was KZT 20,000,000 thousand.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

35. CHARTER CAPITAL, CONTINUED**Dividends and reserve capital**

In accordance with the Law of the Republic of Kazakhstan “On the National Bank of the Republic of Kazakhstan”, the NBK should form a capital reserve in the amount of not less than its charter capital. Reserve capital increased at the expenses of the net retained earnings and assigned exclusively to compensate and reimburse losses incurred on the conducted operations in accordance with the requirements set by the Management Board of the National Bank of Kazakhstan. As at 31 December 2021, the capital reserve was nil (31 December 2020: nil).

Special guarantee reserve

According to the Law of the Republic of Kazakhstan “On the Obligatory Guaranteeing of Deposits Placed with the Second-Tier Banks of the Republic of Kazakhstan”, to perform activity related to payment of guaranteed compensation, KDIF JSC establishes a special guarantee reserve formed at the expense of KDIF JSC within 70% of its charter capital, contributions of the participating banks, penalty imposed on participating banks for failure to perform and improper performance of obligations under an adhesion contract, cash received as a result of fulfilment by a forcibly liquidated participating bank of the requirements of KDIF JSC related to the amounts of guaranteed compensation, as well as allocation of profit according to the decision of the NBK. A special guarantee reserve is established to pay a guaranteed compensation to the depositors in case of forced liquidation of a participating bank.

According to the Law of the Republic of Kazakhstan “On the Obligatory Guaranteeing of Deposits Placed with the Second-Tier Banks of the Republic of Kazakhstan”, a target amount of a special reserve of an organisation that perform the obligatory guaranteeing of deposits, to be not less than 5% of the amount of all guaranteed deposits in the participating banks.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

35. CHARTER CAPITAL, CONTINUED

Special guarantee reserve, continued

An actual amount of a special guarantee reserve net of 70% of charter capital as at 31 December 2021 and 2020 is KZT 685,322,567 thousand or 5.1% and KZT 598,376,004 thousand or 5.5% of gross amount of guaranteed deposits in participating banks, respectively.

	2021	2020
	'000 KZT	'000 KZT
Calendar contributions of banks participating in the deposit guarantee system	266,233,547	256,051,123
Amount of compensation made by a liquidation commission of a forcibly liquidated bank	49,827,474	25,582,193
Fines and penalties paid by banks participating in the deposit guarantee system	61,515	61,024
Formation of reserve out of own funds in accordance with the Law	55,600,000	55,600,000
Retained earnings allocated for formation of special guarantee reserve	313,600,031	261,081,664
Special guarantee reserve	685,322,567	598,376,004

Capital management

Retained earnings are transferred to the charter and/or reserve capital in the amount determined by the Management Board of the NBK. After the approval of the annual report of the National Bank by the President of the Republic of Kazakhstan the remaining part of the retained earnings is transferred to the State budget with a deferral of one financial year.

If a reserve capital amount is less than the charter capital amount, the entire net retained earnings remain at the National Bank's disposal and is transferred to the reserve capital until the later reaches the level of the charter capital.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

36. ANALYSIS BY SEGMENT

The National Bank's operations comprise a single operating segment for the purposes of these consolidated financial statements in accordance with IFRS 8 *Operating Segments*. The National Bank is not required to report revenue and expenses by reference to the functions carried out by the National Bank, these activities do not constitute separate operating segments for the purposes of these consolidated financial statements.

37. RISK MANAGEMENT**Risk management policies and procedures**

Risk management is fundamental to the National Bank's activities and is an essential element of the National Bank operations. The major risks faced by the National Bank are those related to market risk, credit risk and liquidity risk.

The National Bank's risk management policies aim to identify, analyse and manage the risks faced by the National Bank during its operations, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to established limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The management has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large investment exposures.

The Management Board, Board of Directors, committees, commissions and related working groups review regularly matters related to the monetary and investment policies of the National Bank and set up limits on the scope of management over its assets and customers' assets, as well as requirements for the credit assessment of the National Bank's counterparties.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**Risk management policies and procedures, continued**

In accordance with Investment Strategy on gold and foreign currency assets management of the NBK approved by the Resolution of the Management Board of the NBK on 17 June 2015 No. 112 (the “GFCA Investment Strategy”), the main goals of risk management are maintenance of liquidity and safety of the National Bank’s assets, and profitability growth in the medium and long-term perspective.

In accordance with the fulfilment of goals and functions of National Bank, gold and foreign currency assets of the NBK are separated into the following portfolios: liquidity portfolio, investment portfolio, strategic portfolio, gold portfolio, developing market portfolio and portfolio of alternative investments.

In accordance with GFCA Investment Strategy subsidiary NIC NBK JSC manages the portfolio of alternative instruments.

In accordance with GFCA Investment Strategy and Investment Strategy for Management of Portfolio of Alternative Investments of GFCA of the National Bank approved by the Resolution of the Management Board of the National Bank dated 28 May 2018 No.100, and in accordance with the terms and conditions of the Trust Investment Management Agreement No. 122NB/10 dated 29 March 2013 which was concluded between the NBK and NIC NBK JSC, NIC NBK JSC invests a part of the gold and foreign currency assets of the National Bank in the alternative classes of assets through the special purpose companies/partnerships.

Market risk

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**Market risk, continued**

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

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

The National Bank utilises Tracking Error methodology. Tracking Error indicator reflects how actual performance of current portfolio differs from the performance of the benchmark portfolio. The estimated tracking error of the investment portfolio of gold and foreign currency assets including derivatives does not exceed 2 (two) percent per annum as at the last working day of each month.

Tracking Error can be used only when the investor manages a portfolio against the benchmark portfolio.

As at 31 December 2021 the benchmark portfolio for the investment portfolio of gold and foreign currency assets was a composite index of:

- 62,0% – ICE BofAML 0-3 Year US Treasury Index (G1QA);
- 12,5% – ICE BofAML 0-3 Year Germany, France, Netherlands, Austria, Luxembourg & Finland Government Index (EBDF);
- 12,5% – ICE BofAML 0-3 Year UK Gilt Index (GBL0);
- 8,0% – ICE BofAML 0-3 Year Australia Government Index (GJBT);
- 5,0% – ICE BofAML 0-3 Year All Maturity Canadian Government Index (GBCJ).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**Market risk, continued**

As at 31 December 2020 the benchmark portfolio for the investment portfolio of gold and foreign currency assets was a composite index of:

- 62,0% – ICE BofAML 0-3 Year US Treasury Index (G1QA);
- 12,5% – ICE BofAML 0-3 Year Germany, France, Netherlands, Austria, Luxembourg & Finland Government Index (EBDF);
- 12,5% – ICE BofAML 0-3 Year UK Gilt Index (GBL0);
- 8,0% – ICE BofAML 0-3 Year Australia Government Index (GJBT);
- 5,0% – ICE BofAML 0-3 Year All Maturity Canadian Government Index (GBCJ).

Investments in hedge funds, private equity funds and real estate funds bear, primarily, market risk and liquidity risk. In this regard, investments in alternative instruments of such type, including investment funds, are very popular among the long-term institutional investors. Such investors are aimed at obtaining a premium for liquidity risk and risk of short-term fluctuations in the financial markets. Therefore, the thorough choice, due diligence of such funds and investment limits per one manager and per one fund are the mandatory tools to control and optimise these risks. In addition, the investment and operating risks of these funds and their managers are regularly monitored and controlled – on the quarterly and semi-annual basis. To mitigate and diversify the risk of concentration, in addition to the above limits, there applied the requirements to diversify investments by the strategies, vintage (the year of formation of a private equity fund) and geography of investments.

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 National Bank 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.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

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:

'000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2021							
ASSETS							
Cash on hand in foreign currency	-	-	-	-	-	112,430,324	112,430,324
Gold	119,470,707	62,900,607	-	-	-	10,072,587,973	10,254,959,287
Placements and loans with banks and other financial institutions	800,280,131	-	-	245,724,357	1,151,915,179	997,648,355	3,195,568,022
Financial instruments under management at fair value through profit or loss	-	-	-	-	799,764	964,601,580	965,401,344
Reverse repurchase agreements	549,162,352	-	-	-	-	-	549,162,352
Investment securities measured at fair value through other comprehensive income	167,641,009	25,781,227	174,612,660	1,280,647,236	836,300,127	776,432,358	3,261,414,617
Investment securities measured at amortised cost	16,763,820	8,416,263	8,324,866	263,613,151	896,231,388	-	1,193,349,488
Other financial assets	1,205	227	10,449	121,216	811,862,372	17,238,515	829,233,984
	1,653,319,224	97,098,324	182,947,975	1,790,105,960	3,697,108,830	12,940,939,105	20,361,519,418

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Interest rate gap analysis, continued

'000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
LIABILITIES							
Currency in circulation	-	-	-	-	-	3,452,220,118	3,452,220,118
Deposits and balances from banks and other financial institutions	3,982,398,108	367,213,263	-	-	-	2,847,803,172	7,197,414,543
Financial instruments under management at fair value through profit or loss	-	-	-	-	-	1,816,270	1,816,270
Repurchase agreements	150,097,813	-	-	-	-	-	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	-	-	-	-	-	1,062,130,685	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	901,426,804	-	-	-	-	3,501,215	904,928,019
Customer accounts	-	-	-	-	-	206,932,122	206,932,122
Debt securities issued	1,904,838,649	216,578,243	318,474,817	327,044,358	295,392,125	-	3,062,328,192
Estimated liabilities	-	-	-	-	-	61,130,493	61,130,493
Other financial liabilities	-	-	-	-	-	21,232,755	21,232,755
	<u>6,938,761,374</u>	<u>583,791,506</u>	<u>318,474,817</u>	<u>327,044,358</u>	<u>295,392,125</u>	<u>7,656,766,830</u>	<u>16,120,231,010</u>
	<u>(5,285,442,150)</u>	<u>(486,693,182)</u>	<u>(135,526,842)</u>	<u>1,463,061,602</u>	<u>3,401,716,705</u>	<u>5,284,172,275</u>	<u>4,241,288,408</u>

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Interest rate gap analysis, continued

'000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2020							
ASSETS							
Cash on hand in foreign currency	-	-	-	-	-	122,879,854	122,879,854
Gold	733,253,739	47,759,093	-	-	-	9,165,256,839	9,946,269,671
Placements and loans with banks and other financial institutions	924,351,914	327,572,266	-	184,080,393	1,149,115,944	2,045,785,044	4,630,905,561
Financial instruments under management at fair value through profit or loss	-	-	-	-	-	633,025,926	633,025,926
Reverse repurchase agreements	20,012,508	-	-	-	-	-	20,012,508
Investment securities measured at fair value through other comprehensive income	59,149,372	77,103,833	253,172,757	1,421,656,807	823,303,652	949,050,636	3,583,437,057
Investment securities measured at amortised cost	14,481,524	28,715,508	124,746,555	184,163,170	769,836,978	-	1,121,943,735
Other financial assets	7,178,171	5,584,837	11,540,436	102,494,980	414,095,121	432,324,139	973,217,684
	1,758,427,228	486,735,537	389,459,748	1,892,395,350	3,156,351,695	13,348,322,438	21,031,691,996

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Interest rate gap analysis, continued

'000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
LIABILITIES							
Currency in circulation	-	-	-	-	-	3,250,868,479	3,250,868,479
Deposits and balances from banks and other financial institutions	4,426,022,073	231,614,789	126,343,362	-	-	2,544,435,660	7,328,415,884
Financial instruments under management at fair value through profit or loss	-	-	-	-	-	968,165	968,165
Repurchase agreements	100,597,147	-	-	-	-	-	100,597,147
Current accounts of the National Fund of the Republic of Kazakhstan	-	-	-	-	-	441,555,267	441,555,267
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	959,663,575	-	-	-	-	472,488,663	1,432,152,238
Customer accounts	-	-	-	-	-	239,047,013	239,047,013
Debt securities issued	2,279,143,747	638,349,385	169,406,387	331,206,463	227,865,375	-	3,645,971,357
Estimated liabilities	-	-	-	-	-	53,056,189	53,056,189
Other financial liabilities	-	-	-	-	-	24,499,850	24,499,850
	7,765,426,542	869,964,174	295,749,749	331,206,463	227,865,375	7,026,919,286	16,517,131,589
	(6,006,999,314)	(383,228,637)	93,709,999	1,561,188,887	2,928,486,320	6,321,403,152	4,514,560,407

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Average effective interest rates

The table below displays average effective interest rates for interest-bearing financial assets and liabilities as at 31 December 2021 and 2020. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2021	Average	2020	Average
	KZT'000	Effective	KZT'000	Effective
	Carrying	interest rate, %	Carrying	interest rate, %
	amount		amount	interest rate, %
Interest-bearing assets				
Gold				
<i>Gold deposits with foreign banks</i>	182,371,314	0.06	781,012,832	0.02
Placements and loans with banks and other financial institutions				
<i>Nostro accounts</i>				
- USD	589,289,103	0.05	51,822	0.30
- EUR	179,941,742	0.65	878,093,322	0.64
- Other currencies	25,205,613	0.78	40,004,149	0.91
- RUB	4,661,494	1.37	945,259	2.00
- KRW	428	0.05	456	0.15
- JPY	-	-	3,652,450	0.13
- GBP	-	-	50,487	0.30
<i>Loans and deposits with banks</i>				
- KZT	1,398,821,287	6.03	1,662,322,572	6.00

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Average effective interest rates, continued

	2021 KZT'000 Carrying amount	Average effective interest rate, %	2020 KZT'000 Carrying amount	Average effective interest rate, %
Financial instruments under management at fair value through profit or loss				
- USD	799,764	11.00	-	-
Reverse repurchase agreements				
- KZT	549,162,352	10.75	20,012,508	10.00
Investment securities measured at fair value through other comprehensive income				
- USD	1,541,126,474	1.75	1,554,250,824	2.97
- KZT	383,229,528	7.89	547,448,409	8.18
- EUR	299,387,069	0.63	267,131,287	1.62
- GBP	115,245,305	1.18	114,492,558	1.56
- CAD	68,742,118	1.60	65,047,361	2.01
- AUD	57,191,580	3.34	56,186,390	2.78
- JPY	20,060,185	0.30	29,829,592	0.79

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Average effective interest rates, continued

	2021		2020	
	KZT'000	Average	KZT'000	Average
	Carrying	effective	Carrying	effective
	amount	interest rate, %	amount	interest rate, %
Investment securities measured at amortised cost				
- KZT	1,089,819,372	8.65	1,026,726,874	7.82
- CNY	103,397,287	2.74	95,086,645	2.71
- USD	132,829	3.20	130,216	3.20
Other assets				
- KZT	811,995,469	9.18	540,893,545	6.22
Interest-bearing liabilities				
Deposits and balances from banks and other financial institutions				
<i>Term deposits</i>				
- USD	2,710,266,756	0.29	2,874,654,006	0.29
- KZT	1,637,212,049	9.33	1,909,326,218	8.56
<i>Loans</i>				
- USD	2,132,566	4.00	-	-
Repurchase agreements				
- KZT	150,097,813	8.75	100,597,147	8.00
Unified Treasury Account				
- KZT	901,426,804	0.25	959,663,575	0.25
Debt securities issued				
- KZT	3,062,328,192	9.71	3,645,971,357	9.73

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate 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. An analysis of sensitivity of profit or loss and equity to changes in interest rate (repricing risk) based on a simplified scenario of a 300 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2021 and 31 December 2020 is as follows:

	2021		2020	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
300 bp parallel rise	(125,222,351)	(125,222,351)	(138,975,275)	(138,975,275)
300 bp parallel fall	125,222,351	125,222,351	138,975,275	138,975,275

An analysis of the sensitivity of equity as a result of changes in the fair value of investment securities at fair value through other comprehensive income due to changes in the interest rates, based on positions existing as at 31 December 2021 and 2020 and a simplified scenario of a 50 bp symmetrical fall or rise in all yield curves, is as follows:

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Interest rate sensitivity analysis, continued

	2021		2020	
	Net profit or loss KZT'000	Equity KZT'000	Net profit or loss KZT'000	Equity KZT'000
50 bp parallel fall	-	45,630,681	-	40,515,904
50 bp parallel rise	-	(48,507,014)	-	(46,919,451)

The above tables demonstrate the effect of a change of value of fixed-income financial instruments in a key assumption for interest rate change, while other assumptions remain unchanged. In effect, a correlation may exist between the factors, for which the assumption is made, and other factors not accounted for in the analysis. It should also be noted that these sensitivities are non-linear because of convexity of the 'price – yield to maturity' curve, and larger or smaller impacts should not be interpolated or extrapolated from these results.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**Market risk, continued*****Interest rate risk, continued******Interest rate sensitivity analysis, continued***

The sensitivity analyses do not take into consideration that the National Bank's assets and liabilities are actively managed. Additionally, the financial position of the National Bank may vary at the time that any actual market movement occurs. For example, the National Bank's financial risk management strategy aims to manage the exposure to market fluctuations. In case of sharp negative fluctuations, management actions could include selling investments, changing investment portfolio allocation and taking other protective action, while maintaining all restrictions and limits provided for by Investment Strategy of Gold and Foreign Exchange Reserves of the National Bank and other safeguards against decrease in assets value. Consequently, a change in the assumptions may not have any actual impact on the liabilities and significant impact on the assets carried at market value in the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Currency risk

The National Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market foreign currency exchange rates. The National Bank does not hedge its exposure to currency risk.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

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

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
ASSETS									
Cash on hand in foreign currency	-	-	111,569,477	733,606	7,661	-	56,474	63,106	112,430,324
Gold	-	10,254,959,287	-	-	-	-	-	-	10,254,959,287
Placements and loans with banks and other financial institutions	1,518,900,509	-	736,641,427	188,799,238	5,270,134	703,780,077	7,201,113	34,975,524	3,195,568,022
Financial instruments under management at fair value through profit or loss	-	-	964,970,661	255,725	-	-	20,534	154,424	965,401,344
Reverse repurchase agreements	549,162,352	-	-	-	-	-	-	-	549,162,352
Investment securities measured at fair value through other comprehensive income	1,133,229,528	-	1,567,558,832	299,387,069	20,060,185	-	115,245,305	125,933,698	3,261,414,617
Investment securities measured at amortised cost	1,089,819,372	-	132,829	-	-	-	-	103,397,287	1,193,349,488
Investments in associates	7,255,451	-	-	-	-	-	-	-	7,255,451
Other financial assets	829,233,984	-	-	-	-	-	-	-	829,233,984
Total assets	5,127,601,196	10,254,959,287	3,380,873,226	489,175,638	25,337,980	703,780,077	122,523,426	264,524,039	20,368,774,869

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
LIABILITIES									
Currency in circulation	3,452,220,118	-	-	-	-	-	-	-	3,452,220,118
Deposits and balances from banks and other financial institutions	2,230,554,506	-	4,106,516,776	271,763,424	4,119,038	580,302,376	3,345,022	813,401	7,197,414,543
Financial instruments under management at fair value through profit or loss	15,743	-	862,079	278,509	117,252	-	64,216	478,471	1,816,270
Repurchase agreements	150,097,813	-	-	-	-	-	-	-	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	1,062,130,685	-	-	-	-	-	-	-	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	901,426,804	-	261,268	-	-	-	-	3,239,947	904,928,019
Customer accounts	206,753,402	-	90,749	8,734	-	-	7	79,230	206,932,122
Debt securities issued	3,062,328,192	-	-	-	-	-	-	-	3,062,328,192
Estimated liabilities	61,130,493	-	-	-	-	-	-	-	61,130,493
Other financial liabilities	17,715,835	-	3,516,626	294	-	-	-	-	21,232,755
Total liabilities	11,144,373,591	-	4,111,247,498	272,050,961	4,236,290	580,302,376	3,409,245	4,611,049	16,120,231,010
Net position	(6,016,772,395)	10,254,959,287	(730,374,272)	217,124,677	21,101,690	123,477,701	119,114,181	259,912,990	4,248,543,859
The effect of derivatives held for risk management purposes	(19,878,543)	-	(43,941,742)	71,352,839	6,415,845	-	(3,092,715)	(10,855,684)	-
Net position after derivatives held for risk management purposes	(6,036,650,938)	10,254,959,287	(774,316,014)	288,477,516	27,517,535	123,477,701	116,021,466	249,057,306	4,248,543,859

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

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

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
ASSETS									
Cash on hand in foreign currency	-	-	121,562,192	1,204,434	8,356	-	55,657	49,215	122,879,854
Gold	-	9,946,269,671	-	-	-	-	-	-	9,946,269,671
Placements and loans with banks and other financial institutions	1,659,159,182	-	1,304,724,635	888,914,755	12,020,417	705,899,076	8,045,522	52,141,974	4,630,905,561
Financial instruments under management at fair value through profit or loss	-	-	632,741,794	16,041	25,753	-	37,231	205,107	633,025,926
Reverse repurchase agreements	20,012,508	-	-	-	-	-	-	-	20,012,508
Investment securities measured at fair value through other comprehensive income	1,297,448,409	-	1,701,478,143	313,606,871	33,306,273	-	116,363,610	121,233,751	3,583,437,057
Investment securities measured at amortised cost	1,026,726,874	-	130,216	-	-	-	-	95,086,645	1,121,943,735
Investments in associates	5,683,549	-	-	-	-	-	-	-	5,683,549
Other financial assets	973,217,684	-	-	-	-	-	-	-	973,217,684
Total assets	4,982,248,206	9,946,269,671	3,760,636,980	1,203,742,101	45,360,799	705,899,076	124,502,020	268,716,692	21,037,375,545

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
LIABILITIES									
Currency in circulation	3,250,868,479	-	-	-	-	-	-	-	3,250,868,479
Deposits and balances from banks and other financial institutions	2,900,520,773	-	3,412,871,716	400,581,450	11,223,679	582,107,600	3,296,698	17,813,968	7,328,415,884
Financial instruments under management at fair value through profit or loss	1,058	-	448,267	259,538	7,055	-	44,506	207,741	968,165
Repurchase agreements	100,597,147	-	-	-	-	-	-	-	100,597,147
Current accounts of the National Fund of the Republic of Kazakhstan	441,555,267	-	-	-	-	-	-	-	441,555,267
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	959,663,575	-	41,530	469,553,327	-	-	-	2,893,806	1,432,152,238
Customer accounts	238,954,354	-	65,647	26,969	-	-	17	26	239,047,013
Debt securities issued	3,645,971,357	-	-	-	-	-	-	-	3,645,971,357
Estimated liabilities	53,056,189	-	-	-	-	-	-	-	53,056,189
Other financial liabilities	21,555,779	-	2,943,864	207	-	-	-	-	24,499,850
Total liabilities	11,612,743,978	-	3,416,371,024	870,421,491	11,230,734	582,107,600	3,341,221	20,915,541	16,517,131,589
Net position	(6,630,495,772)	9,946,269,671	344,265,956	333,320,610	34,130,065	123,791,476	121,160,799	247,801,151	4,520,243,956
The effect of derivatives held for risk management purposes	(1,155,884)	-	17,009,011	(13,816,589)	4,338,039	-	(2,055,627)	(4,318,950)	-
Net position after derivatives held for risk management purposes	(6,631,651,656)	9,946,269,671	361,274,967	319,504,021	38,468,104	123,791,476	119,105,172	243,482,201	4,520,243,956

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**Market risk, continued*****Currency risk, continued***

Management of the National Bank believes that, as at 31 December 2021, given the current economic conditions in Kazakhstan, fluctuation of exchange rate by 20% is a realistic movement in KZT exchange rates against the USD. This is the sensitivity rate used in the National Bank when reporting foreign currency risk internally to key management personnel of the National Bank and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only amounts in foreign currency as of the end of the period and adjusts their translation for appreciation and depreciation in currency rates as at 31 December 2021.

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2021 and 2020, would have increased (decreased) equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the National Bank considered to be reasonably possible at the end of the reporting period. The given level of sensitivity is used within the National Bank for preparation of currency risk report for the key management of the National Bank. The analysis assumes that all other variables, in particular interest rates, remain constant.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

	Equity KZT'000 2021	Equity KZT'000 2020
	(+20% / -20%)	(+20% / -20%)
Appreciation of USD against KZT	(154,863,203)	72,254,993
Depreciation of USD against KZT	154,863,203	(72,254,993)
Appreciation of EUR against KZT	57,695,503	63,900,804
Depreciation of EUR against KZT	(57,695,503)	(63,900,804)
Appreciation of a troy ounce of gold against KZT	2,050,991,857	1,989,253,934
Depreciation of a troy ounce of gold against KZT	(2,050,991,857)	(1,989,253,934)
Appreciation of JPY against KZT	5,503,507	7,693,620
Depreciation of JPY against KZT	(5,503,507)	(7,693,620)
Appreciation of GBP against KZT	23,204,293	23,821,035
Depreciation of GBP against KZT	(23,204,293)	(23,821,035)
Appreciation of SDR against KZT	24,695,540	24,758,295
Depreciation of SDR against KZT	(24,695,540)	(24,758,295)
Appreciation of other currencies against KZT	49,811,461	48,696,440
Depreciation of other currencies against KZT	(49,811,461)	(48,696,440)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change of value of fixed-income financial instruments in a key assumption for change in the KZT exchange rate, while other assumptions remain unchanged. In effect, a correlation may exist between the factors, for which the assumption is made, and other factors not accounted for in the analysis. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

Other limitations of the sensitivity analysis include application of hypothetical movements in the market with the purpose of disclosure of the potential risks, which represent only expectations of the National Bank of the future changes in the market which cannot be predicted with sufficient level of assurance. A further limitation is the assumption that all interest rates change identically.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Market risk, 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 National Bank takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2021 and 2020 and a simplified scenario of a 10% change in all securities prices is as follows:

	2021		2020	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
A 10% increase in securities prices	96,462,316	77,643,236	63,252,523	75,549,603
A 10% decrease in securities prices	(96,462,316)	(77,643,236)	(63,252,523)	(75,549,603)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37 RISK MANAGEMENT, CONTINUED**Credit risk**

Credit risk is the risk of financial loss to the National Bank if a borrower, issuer and/or counterparty to a financial instrument fails to meet its contractual obligations. The National Bank has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and implementing recommendations of the Investment Committee, and the Risk Committee, which are responsible for developing investment decisions. The credit risk management policy is reviewed and approved by the Management Board.

The National Bank's credit risk management policy establishes:

- A methodology for credit assessment calculation and determination of maximum risk limits on the National Bank's counterparties, clearing brokers and custodians;
- Procedures for ongoing monitoring and review of the risk limit of the National Bank's counterparties, clearing brokers and custodians.

The Department of Monetary Operations, based on a financial performance and financial position ratios analysis with use of international rating agencies' data, prepares information about new counterparties proposed to be included in the list of approved counterparties of the National Bank. The Investment Committee approves a new counterparty on the basis of this report.

The Department of Monetary Operations of the National Bank exercises daily monitoring of compliance with limits imposed on each individual counterparty, clearing broker and custodian. In addition to individual counterparty analysis, the Department of Monetary Operations monitors compliance of the credit ratings of financial instruments with the established limits.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Credit risk, continued

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2021	2020
	KZT'000	KZT'000
ASSETS		
Gold	182,371,314	781,012,832
Placements and loans with banks and other financial institutions	3,195,568,022	4,630,905,561
Financial instruments under management at fair value through profit or loss	965,401,344	633,025,926
Reverse repurchase agreements	549,162,352	20,012,508
Investment securities measured at fair value through other comprehensive income	2,484,982,259	2,827,941,031
Investment securities measured at amortised cost	1,193,349,488	1,121,943,735
Other financial assets	829,233,984	973,217,684
Total maximum exposure	<u>9,400,068,763</u>	<u>10,988,059,277</u>

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 38.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**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 National Bank'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 National Bank's derivative transactions that are not transacted on the exchange are entered into under International Derivative Swaps and Dealers Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions.

The National Bank's sale and repurchase, reverse sale and repurchase transactions, and securities borrowings and lendings are covered by global master repurchase agreement (ISMA) or subject to eligibility criteria for Kazakhstan Stock Exchange membership.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**Offsetting financial assets and financial liabilities, continued**

The above ISDA and similar master netting arrangements do not meet the offsetting criteria in the consolidated statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the National Bank or the counterparties. In addition, the National Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The National Bank receives and accepts collateral in the form of marketable securities in respect of the sales and repurchase agreements, reverse sale and repurchase agreements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Offsetting financial assets and financial liabilities, continued

The table below shows financial assets and financial liabilities subject to an enforceable master netting arrangement or similar arrangements as at 31 December 2021:

KZT'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Reverse repurchase agreements	549,162,352	-	549,162,352	(525,082,835)	-	24,079,517
Investment securities measured at fair value through other comprehensive income	140,891,608	-	140,891,608	(140,891,608)	-	-
Total financial assets	690,053,960	-	690,053,960	(665,974,443)	-	24,079,517
Repurchase agreements	(150,097,813)	-	(150,097,813)	140,891,608	-	(9,206,205)
Total financial liabilities	(150,097,813)	-	(150,097,813)	140,891,608	-	(9,206,205)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Offsetting financial assets and financial liabilities, continued

The table below shows financial assets and financial liabilities subject to an enforceable master netting arrangement or similar arrangements as at 31 December 2020:

KZT'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Reverse repurchase agreements	20,012,508	-	20,012,508	(19,121,142)	-	891,366
Investment securities measured at fair value through other comprehensive income	94,346,826	-	94,346,826	(94,346,826)	-	-
Total financial assets	114,359,334	-	114,359,334	(113,467,968)	-	891,366
Repurchase agreements	(100,597,147)	-	(100,597,147)	94,346,826	-	(6,250,321)
Total financial liabilities	(100,597,147)	-	(100,597,147)	94,346,826	-	(6,250,321)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Offsetting financial assets and financial liabilities, continued

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 on the following basis:

- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements – amortised cost.

The table below reconciles the net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position, as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2021.

KZT'000

Types of financial assets/liabilities	Net amount	Line item in the consolidated statement of financial position	Carrying amount in the consolidated statement of financial position	Financial asset/liability not in the scope of offsetting disclosure	Note
Reverse repurchase agreements	549,162,352	Reverse repurchase agreements	549,162,352	-	21
Investment securities measured at fair value through other comprehensive income	140,891,608	Investment securities measured at fair value through other comprehensive income	3,261,414,617	3,120,523,009	22
Repurchase agreements	(150,097,813)	Repurchase agreements	(150,097,813)	-	28

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Offsetting financial assets and financial liabilities, continued

The table below reconciles the net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position, as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2020.

KZT'000

Types of financial assets/liabilities	Net amount	Line item in the consolidated statement of financial position	Carrying amount in the consolidated statement of financial position	Financial asset/liability not in the scope of offsetting disclosure	Note
Reverse repurchase agreements	20,012,508	Reverse repurchase agreements	20,012,508	-	21
Investment securities measured at fair value through other comprehensive income	94,346,826	Investment securities measured at fair value through other comprehensive income	3,583,437,057	3,489,090,231	22
Repurchase agreements	(100,597,147)	Repurchase agreements	(100,597,147)	-	28

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**Liquidity risk**

Liquidity risk is the risk that the National Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. 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 National 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. The liquidity policy is reviewed and approved by the Management Board.

The National Bank 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.

Since the National Bank carries out the issue of national currency, the default risk on fulfilment its obligations in national currency is minimal, and the liquidity risk is more applicable for obligations denominated in foreign currency.

The National Bank's liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**Liquidity risk, continued**

- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow (the “liquidity portfolio”)
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements

The Department of Monetary Operations based on information of the asset and liability liquidity performs analysis of the liquidity position. Afterwards, the Department of Monetary Operations maintains the liquidity level by purchasing highly liquid assets. To meet liquidity management goals the liquidity portfolio is invested in assets that can be sold as soon as it possible if required.

According to the Investment Strategy of Gold and Foreign Exchange Reserves of the National Bank the liquidity portfolio has to comply with the following parameters:

- duration of the liquidity portfolio should not exceed 1 year;
- base currency of the liquidity portfolio is USD;
- volume of liquidity portfolio should not fall below USD 1 billion inclusive of current liabilities with maturities of less than 5 (five) working days;
- volume of liquidity portfolio should not be less than the volume of payments on state external debt service for the next 6 months. This limitation is checked once in a calendar quarter (on the tenth working day of each quarter).

If the market value of the liquidity portfolio does not comply with the given parameters, it is replenished as soon as practicable, but not later than 1 month of the observance of such non-compliance, or within a different period provided for by the decision of the Investment Committee of the National Bank.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**Liquidity risk, continued**

The assets of the liquidity portfolio may be invested in cash currency, state (sovereign) debt securities of the countries with the credit rating not lower than A- (Standard & Poor's) and/or A3 (Moody's), agency debt securities, debt securities of international financial institutions with the credit rating not lower than AAA (Standard & Poor's) and/or Aaa (Moody's), regional (municipal) debt securities of the countries with the credit rating not lower than A- (Standard & Poor's) and/or A3 (Moody's), certificates of deposit (CD), commercial papers (CP) with the short-term credit rating not lower than A - 1 (Standard & Poor's) or P-1 (Moody's), deposits, forward transactions in fully convertible currencies with maturity of up to 1 month as part of hedging of foreign currency liabilities. The maximum term for the deposit should not exceed one month.

The assets of the liquidity portfolio are invested in freely convertible currencies, in the national currency of the People's Republic of China, as well as in the currencies of the countries of the Eurasian Economic Union.

If the volume of assets in liquidity portfolio, net of liabilities of the National Bank to the second-tier banks and other clients, is greater than zero, the portion of such USD-denominated assets makes up at least 70 (seventy) percent of that volume. In case of non-compliance with this criterion, the Department of Monetary Operations corrects the violation within 14 (fourteen) calendar days. If the volume of assets in liquidity portfolio, net of liabilities of the National Bank to the second-tier banks and other clients, is less than zero, the target portion of the USD-denominated assets in liquidity portfolio makes up 50 (fifty) percent of the USD-denominated liabilities.

The following tables show the undiscounted cash flows on financial liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liabilities.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2021 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	No maturity	Total gross amount inflow (outflow)	Carrying amount
Non-derivative financial liabilities								
Deposits and balances from banks and other financial institutions	5,848,105,753	403,814,622	367,213,263	-	-	580,722,821	7,199,856,459	7,197,414,543
Repurchase agreements	150,241,708	-	-	-	-	-	150,241,708	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	1,062,130,685	-	-	-	-	-	1,062,130,685	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	905,119,437	-	-	-	-	-	905,119,437	904,928,019
Customer accounts	206,932,122	-	-	-	-	-	206,932,122	206,932,122
Debt securities issued	1,243,444,274	675,841,270	223,911,182	320,455,460	1,089,196,534	-	3,552,848,720	3,062,328,192
Estimated liabilities	61,130,493	-	-	-	-	-	61,130,493	61,130,493
Other financial liabilities	21,232,755	-	-	-	-	-	21,232,755	21,232,755
Derivative liabilities								
- Inflow	(23,075,142)	(166,723,835)	-	-	-	-	(189,798,977)	-
- Outflow	23,589,568	168,025,679	-	-	-	-	191,615,247	1,816,270
Total liabilities	9,498,851,653	1,080,957,736	591,124,445	320,455,460	1,089,196,534	580,722,821	13,161,308,649	12,668,010,892
Credit related commitments	361,011,670	-	-	-	-	-	361,011,670	361,011,670

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2020 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	No maturity	Total gross amount inflow (outflow)	Carrying amount
Non-derivative financial liabilities								
Deposits and balances from banks and other financial institutions	6,043,098,662	345,339,063	231,614,789	127,227,353	-	582,517,441	7,329,797,308	7,328,415,884
Repurchase agreements	100,685,323	-	-	-	-	-	100,685,323	100,597,147
Current accounts of the National Fund of the Republic of Kazakhstan	441,555,267	-	-	-	-	-	441,555,267	441,555,267
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	1,432,356,023	-	-	-	-	-	1,432,356,023	1,432,152,238
Customer accounts	239,047,013	-	-	-	-	-	239,047,013	239,047,013
Debt securities issued	1,512,731,407	965,145,835	670,428,176	207,487,345	572,190,272	-	3,927,983,035	3,645,971,357
Estimated liabilities	53,056,189	-	-	-	-	-	53,056,189	53,056,189
Other financial liabilities	24,499,850	-	-	-	-	-	24,499,850	24,499,850
Derivative liabilities								
- Inflow	(34,559,622)	(111,460,589)	-	-	-	-	(146,020,211)	-
- Outflow	35,024,083	111,964,293	-	-	-	-	146,988,376	968,165
Total liabilities	9,847,494,195	1,310,988,602	902,042,965	334,714,698	572,190,272	582,517,441	13,549,948,173	13,266,263,110
Credit related commitments	367,450,597	-	-	-	-	-	367,450,597	367,450,597

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

37. RISK MANAGEMENT, CONTINUED**Liquidity risk, continued**

Management expects that the cash flows from certain financial 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.

The gross nominal inflow/(outflow) disclosed in the tables above represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes. The disclosure shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivative liabilities that have simultaneous gross settlement (e.g., forward exchange contracts and currency swaps).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2021:

KZT'000	<u>Demand and less than 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 to 12 months</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>No maturity</u>	<u>Total</u>
ASSETS							
Cash on hand in foreign currency	112,430,324	-	-	-	-	-	112,430,324
Gold	207,143,729	-	62,900,607	-	-	9,984,914,951	10,254,959,287
Placements and loans with banks and other financial institutions	981,283,513	1,182,091	-	237,462,171	1,275,572,791	700,067,456	3,195,568,022
Financial instruments under management at fair value through profit or loss	177,459	600,729	-	-	-	964,623,156	965,401,344
Reverse repurchase agreements	549,162,352	-	-	-	-	-	549,162,352
Investment securities measured at fair value through other comprehensive income	84,122,602	83,518,407	200,393,887	1,280,647,236	822,771,491	789,960,994	3,261,414,617
Investment securities measured at amortised cost	-	16,555,547	16,652,063	263,613,151	896,231,388	297,339	1,193,349,488
Investments in associates	-	-	-	-	-	7,255,451	7,255,451
Other financial assets	7,380,074	15,734,401	23,246,664	168,154,443	614,718,402	-	829,233,984
Total assets	1,941,700,053	117,591,175	303,193,221	1,949,877,001	3,609,294,072	12,447,119,347	20,368,774,869

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

KZT'000	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	Total
LIABILITIES							
Currency in circulation	-	-	-	-	-	3,452,220,118	3,452,220,118
Deposits and balances from banks and other financial institutions	5,843,529,635	403,814,622	369,345,829	-	-	580,724,457	7,197,414,543
Financial instruments under management at fair value through profit or loss	514,426	1,301,844	-	-	-	-	1,816,270
Repurchase agreements	150,097,813	-	-	-	-	-	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	1,062,130,685	-	-	-	-	-	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	904,928,019	-	-	-	-	-	904,928,019
Customer accounts	206,932,122	-	-	-	-	-	206,932,122
Debt securities issued	1,238,914,758	665,923,891	535,053,060	327,044,358	295,392,125	-	3,062,328,192
Estimated liabilities	61,130,493	-	-	-	-	-	61,130,493
Other financial liabilities	21,232,755	-	-	-	-	-	21,232,755
Total liabilities	9,489,410,706	1,071,040,357	904,398,889	327,044,358	295,392,125	4,032,944,575	16,120,231,010
Net position	(7,547,710,653)	(953,449,182)	(601,205,668)	1,622,832,643	3,313,901,947	8,414,174,772	4,248,543,859

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2020:

KZT'000	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	Total
ASSETS							
Cash on hand in foreign currency	122,879,854	-	-	-	-	-	122,879,854
Gold	452,881,456	300,653,693	47,759,093	-	-	9,144,975,429	9,946,269,671
Placements and loans with banks and other financial institutions	2,273,376,754	1,036,739	339,017,642	182,035,866	1,133,193,313	702,245,247	4,630,905,561
Financial instruments under management at fair value through profit or loss	238,403	262,297	-	-	-	632,525,226	633,025,926
Reverse repurchase agreements	20,012,508	-	-	-	-	-	20,012,508
Investment securities measured at fair value through other comprehensive income	10,759,438	79,204,450	464,319,894	1,436,825,989	826,601,763	765,725,523	3,583,437,057
Investment securities measured at amortised cost	-	14,481,523	153,462,063	184,163,170	769,836,979	-	1,121,943,735
Investments in associates	-	-	-	-	-	5,683,549	5,683,549
Other financial assets	17,296,978	3,654,579	424,659,212	102,605,021	425,001,894	-	973,217,684
Total assets	2,897,445,391	399,293,281	1,429,217,904	1,905,630,046	3,154,633,949	11,251,154,974	21,037,375,545

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

KZT'000	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	Total
LIABILITIES							
Currency in circulation	-	-	-	-	-	3,250,868,479	3,250,868,479
Deposits and balances from banks and other financial institutions	6,042,127,080	345,339,063	358,842,141	-	-	582,107,600	7,328,415,884
Financial instruments under management at fair value through profit or loss	464,461	503,704	-	-	-	-	968,165
Repurchase agreements	100,597,147	-	-	-	-	-	100,597,147
Current accounts of the National Fund of the Republic of Kazakhstan	441,555,267	-	-	-	-	-	441,555,267
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	1,432,152,238	-	-	-	-	-	1,432,152,238
Customer accounts	239,047,013	-	-	-	-	-	239,047,013
Debt securities issued	1,417,890,747	940,779,240	728,229,532	331,206,463	227,865,375	-	3,645,971,357
Estimated liabilities	53,056,189	-	-	-	-	-	53,056,189
Other financial liabilities	24,499,850	-	-	-	-	-	24,499,850
Total liabilities	9,751,389,992	1,286,622,007	1,087,071,673	331,206,463	227,865,375	3,832,976,079	16,517,131,589
Net position	(6,853,944,601)	(887,328,726)	342,146,231	1,574,423,583	2,926,768,574	7,418,178,895	4,520,243,956

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

38. CREDIT RELATED COMMITMENTS

The National Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and overdraft facilities.

The National Bank issues financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally have a validity period of up to five years.

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.

	2021	2020
	'000 KZT	'000 KZT
Contracted amount		
Investment commitments	349,987,802	362,390,222
Loan and credit line commitments	11,000,000	5,036,507
Guarantees and letters of credit	23,868	23,868
	361,011,670	367,450,597

All credit related commitments relate to Stage 1 of credit risk.

NIC NBK JSC implements the programme of investments in alternative classes of assets through a special purpose vehicles and/or special purpose partnerships. As at 31 December 2021, they have payment liabilities to private equity funds and real estate funds of KZT 349,987,802 thousand (31 December 2020: KZT 362,390,222 thousand). These credit related commitments can be changed.

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

39. CONTINGENCIES**Insurance**

The insurance industry in the Republic of 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 National Bank does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on the National Bank's property or relating to the National Bank's operations. Until the National Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the National Bank's operations and financial position.

Litigation

Management is unaware of any significant actual, pending or threatened claims against the National Bank.

Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

39. CONTINGENCIES, CONTINUED**Taxation contingencies, continued**

These circumstances may create tax risks in 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 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.

40. FUNDS MANAGEMENT, TRUST AND CUSTODY ACTIVITIES**Funds management and trust activities**

The National Bank provides trust and asset management services to trust companies, retirement benefit plans and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer.

The National Bank receives fee income for providing these services. Trust assets are not assets of the National Bank and are not recognised in the consolidated statement of financial position. The National Bank is not exposed to any credit risk related to such placements, as it does not guarantee these investments.

As at 31 December 2021, the total amount of assets that the National Bank holds and manages for outside organisations is KZT 3,180,558,984 thousand (31 December 2020: KZT 2,920,805,765 thousand).

As at 31 December 2021, the total amount of assets that the National Bank holds and manages for the National Fund is KZT 25,689,588,077 thousand (31 December 2020: KZT 25,886,664,948 thousand). A portion of these funds is managed by external managers in accordance with the investment policies set by the NBK.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

40. FUNDS MANAGEMENT, TRUST AND CUSTODY ACTIVITIES, CONTINUED**Custody activities**

During 2021 and 2020, the National Bank provided custody services to UNPF JSC. As at 31 December 2021, the total assets of UNPF JSC under the custodial service of the National Bank amounted to KZT 13,046,565,277 thousand (31 December 2020: KZT 12,894,602,814 thousand).

Assets of depositors

On 26 November 2012, the NBK acquired shares of Central Securities Depository JSC (the “Central Depository”) which performs the accounting of financial instruments and money of their clients. Accounting for financial instruments and money of the Central Depository’s clients is performed separately from its own financial instruments and money on off-balance sheet accounts.

As at 31 December 2020, the total amount of financial instruments and money in nominal holding and bank accounts of depositors in the Central Depository is KZT 105,158,753,517 thousand (31 December 2020: KZT 85,932,691,243 thousand).

41. RELATED PARTY TRANSACTIONS**Transactions with members of the Board of Directors and Management Board**

The remuneration to the members of the National Bank’s Management Board and the Board of Directors for the year 2021 totalled KZT 812,747 thousand (2020: KZT 862,149 thousand). The remuneration consists of salary and other payments.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

41. RELATED PARTY TRANSACTIONS, CONTINUED

Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2021 and 31 December 2020 and related profit or loss amounts of transactions for the years then ended with other related parties are as follows.

	State companies and organisations			
	31 December 2021		31 December 2020	
	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %
Consolidated statement of financial position				
ASSETS				
Gold	42,446,759	-	19,652,137	-
Placements and loans with banks and other financial institutions	1,454,530,013	6.09	885,095,436	6.06
Reverse repurchase agreements	549,162,352	10.75	20,012,508	10.00
Investment securities measured at fair value through other comprehensive income:				
Equity securities	750,000,000	-	750,000,000	-
Debt securities	383,229,528	7.88	547,448,409	8.18
Investment securities measured at amortised cost	1,004,335,966	8.70	830,710,297	8.39
Current tax asset	6,735,771	-	2,481,329	-
Deferred tax assets	346,258,930	-	325,613,503	-
Other assets	1,929,775	-	8,746,582	-

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

41. RELATED PARTY TRANSACTIONS, CONTINUED

Transactions with other related parties, continued

	State companies and organisations			
	31 December 2021		31 December 2020	
	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %
LIABILITIES				
Deposits and balances from banks and other financial institutions	1,017,348,623	8.50	807,474,455	5.36
Repurchase agreements	150,097,813	8.75	100,597,147	8.00
Current accounts of the National Fund of the Republic of Kazakhstan	1,062,130,685	-	441,555,267	-
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	904,928,019	0.25	1,432,152,238	0.17
Customer accounts	203,822,963	-	237,851,911	-
Debt securities	782,577,344	9.72	860,804,619	9.72
Current tax liability	11,824	-	166	-
Deferred tax liabilities	2,610,066	-	2,406,637	-
Other liabilities	1,441,121	-	6,413,823	-

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

41. RELATED PARTY TRANSACTIONS, CONTINUED

Transactions with other related parties, continued

	State companies and organisations	
	2021	2020
	KZT'000	KZT'000
Consolidated statement of profit or loss		
Interest income calculated using the effective interest method	224,875,418	156,173,752
Interest expense	(111,945,741)	(51,092,967)
Fee and commission income	35,600,036	19,016,099
Fee and commission expense	(2,471,282)	(529,150)
Net gain on financial instruments at fair value through profit or loss	(9,534)	-
Net gain on financial instruments at fair value through other comprehensive income	4,787,580	7,826,628
Other operating income/(expense), net	1,540,707	824,688
Banknotes and coins production expenses	(38,213)	(110,256)
Personnel expenses	(1,085,424)	(1,324,090)
Other general and administrative expenses	(2,735,167)	(2,348,853)
Income tax benefit	19,237,436	89,716,100

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

Accounting classifications and fair values

The table below shows the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2021:

KZT'000	Designated at fair value in accordance with the Accounting Policy (Note 2)						Total carrying amount	Fair value
	Accounting Policy (Note 2)	Measured at FVTPL	Measured at FVOCI (debt)	Measured at FVOCI (equity)	Other at amortised cost			
ASSETS								
Cash on hand in foreign currency	-	-	-	-	112,430,324	112,430,324	112,430,324	
Gold	10,254,959,287	-	-	-	-	10,254,959,287	10,254,959,287	
Placements and loans with banks and other financial institutions	-	305,232,932	-	-	2,890,335,090	3,195,568,022	3,245,330,521	
Financial instruments under management at fair value through profit or loss	-	965,401,344	-	-	-	965,401,344	965,401,344	
Reverse repurchase agreements	-	-	-	-	549,162,352	549,162,352	549,162,352	
Investment securities measured at fair value through other comprehensive income	-	-	2,484,982,259	26,432,358	-	2,511,414,617	2,511,414,617	
Investment securities measured at amortised cost	-	-	-	-	1,193,349,488	1,193,349,488	1,085,494,674	
Other financial assets	-	-	-	-	829,233,984	829,233,984	829,233,984	
	10,254,959,287	1,270,634,276	2,484,982,259	26,432,358	5,574,511,238	19,611,519,418	19,553,427,103	

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Accounting classifications and fair values, continued

KZT'000	Measured at FVTPL	Other at amortised cost	Total carrying amount	Fair value
LIABILITIES				
Currency in circulation	-	3,452,220,118	3,452,220,118	3,452,220,118
Deposits and balances from banks and other financial institutions	-	7,197,414,543	7,197,414,543	7,197,414,543
Financial instruments under management at fair value through profit or loss	1,816,270	-	1,816,270	1,816,270
Repurchase agreements	-	150,097,813	150,097,813	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	-	1,062,130,685	1,062,130,685	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	904,928,019	904,928,019	904,928,019
Customer accounts	-	206,932,122	206,932,122	206,932,122
Debt securities issued	-	3,062,328,192	3,062,328,192	3,136,749,379
Estimated liabilities	-	61,130,493	61,130,493	61,130,493
Other financial liabilities	-	21,232,755	21,232,755	21,232,755
	1,816,270	16,118,414,740	16,120,231,010	16,194,652,197

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Accounting classifications and fair values, continued

The table below shows the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020:

KZT'000	Designated at fair value in accordance with the Accounting Policy (Note 2)	Measured at FVTPL	Measured at FVOCI (debt)	Measured at FVOCI (equity)	Other at amortised cost	Total carrying amount	Fair value
ASSETS							
Cash on hand in foreign currency	-	-	-		122,879,854	122,879,854	122,879,854
Gold	9,946,269,671	-	-	-	-	9,946,269,671	9,946,269,671
Placements and loans with banks and other financial institutions	-	292,215,561	-	-	4,338,690,000	4,630,905,561	4,695,234,514
Financial instruments under management at fair value through profit or loss	-	633,025,926	-	-	-	633,025,926	633,025,926
Reverse repurchase agreements	-	-	-	-	20,012,508	20,012,508	19,121,142
Investment securities measured at fair value through other comprehensive income	-	-	2,827,941,030	5,496,027	-	2,833,437,057	2,833,437,057
Investment securities measured at amortised cost	-	-	-	-	1,121,943,735	1,121,943,735	1,011,484,991
Other financial assets	-	-	-	-	973,217,684	973,217,684	973,217,684
	9,946,269,671	925,241,487	2,827,941,030	5,496,027	6,576,743,781	20,281,691,996	20,234,670,839

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Accounting classifications and fair values, continued

KZT'000	Measured at FVTPL	Other at amortised cost	Total carrying amount	Fair value
LIABILITIES				
Currency in circulation	-	3,250,868,479	3,250,868,479	3,250,868,479
Deposits and balances from banks and other financial institutions	-	7,328,415,884	7,328,415,884	7,328,415,884
Financial instruments under management at fair value through profit or loss	968,165	-	968,165	968,165
Repurchase agreements	-	100,597,147	100,597,147	94,346,826
Current accounts of the National Fund of the Republic of Kazakhstan	-	441,555,267	441,555,267	441,555,267
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	1,432,152,238	1,432,152,238	1,432,152,238
Customer accounts	-	239,047,013	239,047,013	239,047,013
Debt securities issued	-	3,645,971,357	3,645,971,357	3,652,035,740
Estimated liabilities	-	53,056,189	53,056,189	53,056,189
Other financial liabilities	-	24,499,850	24,499,850	24,499,850
	968,165	16,516,163,424	16,517,131,589	16,516,945,651

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED**Accounting classifications and fair values, continued**

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 orderly 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 National Bank 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.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models. 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, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. 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.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED**Accounting classifications and fair values, continued**

The National Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. 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.

As at 31 December 2021 and 2020, fair value of investments in hedge funds, private equity funds and real estate funds is based on net assets value provided by Independent Administrator and/or Managing Director.

As disclosed in Note 22, the fair value of unquoted equity securities measured through other comprehensive income with a carrying amount of KZT 750,000,000 thousand (2020: KZT 750,000,000 thousand) cannot be determined.

As at 31 December 2021, there were no asset and liability parts of swap deals (31 December 2020: nil).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED**Fair value hierarchy**

The National Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market;
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value at 31 December 2021 and 31 December 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:

31 December 2021				
KZT'000	Level 1	Level 2	Level 3	Total
Gold	10,254,959,287	-	-	10,254,959,287
Placements and loans with banks and other financial institutions	-	305,232,932	-	305,232,932
Financial instruments under management at fair value through profit or loss				
- Derivative assets	727,089	51,100	-	778,189
- Equity investments	-	207,008,225	757,614,931	964,623,156
- Derivative liabilities	(1,800,527)	(15,743)	-	(1,816,270)
Investment securities measured at fair value through other comprehensive income				
- Debt and other fixed-income instruments	2,101,752,731	383,229,528	-	2,484,982,259
- Equity investments	26,432,358	-	-	26,432,358
	12,382,070,938	895,506,042	757,614,931	14,035,191,911

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED
Fair value hierarchy, continued
31 December 2020

KZT'000	Level 1	Level 2	Level 3	Total
Gold	9,946,269,671	-	-	9,946,269,671
Placements and loans with banks and other financial institutions	-	292,215,561	-	292,215,561
Financial instruments under management at fair value through profit or loss				
- Derivative assets	500,700	-	-	500,700
- Equity investments	-	179,299,439	453,225,787	632,525,226
- Derivative liabilities	(967,107)	(1,058)	-	(968,165)
Investment securities measured at fair value through other comprehensive income				
- Debt and other fixed-income instruments	2,280,492,622	547,448,409	-	2,827,941,031
- Equity investments	5,496,027	-	-	5,496,027
	12,231,791,913	1,018,962,351	453,225,787	13,703,980,051

The table below analyses financial instruments categorised into Level 3 in the fair value hierarchy as at 31 December 2021 and 31 December 2020.

	2021	2020
	KZT'000	KZT'000
Fair value at the beginning of the year	453,225,787	234,026,940
Deposits	201,405,457	132,399,917
Payments	(107,976,586)	(27,069,972)
Gain recognised through profit or loss	195,127,109	85,828,787
Foreign currency revaluation reserve	15,833,163	28,040,115
Fair value at the end of the year	757,614,931	453,225,787

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED**Fair value hierarchy, continued**

The National Bank's investments in equity investments, which are under management of NIC NBK JSC, categorised into Level 3 comprise holdings in investment private equity funds and real estate funds. These funds comprise investments in the funds and co-investments with the funds through the structure of the fund of funds made to accumulate the investors' funds to invest in share capital or securities of the invested companies (private equity funds) and investment in the funds through the structure of the fund of funds made to earn income from rent payment and/or increase in value of real estate (real estate funds). To consolidate the fair value of the National Bank's holdings in these investment funds for the years ended 31 December 2021 and 31 December 2020, the National Bank used reports prepared by independent administrators and/or managers of funds. The approach followed by independent administrators and/or managers was to estimate the fair value of the underlying portfolio investments held by each fund. As a cross check, administrators and managers also review fair values of investments as reported by each of the funds, and assesses the basis for material differences between the appraised fair value and fair values reported by the managers.

A number of valuation techniques, including financial models based on the last deals' prices, earnings coefficients and discounted cash flows, were used by independent administrators and/or managers to value the underlying portfolio investments, depending on the nature of the business concerned, the availability of market comparables, and the stage in the business's life cycle.

As at 31 December 2021, if the quotes for financial instruments would be 1% lower, the effect on profit or loss would be a decrease in the fair value of KZT 7,576,149 thousand (31 December 2020: KZT 4,532,258 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

The table below analyses financial instruments not measured at fair value at 31 December 2021, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	Level 1	Level 2	Total fair value	Total carrying amount
ASSETS				
Cash on hand in foreign currency	-	112,430,324	112,430,324	112,430,324
Placements and loans with banks and other financial institutions	-	2,940,097,589	2,940,097,589	2,890,335,090
Reverse repurchase agreements	-	549,162,352	549,162,352	549,162,352
Investment securities measured at amortised cost	56,254,294	877,771,226	934,025,520	1,193,349,488
Other financial assets	-	829,233,984	829,233,984	829,233,984
LIABILITIES				
Currency in circulation	-	3,452,220,118	3,452,220,118	3,452,220,118
Deposits and balances from banks and other financial institutions	-	7,197,414,543	7,197,414,543	7,197,414,543
Repurchase agreements	-	150,097,813	150,097,813	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	-	1,062,130,685	1,062,130,685	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	904,928,019	904,928,019	904,928,019
Customer accounts	-	206,932,122	206,932,122	206,932,122
Debt securities issued	-	3,136,749,379	3,136,749,379	3,062,328,192
Estimated liabilities	-	61,130,493	61,130,493	61,130,493
Other financial liabilities	-	21,232,755	21,232,755	21,232,755

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

The table below analyses financial instruments not measured at fair value at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	Level 1	Level 2	Total fair value	Total carrying amount
ASSETS				
Cash on hand in foreign currency	-	122,879,854	122,879,854	122,879,854
Placements and loans with banks and other financial institutions	-	4,403,018,953	4,403,018,953	4,338,690,000
Reverse repurchase agreements	-	19,121,142	19,121,142	20,012,508
Investment securities measured at amortised cost	158,758,928	852,726,063	1,011,484,991	1,121,943,735
Other financial assets	-	973,217,684	973,217,684	973,217,684
LIABILITIES				
Currency in circulation	-	3,250,868,479	3,250,868,479	3,250,868,479
Deposits and balances from banks and other financial institutions	-	7,328,415,884	7,328,415,884	7,328,415,884
Repurchase agreements	-	100,597,147	100,597,147	100,597,147
Current accounts of the National Fund of the Republic of Kazakhstan	-	441,555,267	441,555,267	441,555,267
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	1,432,152,238	1,432,152,238	1,432,152,238
Customer accounts	-	239,047,013	239,047,013	239,047,013
Debt securities issued	-	3,652,035,740	3,652,035,740	3,645,971,357
Estimated liabilities	-	53,056,189	53,056,189	53,056,189
Other financial liabilities	-	24,499,850	24,499,850	24,499,850

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

43. SUBSEQUENT EVENTS

On 2 January 2022, protests started in Western Kazakhstan related to an increase in the liquefied natural gas price, which further spread to other cities in Kazakhstan. During the protests, protesters laid down a number of socio-economic and political demands. Despite the Government of the Republic of Kazakhstan has approved a set of specific measures to satisfy these demands, including to reduce gas prices, on 4-5 January, the protests turned into mass unrest coming with takeover of the city administrations buildings and the law enforcement agencies buildings. Key events unfolded in Almaty and the southern regions of the country.

Amid a serious and imminent threat to the safety of people, to ensure safety and security of people, restore law and rule of order, and protect the rights and freedoms of citizens, on 5 January 2022, the Government declared a state of emergency on the territory of the Republic of Kazakhstan.

The tragic events that occurred in Kazakhstan in early January 2022 have undoubtedly affected Kazakhstan's economy. The economic activity slowed down to 1.4%. This slowdown was primarily driven by a 1.7% decline in sales of both food and non-food products, particularly in Almaty, the region most affected by the unrest (a 42.1% decline in retail sales). At the same time, retail sales in the six regions remained flat, which indicates that a decline in demand this January was short-term.

Apart from sales, in January 2022, one saw drop in production in manufacturing industry, information and communications sector, accommodation and catering services, financial and insurance activities, operations with real estate, art business, entertainment and leisure.

However, the wider effects of the January events and their effect on the Kazakhstan economy, including any resulting impact on the National Bank's financial results in 2022, are not possible to determine at the date of approval of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

43. SUBSEQUENT EVENTS, CONTINUED

This February, market was mainly driven by escalation of geopolitical tensions caused by serious deterioration of relations between Ukraine and the Russian Federation, which led to that unprecedented sanctions have been imposed against the Russian Federation: certain financial institutions were disconnected from the SWIFT network, and assets of the Central Bank of the Russian Federation were frozen.

The second-tier banks, which have their Kazakhstan-based subsidiaries including SB Sberbank JSC, SB VTB Bank (Kazakhstan) JSC and SB Alfa Bank JSC, were also subject to sanctions. The restrictions resulted in that international ratings of these financial institutions have been downgraded, and in an increase in expected credit losses on deposits in these second-tier banks.

KDIF JSC guarantees the payment of compensations on deposits of individuals and individual entrepreneurs in all banks that are participants in the deposit guarantee system, including in the aforementioned second-tier banks. At the same time, the National Bank believes that a significant increase in credit risks on the obligations of JSC KDIF is not expected.

Also as at 31 December 2021, KSF JSC held financial assets related to SB Sberbank JSC in the form of long-term claims on repurchased mortgage loans. As at 31 December 2021, the carrying amount of these financial assets was KZT 384,916,437 thousand. Considering the uncertainties about the situation around Russian companies, the National Bank regularly monitors the activity of this bank. As at the date of issue of the consolidated financial statements, the National Bank did not identify any direct impact of these events on the financial assets related to this bank. SB Sberbank JSC is a systemically important bank in Kazakhstan, and therefore, the government will support the bank if the situation worsens. To protect assets held in trust by the Russian subsidiary bank, the National Bank can re-place these assets in trust to be held by any other second-tier bank that is a participant of the KSF JSC owned programme.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

43. SUBSEQUENT EVENTS, CONTINUED

The NBRK took an extraordinary decision to change the base rate, required to maintain price stability amid the risks from the external sector that may be realised if the geopolitical situation significantly deteriorates. This situation was considered under the negative scenario and plans for anti-crisis measures worked out by the NBRK and the Government of the Republic of Kazakhstan. As of 24 February 2022, the base rate is set at 13.5 % per annum with an interest corridor of +/- 1.0 p.p. In addition, the government announced a programme to protect KZT-denominated deposits, by accruing compensation on the KZT- denominated deposits of individuals, from the state budget funds.

The NBRK remains committed to maintain the KZT exchange rate floating free, and reserves the right to conduct currency interventions against the excessive volatility of the exchange rate, to secure the financial system stability. Maintaining the Kazakhstan tenge exchange rate flexible would help safeguard gold and foreign currency assets, the importance of which has increased amid risks from the external sector.

During the period from 24 February to the date of issue of the consolidated financial statements, the exchange rate of the Kazakhstan tenge to the US dollar ranged from KZT 437.22 to KZT 512.19 per USD 1.00.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

43. SUBSEQUENT EVENTS, CONTINUED**Liquidity risk**

Geopolitical risks caused demand for gold to have increased. During February, the price of gold rose from USD 1,791 to USD 1,903 per ounce, or 6.3%, and hit multi-year highs in early March, exceeding USD 2,070 per ounce.

However, the positive effect of the rise in the price of gold and its sale was partially offset by the outflow of foreign-currency balances in the accounts held by second-tier banks with the National Bank, and by the currency interventions conducted by the NBRK.

To minimise the liquidity risk amid favourable gold pricing, the National Bank partially sold the stock of gold.

Currency risk

The National Bank has assets and liabilities denominated in several foreign currencies. Depreciation of KZT against USD and other foreign currencies will result in revaluation of financial assets. The net effect on equity in case of a 17% weakening of the Kazakhstan tenge against the US dollar will be KZT 2,098,365,987 thousand (based on currency exposure as at 25 March 2022).

Credit risk

The sanctions imposed on Russian banks are likely to increase credit risk in respect of the NBRK's requirements on the Russian banks' correspondent accounts (0.1% of all assets), which may result in recognition of additional expected credit losses. These correspondent accounts are used by the NBRK for the purposes of mutual settlements in national currencies.

Market risk

Market risk is reduced through maintaining the diversified structure of the gold and foreign currency reserves (the "GFCR"). Assets are invested in various securities issued by governments of foreign countries, and different classes of assets and currencies, which allows the portfolio to be kept diversified.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

43. SUBSEQUENT EVENTS, CONTINUED**Market risk, continued**

In particular, the GFCR consist of assets denominated in fully convertible currencies, in the national currency of the People's Republic of China, national currencies of the member states of the Eurasian Economic Union, short-term US Treasury Obligations, bonds of developed countries, emerging market bonds, investment-grade corporate securities, as well as investments in private capital, hedge funds, real estate and shares.

To ensure safeguarding of foreign-currency assets and protect it against reducing attractiveness for international financial markets, the National Bank also invests in gold, a traditional safe instrument.