IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the drawdown information memorandum following this page (the "**Drawdown Information Memorandum**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Drawdown Information Memorandum. In accessing the Drawdown Information Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING DRAWDOWN INFORMATION MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED BY THE RECIPIENT TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your Representation: In order to be eligible to view the Drawdown Information Memorandum or make an investment decision with respect to the securities, investors must be (i) "qualified institutional buyers" ("**QIBs**") (as defined in Rule 144A under the Securities Act) that are also "qualified purchasers" ("**QPs**") as defined in Section 2(A)(51) of the U.S. Investment Company Act of 1940, as amended, or (ii) non-U.S. persons (as defined in Regulation S under the Securities Act) located outside the United States who are transacting in an "offshore transaction" (in accordance with Regulation S) who are not acting for the account or benefit of U.S. persons. By accepting the email and accessing the Drawdown Information Memorandum, you shall be deemed to have represented to us that: (i) you are a QIB that is also a QP acquiring the securities referred to herein for your own account and/or for another QIB that is also a QP or (ii) you are outside the United States and not a U.S. person and/or not acting for the account or benefit of a U.S. person.

You are reminded that the Drawdown Information Memorandum has been delivered to you on the basis that you are a person into whose possession the Drawdown Information Memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Drawdown Information Memorandum to any other person.

Under no circumstances shall the Drawdown Information Memorandum constitute an offer to sell or the solicitation of an offer to buy nor any sale of these securities in any jurisdiction in which such offer, solicitation or sale, would be unlawful. The Drawdown Information Memorandum may be communicated solely to (A) persons outside the United Kingdom or (B) persons inside the United Kingdom who are (i) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (iii) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 as amended) in connection with the issue or sale of any securities of the Issuer or any of its subsidiaries (the Issuer and its subsidiaries together, the "**Group**") may otherwise lawfully be communicated or caused to be communicated (all such persons in (A) and (B) above being "relevant persons"). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

Manufacturer target market (UK MiFIR product governance) is eligible counterparties and professional clients only (all distribution channels). No EEA or UK PRIIPs key information document has been prepared as the Notes will not be made available to retail investors in the European Economic Area or the United Kingdom.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products)

Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), JSC Development Bank of Kazakhstan has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of JSC Development Bank of Kazakhstan in such jurisdiction.

This Drawdown Information Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Bookrunners (as defined in the Drawdown Information Memorandum) nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Drawdown Information Memorandum distributed to you in electronic format and the hard copy version available to you on request from any such Joint Bookrunner.

Development Bank of Kazakhstan

JSC Development Bank of Kazakhstan

(*a joint stock company organised in the Republic of Kazakhstan*)

DRAWDOWN INFORMATION MEMORANDUM
prepared in connection with U.S.$500,000,000 5.75% Notes due 2025
issued as Series 12 under the U.S.$3,000,000,000 Medium Term Note Programme

This drawdown information memorandum (the "**Drawdown Information Memorandum**") is prepared in connection with the issue of U.S.$500,000,000 5.75% Notes due 2025 (the "**Series 12 Notes**" or the "**Notes**") by JSC Development Bank of Kazakhstan (the "**Issuer**" or "**DBK**") under its U.S.$3,000,000,000 Medium Term Note Programme (the "**Programme**"). The Notes will be constituted by, and have the benefit of, an amended and restated trust deed dated 13 November 2012 (as may be further supplemented, amended or restated from time-to-time) (the "**Trust Deed**") between DBK and Deutsche Trustee Company Limited (the "**Trustee**", which term shall include any successor trustee under the Trust Deed).

The issue price of the Notes is 99.458% of their aggregate nominal amount. The Notes will bear interest from (and including) 12 May 2022 (the "**Issue Date**") to (but excluding) 12 May 2025 (the "**Maturity Date**") at the fixed rate of 5.75% *per annum* payable semi-annually in arrear on 12 May and 12 November in each year.

Application may be made to Wiener Börse AG (the "**Vienna Stock Exchange")** for the inclusion of the Notes in trading on the Vienna MTF of the Vienna Stock Exchange, a multilateral trading facility (the "**Vienna MTF").** References in this Drawdown Information Memorandum to the Notes being "listed" (and all related references) shall mean that the Notes have been included in trading on the Vienna MTF. The Vienna MTF is not a regulated market for the purpose of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II").**

This Drawdown Information Memorandum does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 (as amended) or Regulation (EU) 2017/1129, as it forms part of "retained EU law" in the United Kingdom, as defined in the European Union (Withdrawal) Act 2018 ("EUWA").

The Issuer will use its reasonable endeavours to cause the Notes to be admitted to the "Bonds" category of the "Debt Securities" sector of the "Main" platform of the Kazakhstan Stock Exchange (the "**KASE**") on the Issue Date. In addition, the Notes may not be issued and/or placed (including the listing thereof) outside of the Republic of Kazakhstan without the prior permissions of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (the "**Agency Permissions**"). As of the date of this Drawdown Information Memorandum, the Agency Permissions with respect to the Notes have been obtained by the Issuer.

Simultaneously with the offering of Notes outside of the Republic of Kazakhstan, the Notes must be offered through the KASE on the same terms on which the Notes are being offered outside of the Republic of Kazakhstan. Subject to sufficient demand, investors' orders submitted through the KASE must be satisfied in the volume of not less than 20% of the total volume of the Notes to be placed. If the total volume of investors' orders submitted through the KASE is less than 20% of the total volume of the Notes to be placed, such orders will be satisfied in full, and any and all Notes remaining after the satisfaction of the investors' orders submitted through the KASE may be offered and placed outside of Kazakhstan. In connection with the listing of the Notes on the KASE and the offer and sale of Notes in Kazakhstan, JSC Halyk Finance will act as sole bookrunner and the other Joint Bookrunners (as defined below) will not be involved in such process.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK.
SEE "*RISK FACTORS*" FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED
IN CONNECTION WITH AN INVESTMENT IN THE NOTES.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or other jurisdiction and, subject to certain exceptions, may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). The Notes may be offered and sold (i) within the United States to persons who are qualified institutional buyers (each, a "**QIB**"), as defined in Rule 144A under the Securities Act ("**Rule 144A**") and are also qualified purchasers (each, a "**QP**"), as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), in reliance on the exemption from registration provided by Rule 144A (such Notes so offered and sold, the "**Rule 144A Notes**") and (ii) to non-U.S. persons in offshore transactions in reliance on Regulation S (such Notes so offered and sold, the "**Regulation S Notes**"). For a description of these and certain other restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".

The Notes will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000, in excess thereof. The Regulation S Notes will be represented on issue by a global note (the "**Regulation S Global Note**") in registered form without interest coupons attached. The Rule 144A Notes will be represented on issue by a global note (the "**Rule 144A Global Note",** and, together with the Regulation S Global Note, the "**Global Notes**" and each, a "**Global Note**") in registered form without interest coupons attached. Regulation S Global Note will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Rule 144A Global Note will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"). Beneficial interests in each Global Note will be shown on, and transfers thereof will be effected only through records maintained by DTC, Euroclear or Clearstream, Luxembourg. Definitive Notes in registered form will only be available in certain limited circumstances as described therein.

As at the date of this Drawdown Information Memorandum, the long-term foreign currency debt of the Issuer has been rated BBB- (stable outlook) by S&P Global Ratings Europe Limited ("**S&P**"), BBB (stable outlook) by Fitch Ratings Limited ("**Fitch**") and Baa2 (stable outlook) by Moody's Investors Service Limited ("**Moody's**"). The Notes are expected to be rated Baa2 by Moody's and BBB by Fitch. Each of Fitch and Moody's is established in the United Kingdom and is registered under Regulation (EU) № 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). S&P is not established in the UK, but the rating it has given to the long-term foreign currency debt of the Issuer is endorsed by S&P Global Ratings UK Limited, which is established in the UK and registered under the UK CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Bookrunners

CITIGROUP **HALYK FINANCE** **MUFG** **J.P. MORGAN**

Development Finance Structuring Agent

J.P. MORGAN

The date of this Drawdown Information Memorandum is 11 May 2022.

IMPORTANT INFORMATION ABOUT THIS DRAWDOWN INFORMATION MEMORANDUM

The Issuer accepts responsibility for the information contained in this Drawdown Information Memorandum. To the best of the knowledge of the Issuer, the information contained in this Drawdown Information Memorandum is true and accurate in all material respects and is in accordance with the facts and does not omit anything likely to affect the import of such information or which would make misleading any statement in this Drawdown Information Memorandum, whether of facts or opinion.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Drawdown Information Memorandum or any other document entered into in relation to the Notes or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee, Deutsche Bank AG, London Branch (the "**Principal Paying and Transfer Agent**"), Deutsche Bank S.A. (the "**Luxembourg Registrar**") or any of Citigroup Global Markets Limited, MUFG Securities EMEA plc, J.P. Morgan Securities plc and JSC Halyk Finance (the "**Joint Bookrunners**" and each, a "**Joint Bookrunner**") or any of their respective affiliates.

None of the Joint Bookrunners, the Trustee, the Principal Paying and Transfer Agent or the Luxembourg Registrar has independently confirmed the completeness and accuracy of the information contained herein. Accordingly, no representation or warranty is made or implied by the Joint Bookrunners, the Trustee, the Principal Paying and Transfer Agent or the Luxembourg Registrar or any of their respective affiliates, and none of the Joint Bookrunners, the Trustee, the Principal Paying and Transfer Agent or the Luxembourg Registrar nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in, and each of them disclaims all and any liability whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Drawdown Information Memorandum. Neither the delivery of this Drawdown Information Memorandum nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Drawdown Information Memorandum is true subsequent to the date of the Drawdown Information Memorandum or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No assurance is given by the Issuer and J.P. Morgan Securities plc acting as the Issuer's development finance structuring agent (the "**Development Finance Structuring Agent**") that investing in the Notes or the use of proceeds by the Issuer will satisfy, whether in whole or in part, any present or future investor expectations or requirements with respect to development impact financing, including related sustainability criteria or goals. See "*Development Impact*". No independent verification as to the accuracy or completeness or lack thereof of the "*Development Impact*" section of this Drawdown Information Memorandum has been done by J.P. Morgan Securities plc in its role as the Development Finance Structuring Agent. The information contained in the section "*Development Impact*" of this Drawdown Information Memorandum (a) is not a substitute for an investor's independent evaluation and analysis and (b) should not be considered as a recommendation by the Development Finance Structuring Agent that any transactions or related projects described in the "*Development Impact*" section of this Drawdown Information Memorandum achieve any particular development finance criteria or requirement to which it may be subject. The "*Development Impact*" section of this Drawdown Information Memorandum has been prepared, in part, based on certain forward-looking statements and projections provided by the Issuer. Any such statements and projections reflect various estimates and assumptions by the Issuer concerning anticipated results. No representations or warranties are made by the Development Finance Structuring Agent as to the accuracy of any such statements or projections. Whether or not any such forward-looking statements or projections are in fact achieved will depend upon future events some of which may not be within the control of the Issuer. See "*Forward-Looking Statements*". Accordingly, actual results may vary from the projected results and such variations may be material. No fiduciary duties are owed to any party by the Development Finance Structuring Agent.

The distribution of this Drawdown Information Memorandum and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Drawdown Information Memorandum comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Drawdown Information Memorandum and other offering material relating to the Notes, see "*Transfer Restrictions*" and "*Subscription and Sale*".

None of this Drawdown Information Memorandum or any other information supplied in connection with the Notes constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Joint Bookrunners, the Trustee, the Principal Paying and Transfer Agent or the Luxembourg Registrar or any of their respective affiliates that any recipient of this Drawdown Information

Memorandum should subscribe for or purchase any Notes. Each recipient of this Drawdown Information Memorandum shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer. The contents of this Drawdown Information Memorandum are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

The language of this Drawdown Information Memorandum is English. In connection with the listing of the Notes on the KASE, the Issuer will furnish the KASE with a Russian translation of this Drawdown Information Memorandum (the "**Translation**"). The Translation has been prepared by the Issuer solely for the purpose of listing the securities described in this Drawdown Information Memorandum on the KASE. None of the Joint Bookrunners nor any of their respective affiliates has verified, makes any representation or warranty, or takes any responsibility for the accuracy or completeness of the Translation. The Drawdown Information Memorandum in English is the authentic and definitive version for the investment decision making process. In the event of any conflict or discrepancy between the English version of this Drawdown Information Memorandum and the Translation, or any dispute regarding the interpretation of any statement in the English version or the Translation, the English version shall prevail.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Drawdown Information Memorandum. Persons into whose possession this Drawdown Information Memorandum comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe such restrictions. Any consents or approvals that are needed in order to purchase any Notes must be obtained without the involvement of the Issuer. None of the Issuer, the Joint Bookrunners, the Trustee, the Principal Paying and Transfer Agent or the Luxembourg Registrar are responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. None of the Issuer, the Trustee, the Principal Paying and Transfer Agent or the Luxembourg Registrar or the Joint Bookrunners or any of the respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under relevant legal investment or similar laws.

Such investors should consult their legal advisers regarding such matters. For a description of further restrictions on offers and sales of the Notes and distribution of this Drawdown Information Memorandum, see "*Issue Terms of Series 12 Notes*" and "*Subscription and Sale*".

NEITHER THE NOTES NOR ANY BENEFICIAL INTERESTS THEREIN HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS DRAWDOWN INFORMATION MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Drawdown Information Memorandum or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes may have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's home currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent Notes are lawful investments for it, Notes can be used as collateral for various types of borrowing, and other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

THIS DRAWDOWN INFORMATION MEMORANDUM DOES NOT CONSTITUTE AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

This Drawdown Information Memorandum may be communicated solely to (A) persons outside the United Kingdom or (B) persons inside the United Kingdom who are (i) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (iii) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of any securities of the Issuer or any of its subsidiaries (the Issuer and its subsidiaries together, the "**Group**") may otherwise lawfully be communicated or caused to be communicated (all such persons in (A) and (B) above being "relevant persons"). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) № 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently no key information document required by Regulation (EU) № 1286/2014 (as amended, the "P**RIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) № 2017/565 as it forms part of UK domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) № 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

Consequently no key information document required by the PRIIPs Regulation as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

SALES TO CANADIAN INVESTORS

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Drawdown Information Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering of the Notes.

STABILISATION

In connection with the issue of Notes, J.P. Morgan Securities plc (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

DBK is required to maintain its accounts in accordance with relevant laws and regulations in the Republic of Kazakhstan ("**Kazakhstan**"), including those adopted by its regulator (since 1 January 2020, the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market and, prior to that date, the Financial Market Supervision Committee of the National Bank of Kazakhstan (the "**NBK**")). These laws and regulations require that DBK's accounts be prepared in Tenge (as defined below) and in accordance with International Financial Reporting Standards ("**IFRS**"), as promulgated by the International Accounting Standard Board (the "**IASB**"). Accordingly, DBK's audited annual consolidated financial statements contained in this Drawdown Information Memorandum, including the notes thereto, as at and for the year ended 31 December 2021, which include comparative data as at and for the year ended 31 December 2020 (the "**2021 Annual Financial Statements**"), and as at and for the year ended 31 December 2020, which include comparative data as at and for the year ended 31 December 2019 (the "**2020 Annual Financial Statements**" and, together with the 2021 Annual Financial Statements, the "**Financial Statements**") were prepared in Tenge in accordance with IFRS and applicable laws and regulations in Kazakhstan.

The contents of DBK's website (or any other website) and the content of any website accessible from hyperlinks on DBK's website are expressly not incorporated into, and do not form any part of, this Drawdown Information Memorandum.

Currencies

In this Drawdown Information Memorandum:

- "**EUR**", "**Euros**" or "**€**" refers to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;

- "**MYR**" refers to Malaysian Ringgits, the lawful currency of Malaysia;

- "**RUB**" refers to Russian Roubles, the lawful currency of the Russian Federation;

- "**Tenge**" or "**KZT**" refers to Kazakhstan Tenge, the lawful currency of the Republic of Kazakhstan;

- "**U.S.$**" or "**U.S. Dollars**" refers to U.S. Dollars, the lawful currency of the United States of America; and

- "**¥**" or "**Yen**" refers to Japanese Yen, the lawful currency of Japan.

Solely for convenience, this Drawdown Information Memorandum includes conversions of certain Tenge amounts into U.S. Dollars at specified rates. Unless otherwise stated, data presented in U.S. Dollars is converted from Tenge at the applicable market exchange rate on the date or at the period-end of the relevant data. In line with the Resolution of the Board of the NBK № 15 dated 25 January 2013 and the Order of the Minister of Finance of the Republic of Kazakhstan № 99 dated 22 February 2013, the market exchange rate for the translation of Tenge amounts into U.S. Dollars is determined based on the weighted average exchange rate of the Tenge to the U.S. Dollar, calculated at 15:30 hours (Nur-Sultan time) on the basis of morning (main) and daily (additional) sessions of the KASE.

Although DBK uses the market exchange rate when preparing its financial statements, the Tenge to U.S. Dollar translations included in this Drawdown Information Memorandum are not reflective of a translation in accordance with IFRS and should not be construed as a representation that the Tenge amounts have been or could be converted into U.S. Dollars at that rate or any other rate.

The following table sets forth the period-end, average and low and high rates for Tenge, each expressed in Tenge and based on the Tenge/U.S. Dollar market exchange rates quoted on the KASE, as reported by the NBK (after rounding adjustments):

Period	**Period end**	**Average**(1)	**High**	**Low**
		(KZT/U.S.$1.00)		
Year ended 31 December 2019	382.59	382.87	390.13	373.56
Year ended 31 December 2020	420.91	413.38	448.52	375.87
Year ended 31 December 2021	431.80	426.08	436.35	414.77
Three months ended 31 March 2022	466.31	455.71	512.19	425.76

Note:

(1) The average of the rate reported by the KASE for each month during the relevant period.

The Tenge/U.S. Dollar exchange rate as reported by the NBK on 25 April 2022, was KZT 443.99 per U.S.$1.00.

The above rates may differ from the actual rates used in the preparation of DBK's financial statements or other financial information appearing in this Drawdown Information Memorandum. No representation is made that the Tenge amounts in this Drawdown Information Memorandum could have been converted into U.S. Dollars, at any particular rate or at all. Fluctuations in exchange rates between the Tenge and U.S. Dollar are not necessarily indicative of fluctuations that may occur in the future.

Rounding

Certain amounts which appear in this Drawdown Information Memorandum have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be the sum of the figures which precede them.

Market and Industry Data

Certain statistical and market information that is presented in this Drawdown Information Memorandum on such topics as Kazakhstan's banking sector and Kazakhstan's economy in general and related subjects has, unless otherwise stated herein, been extracted from documents and other publications released by the NBK, the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market and the National Statistics Office of Kazakhstan (the "**National Statistics Office**").

DBK has accurately reproduced such information, and, so far as DBK is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Where third party information has been used in this Drawdown Information Memorandum, the source of such information has been identified. Prospective investors should note that some of DBK's estimates are based on such third party information. Neither DBK, nor the Joint Bookrunners have independently verified the figures, market data or other information on which third parties have based their studies.

Official data published by Kazakhstan governmental or regional agencies are substantially less complete or researched than those of more developed countries. Further, official statistics, including those produced by the NBK, the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market and the National Statistics Office, may be produced on different bases than those used in more developed countries. DBK has not independently verified such official statistics and other data, and any discussion of matters relating to Kazakhstan in this Drawdown Information Memorandum is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in this Drawdown Information Memorandum has been extracted from official Kazakhstan government (the "**Government**") sources and was not prepared in connection with the preparation of this Drawdown Information Memorandum. Unless otherwise stated, macroeconomic data, which appear in this Drawdown Information Memorandum have been derived from statistics published by the National Statistics Office. In addition, certain information contained in this Drawdown Information Memorandum is based on the knowledge and research of DBK's management using information obtained from non-official sources. DBK has accurately reproduced such information, and, so far as DBK is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. This information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this Drawdown Information Memorandum.

Any discussion of matters relating to Kazakhstan's banking sector, economy and related topics as well as other participants in the Kazakhstan banking sector in this Drawdown Information Memorandum is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

SEC Reporting Requirements

The financial information included in this Drawdown Information Memorandum is not intended to comply with SEC reporting requirements. Compliance with such requirements may require the modification or exclusion of certain financial measures, including the conversion of Tenge into U.S. Dollars for any period other than as at and for the year ended 31 December 2020 and the presentation of certain other information not included herein.

Presentation of Alternative Performance Measures

In this Drawdown Information Memorandum, DBK uses the following metrics in the analysis of its business and financial position, which DBK considers to constitute Alternative Performance Measures ("**APMs**"), as defined in the European Securities and Market Authority Guidelines on Alternative Performance Measures dated 5 October 2015 (the "**ESMA Guidelines**"). For further information see "*Overview of Financial Information*".

Set out below is a summary of the APM metrics used, the definition, bases of calculation and reconciliation of such metrics and the rationale for the inclusion of such metrics.

Metric	Definition, method of calculation and reconciliation to	Rationale

	financial statement line item	
Return on average assets (ROAA)	Calculated as profit for the year divided by average period total assets. Average period total assets are calculated based on opening and closing balances for each relevant period.	Performance measure
Return on average equity (ROAE)	Calculated as profit for the year divided by average equity balances for the period. Averages are calculated as the average of the opening and closing balances for each relevant period.	Performance measure
Net interest margin	Calculated as net interest income as a percentage of average interest-bearing assets. Interest-bearing assets are comprised of cash and cash equivalents, placements with banks and other financial institutions, loans to banks, loans to customers, finance lease receivables, debt securities and amounts receivable from IFK JSC.	Performance measure
Net interest spread	Calculated as the difference between the average interest rate on interest-bearing assets and the average interest rate on interest-bearing liabilities. Average interest rates are calculated as the ratio of net interest income to the average balance of interest-bearing assets or liabilities. Interest-bearing liabilities are comprised of loans from the Government and SWF Samruk-Kazyna JSC, loans from the Parent Company, loans and deposits from banks and other financial institutions, current accounts and deposits from customers, debt securities issued and subordinated debt.	Performance measure
Non-interest expense/net interest income plus non-interest income	Calculated as non-interest expense/net interest income plus non-interest income. Non-interest expense is comprised of fee and commission expense and general administrative expenses. Non-interest income is comprised of net foreign exchange gain/(loss), net realised gain/(loss) on debt securities at fair value through other comprehensive income, net gain/(loss) on financial instruments at fair value through profit or loss, net loss resulted from de-recognition of financial assets measured at amortised cost and other (expense)/income.	Performance measure
Non-interest expense as a percentage of net interest income	Calculated as non-interest expense divided by net interest income.	Performance measure
Non-interest expense as a percentage of average total assets	Calculated as non-interest expense divided by average total assets. Average total assets are calculated based on opening and closing balances for each relevant period.	Performance measure
Allowance of impairment losses/loans to customers and banks	Calculated as impairment allowance divided by gross loans to customers measured at amortised cost, loans to customers measured at fair value through profit or loss and gross loans to banks.	Liquidity measure
Loans to customers and banks to total assets	Calculated as loans to customers and banks divided by total assets.	Liquidity measure
Total equity to total assets	Calculated as total equity divided by total assets.	Performance measure
Liquid assets to total assets	Calculated as liquid assets divided by total assets. Liquid assets comprise cash and cash equivalents, placements with banks and other financial institutions and debt securities measured at fair value through other comprehensive income.	Liquidity measure
Contingent liabilities to total equity	Calculated as contingent liabilities divided by total equity. Contingent liabilities include loan, credit line and finance lease commitments, as well as letters of credit, guarantees and other commitments related to settlement operations.	Liquidity measure
Direct liabilities to total equity	Calculated as direct liabilities divided by total equity. Direct liabilities include loans from the Government and SWF Samruk-Kazyna JSC, loans and deposits from banks and other financial institutions, current accounts and deposits from customers, debt securities issued, loans from the Parent Company, subordinated debt and derivative financial instruments.	Liquidity measure

The above APMs have been included in this Drawdown Information Memorandum to facilitate a better understanding of DBK's historic trends of operation and financial condition. DBK uses APMs as supplementary information to its IFRS operating results. See the Financial Statements and the notes thereto included in this Drawdown Information Memorandum. The APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of DBK's operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS. In addition, other companies, including those in DBK's industry, may calculate similarly titled APMs differently from DBK. Because companies do not calculate these APMs in the same manner, DBK's presentation of such APMs may not be comparable to other similarly titled APMs used by other companies.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Drawdown Information Memorandum and include statements regarding DBK's current intentions, beliefs or expectations concerning, amongst other things, DBK's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that DBK's actual results of operations, financial condition and liquidity and the development of the sectors and economy in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Drawdown Information Memorandum. In addition, even if DBK's results of operations, financial condition and liquidity and the development of the sectors and economy in which it operates are consistent with the forward-looking statements contained in this Drawdown Information Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the impact of the COVID-19 pandemic and the armed conflict commenced by Russia in Ukraine on Kazakhstan's economy, DBK's customers and DBK's business;
- economic and political conditions, as well as the stability of the banking sector, in Kazakhstan generally;
- continued support and indirect control of DBK by the Government;
- changes in Government policies with respect to the application by DBK of Government funding;
- anticipated growth of DBK's business;
- economic and political conditions in the countries of residence of DBK's borrowers, which may impact their ability to repay loans owed to DBK and, accordingly, the asset quality of DBK's loan portfolio;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance revenue growth; and
- estimates and financial targets for increasing and diversifying the composition of DBK's loan portfolio.

Factors that could cause actual results to differ materially from DBK's expectations are contained in cautionary statements in this Drawdown Information Memorandum and include, among other things, the following:

- overall macro-economic and national and international business conditions and commodity prices;
- regional and geopolitical challenges, including changes in economic, social or political conditions in Kazakhstan, Russia and the Central Asia region, including changes in government;
- the demand for DBK's products or services;
- competitive factors in the sectors and economy in which DBK's customers compete;
- changes in legislation, regulation or Government policy;
- any decline in the value of collateral securing the loans granted by DBK to its borrowers;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;

- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations;
- the impact of sanctions on DBK's counterparties;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing and impact of other uncertainties relating to future actions.

The sections of this Drawdown Information Memorandum entitled "*Risk Factors*", "*Selected Financial Information and Other Data*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*" "*Selected Statistical and Other Data*" and "*Business*" contain a more complete discussion of the factors that could affect DBK's future performance and the sectors and economy in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Drawdown Information Memorandum may not occur.

DBK does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to DBK or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Drawdown Information Memorandum.

ADDITIONAL INFORMATION

DBK is not required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). For so long as DBK is not a reporting company under Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, DBK will, upon request, furnish to each holder or beneficial owner of Notes that are "restricted securities" (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. See "*Terms and Conditions of the Notes—Negative Pledge and Covenants*". As long as the Notes are represented by a Rule 144A Global Note, for the purposes of this paragraph the expression "holder" shall be deemed to include account holders in the clearing systems who have interests in the relevant Rule 144A Global Note.

ENFORCEMENT OF FOREIGN JUDGMENTS

DBK is a joint stock company organised under the laws of Kazakhstan, and certain of its officers and directors and certain other persons referred to in this Drawdown Information Memorandum are residents of Kazakhstan. All or a substantial portion of the assets of DBK and such persons are located in Kazakhstan. As a result, it may not be possible to effect service of process upon DBK or any such person outside Kazakhstan, to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or to enforce against any of them, in Kazakhstan's courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained in the courts of England.

The Notes and the Trust Deed are governed by the laws of England, and DBK has agreed in the Notes and the Trust Deed that any disputes arising thereunder are subject to arbitration in London, England or at the election of the Trustee or, in certain circumstances, a Noteholder to the jurisdiction of the English courts. See Condition 23 under "*Terms and Conditions of the Notes*". Kazakhstan's courts will likely not enforce any judgment obtained in a court established in a country other than Kazakhstan unless (i) there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty; or (ii) there is a proved reciprocity in enforcement of judgments of Kazakhstan courts in that country, which can be very hard or impossible to prove. There is no such treaty in effect between Kazakhstan and the United Kingdom. However, each of Kazakhstan and the United Kingdom are parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and, accordingly, an arbitral award obtained in the United Kingdom should generally be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in that Convention and applicable Kazakhstan laws are met.

The Law "On Arbitration" (№ 488-V, dated 8 April 2016) (the "**Arbitration Law**") was signed by the President of Kazakhstan on 8 April 2016. The introductory language to the Arbitration Law, as well as other provisions of the Arbitration Law, imply that the Arbitration Law should apply only where the matter involves dispute resolution in Kazakhstan (*i.e.*, in respect of arbitration bodies with a seat in Kazakhstan). In particular, the preamble to the Arbitration Law states that: "This

[l]aw regulates social relations arisen in the process of arbitration activity on the territory of the Republic of Kazakhstan as well as the procedure and terms of recognition and enforcement of arbitral awards in Kazakhstan…"

There are, however, certain provisions in the Arbitration Law, which may have implications (as described below) in respect of the arbitration provisions contained in the Notes and the Trust Deed. In particular:

- Article 8.8 of the Arbitration Law restricts the trying of disputes involving quasi-sovereign companies by arbitration. DBK falls under the definition of a quasi-sovereign company. More specifically, Article 8.8 provides that a dispute between quasi-sovereign companies cannot be resolved by arbitration. While there is no established practice in relation to Article 8.8 of the Arbitration Law, DBK's management ("**Management**") believes that this requirement only applies when two or more quasi-sovereign companies are involved in a dispute as adverse parties. Accordingly, Article 8.8 should not apply if two or more quasi-sovereign companies are not adverse parties to the dispute, which would be the case in respect of the Notes, the Agency Agreement and the Trust Deed.

- Provisions of the Arbitration Law do not clearly differentiate between domestic and foreign arbitration. For instance, Article 8.10 of the Arbitration Law requires state-controlled companies to obtain consent from the competent authority of a relevant industry in order to enter into an arbitration agreement. DBK falls under the definition of a state-controlled company. Although, there is no established practice in relation to Article 8.10 of the Arbitration Law, Management believes that the Arbitration Law does not govern conduct of arbitration proceedings outside of Kazakhstan and that, accordingly, no consent of the competent authority is required for DBK to enter into arbitration agreements under the Notes and the Trust Deed.

Given that there is not a well-developed practice in Kazakhstan on the application of the Arbitration Law, there can be no assurance that Kazakhstan courts would support the above interpretation of the Arbitration Law and that an award against DBK in arbitral proceedings in London under English law would be enforced in Kazakhstan. See "*Risk Factors—Factors that are material for assessing the market risks associated with the Notes—Enforceability of Judgments*."

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DEVELOPMENT IMPACT

The mission of DBK is to promote sustainable development of the national economy of Kazakhstan by investing in the non-resource sector of the country. DBK is the country's leader in assessing and structuring major infrastructure and industrial projects. As a specialised state-owned development institution, DBK provides timely and sufficient financing for projects relevant to its mission. DBK seeks to foster diversification of the economy of Kazakhstan, enhance and improve efficiency of state investment activities and facilitate foreign and domestic investments into the economy of Kazakhstan. DBK plays a key role in the country's plan to see sustainable growth and social progress by addressing a number of development gaps and challenges, particularly in the infrastructure and industrial sectors.

DBK intends to use the net proceeds of the issue of the Notes for general corporate purposes, including for the funding of various investment and export projects, trade finance activities and for the refinancing of existing debt. The net proceeds of the Notes are expected to support DBK and its borrowers and thus promote development in Kazakhstan. Set forth below are the key characteristics of DBK's development goals:

1) **Finance investment projects through the growth of DBK's loan portfolio in priority sectors and activities of the economy**, including:

    - infrastructure (power engineering, transport, telecommunications and tourist infrastructure);

    - industrial production, including the excavation, purchase and transportation of raw materials and the processing and sales of finished products;

    - agricultural production, including the cultivation, purchase and transportation of crops and the processing and sales of finished products;

    - commercial service industries, including tourism, healthcare, recreation, sports and hotels; and

    - improving the country's export-related operations.

2) **Promote green financing along with the development of the renewable energy sector in Kazakhstan**, including the financing of:

    - Three wind power plants with a total capacity of 300 megawatts (MW);

    - Four solar power plants with a total capacity of 220 MW; and

    - Two hydro power plants with a total capacity of 40 MW.

3) **Implement DBK's Sustainable Development Policy** by:

    - Implementing the fundamental standards, principles, rules and approaches that DBK should adhere to in building a management system in the field of sustainable development into its operations. This policy was developed in accordance with the Republic of Kazakhstan as well as taking into account the requirements of the UN Global Compact, the UN Principles for Responsible Investment, AA 1000 Series of Standards, International Standard ISO 26000:2010 "Guidance on Social Responsibility" and Reporting Standards for sustainable development from the Global Reporting Initiative (GRI standards);

    - Incorporating environmental, social and governance ("**ESG**") factors into decision-making around providing financial support to both DBK and its borrowers;

    - Interacting with the Organisation for Economic Co-operation and Development ("**OECD**") on sustainable initiatives;

    - Participating in upcoming initiatives with OECD on developing a "green economy";

    - Utilising a Development Index Calculation, a tool to evaluate and prioritise potential investments projects. The Development Index assesses the social and economic significance of a project and calculates a score based on a mix of the following indicators:

i. economic output increase;
ii. labour productivity improvement;
iii. export potential growth (not applicable for infrastructure projects);
iv. development of the private sector of the economy;
v. priority of the industry or goods;
vi. impact on sustainable social development; and
vii. analysis and assessment of the environmental effect of projects.

Impact Reporting

DBK plans to report on the progress of the development outputs above on an annual basis through its annual report and website.

Alignment with the United Nations Sustainable Development Goals

The anticipated impact of the development outputs above align with the UN Sustainable Development Goals ("**SDGs**") #2, #3, #7, #8, #9, #13 and #17, in particular with the goal and targets below:

- SDG Target 2.3: By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment;

- SDG Target 3: Ensure healthy lives and promote well-being for all at all ages;

- SDG Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix;

- SDG Target 8.9: By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products;

- SDG Target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all;

- SDG Target 9.2: Promote inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries;

- SDG Target 13.2: Integrate climate change measures into national policies, strategies and planning;

- SDG Target 17.7: Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed; and

- SDG Target 17.11: Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.

RISK FACTORS

The following factors may affect the ability of DBK to fulfil its obligations under the Notes.

Prior to making an investment decision, prospective purchasers of Notes should carefully consider, along with the other matters referred to in this Drawdown Information Memorandum, the following risks associated with investment in Kazakhstan entities generally and with investment in securities issued by DBK (such as the Notes), which could be material for the purpose of assessing the market risks associated with the Notes. Prospective investors should pay particular attention to the fact that DBK operates in the legal and regulatory environment in Kazakhstan, which in some respects may differ from that prevailing in other countries.

Prospective investors should note that the risks described below are not the only risks faced by DBK. These are the risks that DBK considers to be material. However, there may be additional risks that DBK currently considers immaterial or of which it is currently unaware, and any of these risks could have the effect set forth above.

FACTORS THAT MAY AFFECT DBK'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER, OR IN CONNECTION WITH, THE NOTES

A. OPERATIONAL RISKS RELATING TO DBK AND ITS BUSINESS

State Ownership

DBK was established on 31 May 2001 as the Government's primary vehicle for promoting economic development and exports from non-extractive sectors of the Kazakhstan economy and is part of Kazakhstan's overall industrial development programme. Pursuant to the Decree of the President of the Republic of Kazakhstan №. 571 dated 22 May 2013, which was enacted with immediate effect, the entire issued share capital of DBK was transferred from the wholly Government-owned Sovereign Wealth Fund "Samruk Kazyna" JSC ("**Samruk-Kazyna**") to Baiterek National Management Holding JSC ("**Baiterek JSC**"), a then-newly established holding company to consolidate all state holdings in peer development and financial institutions such as the Bank. Baiterek JSC is, in turn, wholly-owned by the Government. Accordingly, the ultimate controlling party of DBK is the Government, represented by the Ministry of Industry and Infrastructural Development.

Due to its 100% shareholding in DBK, Baiterek JSC has the right to determine all matters requiring a vote of shareholders, including the election of DBK's Board of Directors (the "**Board of Directors**") and setting DBK's dividend policy. The Board of Directors is the main management body of DBK, responsible for the approval of credit decisions for projects whose value exceeds 10% of DBK's equity and for DBK's financial strategy. Baiterek JSC, as shareholder, appoints the chairman of the Management Board in accordance with the recommendation of, or agreement with, the Prime Minister. As a result, there can be no assurance that Baiterek JSC will not influence DBK's funding, lending or other policies.

Baiterek JSC is tasked with optimising the management system of development institutions, national companies and other legal entities in Kazakhstan with the goal of supporting and diversifying Kazakhstan's economy. Accordingly, the interests of Baiterek JSC may conflict with the interests of DBK's creditors, and, as a result, there can be no assurance that Baiterek JSC will exercise influence over DBK in a manner that is in the best interests of DBK or the Noteholders. In addition, being controlled by the Government may slow DBK's decision-making process and subject DBK to the risks of bureaucracy and inefficiencies commonly attributed to state-controlled companies. Furthermore, there is a risk that any change of administration in Kazakhstan may result in changes in Baiterek JSC's policies, and such new policies may conflict with the interests of DBK and the Noteholders.

On 2 January 2022, protests began in the west of Kazakhstan related to an increase in the price of liquified natural gas ("**LNG**") from KZT 60 per litre to KZT 120 per litre. These protests spread to other cities and resulted in looting and loss of life. On 5 January 2022, the Government declared a state of emergency, following which the President of Kazakhstan has made certain public statements regarding possible measures, including additional taxes. On 19 January 2022, the state of emergency was lifted. In January 2022, the President drew attention to the fact that DBK provided services to large enterprises that enjoyed special privileges thus stifling competition and preventing implementation of reforms. On 18 January 2022, Moody's placed DBK's long-term local- and foreign-currency issuer ratings, as well as its senior unsecured debt ratings, on review for possible downgrade, citing uncertainty regarding external support for DBK channelled by the Government through Baiterek JSC following the President's statement referencing DBK and criticisms of its governance. Fitch and S&P have not taken similar action, with Fitch affirming DBK's ratings and stable outlook on 1 March 2022, noting that Fitch did not expect a major change in policy role. In February 2022, Baiterek JSC replaced the Chairman of DBK's Management Board, appointing Ruslan Iskakov as the new Chairman. At a meeting of the Government held in February 2022, it was announced that as part of the reforms signalled by the President, DBK would be more focused on financing large-scale and capital-intensive investment projects with long payback periods, as well as continuing its work on improving transparency of operations, optimising and digitalising business processes and expanding access to DBK's services. In addition, the announced changes to strategy include reducing support provided to state-owned companies, as well as an increased focus on privately-owned borrowers and longer-term projects. In April 2022, Moody's confirmed DBK's long-term ratings and changed the outlook to stable, reflecting Moody's assessment that the "*operating environment and credit profiles of rated financial institutions will remain resilient to the increased social and political risks in [Kazakhstan], which is highlighted by the widespread social unrest and related state of emergency in January 2022*" and "*the confirmation of DBK's ratings reflects the reduced uncertainty regarding external support probability for DBK…[reflecting] changes implemented by DBK…including changes in the senior management of the company, as well as a reorientation of future lending growth towards private sector companies and industrialisation projects*". There can be no assurance, however, that such measures will be sufficient to address criticism raised of DBK or that there will be no change in the Government's or Baiterek JSC's policies in respect of DBK and their respective support thereof. Any such changes could have a material adverse effect on DBK's current strategies and management and on its ability to operate on a commercial basis and ensure the timely repayment of its debt obligations.

Majority of DBK's Assets and Operations are in Kazakhstan

A significant portion of DBK's investment portfolio consists of securities issued by the Government, Samruk-Kazyna, Baiterek JSC and state-owned companies deemed to have a significant role in the country's economy, such as JSC National Company KazMunayGas, and, as at 31 December 2021, 100% of DBK's loans to customers were made in Kazakhstan. Accordingly, DBK is exposed to the risks of an adverse event occurring in Kazakhstan. For example, the impact of the COVID-19 pandemic in 2020 and 2021, as well as the unrest in Kazakhstan in January 2022, have each had a significant adverse impact on the Kazakhstan economy since 2020, and, in turn, on DBK's business and that of its customers. Kazakhstan's economy is also subject to regional risks and spill-over effects resulting from the armed conflict commenced by Russia in Ukraine, which is ongoing, resulting in further elevated levels of economic uncertainty in Kazakhstan. Due, in part, to economic and political sanctions against the Russian Federation imposed by the United States, European Union, United Kingdom, Japan, Canada, Switzerland and other countries since February 2022, the U.S. Dollar has strengthened against the Tenge, resulting in a depreciation of the Tenge by 18.2% over a three-week period from 23 February 2022 to 16 March 2022. Consequently, the NBK increased the base rate from 10.25% to 13.5% in February 2022. Such devaluation exposes DBK to increased foreign exchange risk and an increased cost of funds. See "*—C. Macroeconomic and Geopolitical Risks—Political, Economic and Related Considerations*" and "*—C. Macroeconomic and Geopolitical Risks—Sanctions imposed on Russia*".

In addition, DBK's operations are located principally in Kazakhstan, and a majority of DBK's costs are incurred in Kazakhstan. Since the majority of DBK's expenses are denominated in Tenge, inflationary pressures in Kazakhstan are a significant factor affecting DBK's expenses. Any adverse change on a national basis in economic or political conditions in Kazakhstan could negatively affect DBK's borrowers and their ability to repay loans due to DBK, thereby negatively affecting DBK's income and profitability ratios (including by increasing DBK's non-performing loans "**NPLs**"). Any such adverse changes could also negatively impact DBK's ability to attract funding for its projects either from the Government (through the State budget) or from the international capital markets or lenders on terms that are commercially acceptable to DBK, thereby reducing its ability to offer funding to its clients and to operate its business as currently operated.

The Kazakhstan market, being an emerging market, is subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment is only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

DBK expects its return on average equity and return on average assets levels to be significantly lower in 2022 than the levels in 2021, 2020 and 2019

DBK expects its return on average equity and return on average assets levels to be significantly lower in 2022 than the levels in 2021, 2020 and 2019 (in 2021, DBK's return on average equity was 5.9% and its return on average assets was 0.9%), as a result of the negative global geopolitical and economic environment and an increase in NBK's base rate, and, due to such factors, could be even lower than predicted. In order to comply with its Development Strategy, DBK is working to ensure the break-even of its activities and is currently working on updating its target development indicators for 2022 to 2023. Such indicators are expected to be published in the second half of 2022. However, there can be no assurance that if low profitability levels are experienced by DBK in the short- to medium-term, this will provide adequate protection against potential asset quality risks, that further funding will not be required and, if required, will be provided. Low profitability levels in the future may result in a deterioration in DBK's ability to insulate itself against the impact of any regional or global financial recession or down cycle economy and could adversely impact DBK's credit ratings, each of which could, in turn, have a material adverse effect on DBK's financial condition and results of operations and ability to make payments under the Notes.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic is continuing to have an adverse impact on the world economy, including the Kazakhstan economy, as well as on DBK's customers and, in turn, DBK's business. The pandemic has affected investment sentiment and resulted in sporadic volatility in the global capital and financial markets. In particular, the Kazakhstan economy was significantly impacted by the sharp decrease in oil prices following the outbreak of the COVID-19 pandemic. The general decline in global economic activity, the disruption of the supply chains of goods and services, the restriction of the free movement of people, and the transition to self-isolation caused by the COVID-19 pandemic led to a significant drop in GDP around the world in 2020. According to the World Bank and the IMF, the decline in global GDP in 2020 due to the impact of the COVID-19 pandemic was estimated to be 4.3% and 3.5%, respectively. However, 2021 saw a rebound in global GDP growth. According to the IMF, global GDP increased by 5.5% in 2021. According to statistics published by the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Kazakhstan's real GDP grew by 3.7% in 2021, as compared to a contraction of 2.6% in 2020. There can, however, be no assurance that such growth will continue or that future disease outbreaks will not adversely affect the Kazakhstan economy or DBK.

In 2020 and 2021, the Government implemented measures, including periods of lockdown and quarantines in an effort to combat the spread of the virus in Kazakhstan and alleviate the negative effects of the pandemic. A state of emergency was declared in Kazakhstan between 16 March 2020 and 12 May 2020. Regional authorities have introduced stringent measures at times of high infection rates, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities. Some regional and local governments continue to periodically impose restrictions in response to local increases in infection rates.

In addition to affecting DBK's customers, the COVID-19 pandemic has impacted DBK's business operations and processes, with DBK implementing remote working since early in 2020. Since 2 March 2022, DBK's employees have been requested to return to working at DBK's offices, with remote working recommended for up to two days per week and in accordance with schedules set by the relevant head of department and depending on business needs.

In response to the COVID-19 pandemic, DBK developed a crisis plan, which includes stress testing and other measures designed to mitigate the effects of the COVID-19 pandemic and the impact of changes in the Tenge/U.S. Dollar exchange rate on DBK's credit and interbank lending portfolios. Measures taken as part of the crisis plan include ongoing assessment of the impact of COVID-19 on DBK and its clients, monitoring of financial measures implemented by the Government and the NBK to support the Kazakhstan real economy and debt restructurings of borrowers. DBK reports to the independent directors of its parent company, Baiterek JSC, on a quarterly basis with respect to the results of stress tests and the potential negative impact of external factors, including the COVID-19 pandemic and volatile oil prices, on DBK's financial and risk indicators (namely, credit risk indicators and expected credit losses for both the credit and interbank lending portfolios). As part of its crisis plan, DBK has lowered the internal credit ratings assigned to its customers in the aviation, metallurgical and oil production industries, as a result of plant shutdowns and operational interruptions, volatility in oil and metal prices and restrictions on movement during the lockdown. On a monthly basis, roadmaps for all of DBK's investment projects have been submitted to its Credit Committee for consideration, together with the results of the stress testing described above.

DBK has taken a number of actions to reduce and subsidise lending rates for its customers that have been significantly adversely affected by the COVID-19 pandemic and restrictions imposed during the state of emergency. For example, DBK has offered concessional rate loans and payment deferrals as a support measure to customers in the tourism and construction industry. DBK has also granted grace periods for repayment of principal and interest under loans to certain customers who have been facing reduced demand for services or who provide products or services that are at risk of interruption due to supply chain disruption during state of emergency and lockdown periods. Those customers whose products are particularly sensitive to exchange rate fluctuations (such as the prices of metals) have been offered additional support through, *inter alia,* the monitoring of tariffs, restructuring options and refinancing offered by DBK. DBK has also offered support in optimising expenses to those customers who have faced difficulties due to restrictions on the movement of goods and on border crossing in connection with the COVID-19 pandemic and state of emergency restrictions. The granting of the deferral of payments or grace periods on loans for investment projects affected by the COVID-19 pandemic was considered on a case-by-case basis, with varying lengths of payment deferrals and grace periods granted. The impact of the COVID-19 pandemic and lockdown restrictions and the state of emergency in January 2022 has led to, and may continue to lead to, requests from customers to reschedule debt owed to DBK (including the delay of certain payments of principal and interest to DBK). In 2021, five restructurings of loans were conducted, of which three were attributed to the impact of the COVID-19 pandemic. In 2020, 20 restructurings of loans were conducted, of which six were attributed to the impact of the COVID-19 pandemic.

As at 31 December 2021, the Bank classified 9.2% of gross loans to customers at amortised cost as "Stage 2" loans, representing loans to 11 out of a total of 73 corporate borrowers. In accordance with IFRS 9, "Stage 2" loans are loans for which there has been a significant increase in credit risk since their initial recognition (if the credit risk has increased significantly since initial recognition, but the loans are not credit-impaired). See "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures—Loan Provisioning Policy*". DBK's "Stage 2" loans span eight economic sectors:

metallurgical industry, chemical and petrochemical industry, airports, machinery and equipment, power supply, storage facilities, vehicle manufacturing and hospitality (hotels). In its rating action commentary released in March 2022, Fitch noted that "*[i]mpaired loans (Stage 3 and purchased or originated credit impaired loans under IFRS9) increased to 13% of gross loans at end-3Q21 from 7% at end-2020, due to ongoing pandemic pressure on some borrowers*". DBK's auditors identified the expected credit loss estimates of loans to customers measured at amortised cost and finance lease receivables as a key audit matter in its audit of the 2020 Annual Financial Statements due to the significant volume of loans to customers and finance lease receivables and related estimation uncertainty (see the audit report appearing on pages F-116 to F-120 of this Drawdown Information Memorandum). As of 31 December 2021, 49.8% of DBK's "Stage 2" loans related to the metallurgical industry (representing a gross debt amount of KZT 15.5 billion), the petrochemical and chemical industry (representing a gross debt amount of KZT 33.5 billion) and other transport (relating to the production of certain railway infrastructure, representing a gross debt amount of KZT 37.8 billion). The aviation and hospitality industries are two industries in which the effects of the COVID-19 pandemic have been felt severely, both worldwide and in Kazakhstan. DBK currently has two loans to borrowers in the hospitality sector (multifunctional center and hotel projects) that are ranked as "Stage 2" loans, and one "Stage 2" loan to a borrower in the aviation sector, which relates to the Aktau airport. DBK is working with the relevant shareholders on these projects and, at present, does not expect there to be defaults on the financing granted by DBK. There can be no assurance, however, that loans to customers in these and other sectors impacted by the COVID-19 pandemic will not suffer impairment losses or be subject to defaults going forward, particularly if the negative impact of the COVID-19 pandemic on the sectors is prolonged. This, in turn, would have a material adverse impact on DBK's financial condition and the credit quality of its lending portfolio.

Despite changes in certain customer ratings and the rescheduling requests referred to above, DBK's NPLs remained relatively stable in 2019 and 2020, accounting for 1.5% of gross loans to customers as at 31 December 2020 and 1.7% as at 31 December 2019. NPLs increased to 2.7% of gross loans to customers as at 31 December 2021. In 2021, a total of KZT 35.0 billion NPLs were repaid due to DBK's efforts in relation to distressed assets. In addition, while impairment losses on debt financial assets increased from KZT 20.9 billion in 2019 to KZT 37.2 billion in 2020, they have since decreased to KZT 33.4 billion as at 31 December 2021.

DBK's capital was supported in 2020 through KZT 58 billion of capital injections, of which 50 billion was allocated for the purpose of increasing the competitiveness and ensuring the stability of the Kazakhstan economy, and in 2021 through capital injections totalling KZT 12.3 billion.

While DBK does not currently expect a significant increase in NPLs in 2022 and considers the risks associated with its "Stage 2" loans to be manageable, there can be no assurance that NPLs and impairment will not increase, in particular, if the impact of the COVID-19 pandemic continues for a significant period of time.

DBK is subject to Regulatory Restrictions on its Activities

DBK's operations are regulated by the Law on the Development Bank of Kazakhstan dated 25 April 2001, as amended (most recently on 27 December 2021) (the "**DBK Law**"), the Memorandum on Credit Policy of JSC Development Bank of Kazakhstan, which was most recently amended on 14 April 2021 (the "**Credit Policy Memorandum**"), DBK's Charter dated 24 December 2014, as amended (most recently on 26 May 2021, with the amendment registered on 3 June 2021) (the "**DBK Charter**"), DBK's Policy on Investment Portfolio Management, which was adopted on 10 April 2018 has been updated several times (most recently on 30 July 2021), and other relevant laws and regulations. DBK's Development Strategy (as defined below) envisages the opening of a dialogue with Government authorities to explore the deregulation of certain lending activities to encourage a more flexible approach to project financing. There can be no assurance, however, that any amendments to the current regulations will be adopted. There can also be no assurance that the current regulatory regime will not change or that the Government will not implement other regulations or policies, or adopt new or modified legal interpretations of existing regulations or policies, relating to or affecting taxation, interest rates, inflation or exchange controls, or otherwise take action that could have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

Concentration of Funding Sources; DBK's Development Mandate

Pursuant to its development bank mandate, DBK's lending and investment policies are different from those of a standard commercial bank, in that DBK's business activities are generally driven by the development goals and policy of the Government rather than purely commercial considerations. As a development bank, DBK does not compete with commercial lending and financial institutions in providing finance to customers and has declined lending opportunities in the past where financing was available elsewhere. In addition, DBK does not generally accept customer deposits, and its primary funding sources are concessional loans made by the Government, Samruk-Kazyna and Baiterek JSC, issuances of debt securities and loans from international and multi-lateral institutions. As 31 December 2021, 2020 and 2019, funding from banks and other financial institutions, as a percentage of DBK's total liabilities, represented 17.5%, 24.8% and 25.0%, respectively. As at 31 December 2021, 2020 and 2019, funding from debt securities issued, as a percentage of DBK's total liabilities, represented 53.9%, 48.2% and 48.6%, respectively. DBK concentrates on providing funding to investment projects, such as infrastructure projects and high-value manufacturing projects in Kazakhstan, which are not typically eligible for financing or refinancing on terms acceptable to commercial banks and other non-specialist market investors. Loans and investments made by DBK often involve relatively large principal amounts, have longer-term maturities and are extended at preferential rates, all of which make these activities of relatively high risk and low return. As a result, DBK may experience higher losses in its loan portfolio or may receive lower profit margins than commercial banks operating in Kazakhstan, which could, in turn, have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

A number of factors, many of which are outside DBK's control, may affect DBK's ability to obtain such funding in the future, including, *inter alia*, the condition of the Kazakhstan and international banking sectors, the condition of the international capital markets, capital controls that are or may be imposed globally, the willingness of multilateral institutions to fund specific projects, the actual and perceived economic conditions in Kazakhstan and DBK's financial condition. See "—*C. Macroeconomic and Geopolitical Risks*". There can also be no assurance that DBK will be able to continue to satisfy all or part of its future funding requirements as it has in the past or that the Government, Samruk-Kazyna and Baiterek JSC will or will be able to provide adequate support. To the extent that banks and other financial institutions are unwilling or unable to continue to provide sufficient funding to DBK, or DBK is not able to raise such financing through the issuance of debt securities or increased funding by the Government, Samruk-Kazyna or Baiterek JSC, DBK may not be able to access alternative sources of funding to compensate for any shortfall in funding. Accordingly, any reduction in the amount of such funding provided to DBK could have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations and ability to make payments on the Notes.

DBK's ratings are subject to change

The international credit ratings agencies have indicated that the ratings and outlook assigned by them to DBK remain constrained principally by the sovereign risk of Kazakhstan. This has, on occasion, had a positive effect on DBK's credit ratings, for example, in March 2021, DBK's long-term issuer default rating was upgraded by Fitch to BBB (with a stable outlook), in line with the Government, and, in August 2019, Moody's changed the outlook on DBK's long-term ratings from stable to positive. However, the sovereign risk had also led to negative ratings actions. For example, in February 2016, in line with the change of outlook to the sovereign rating, S&P revised its outlook on DBK's long-term foreign currency rating from stable to negative. Similarly, Moody's changed its outlook on DBK's long-term foreign currency rating from negative to stable in July 2017 and S&P changed its outlook on DBK's long-term foreign currency rating from negative to stable in September 2017, in each case, following a corresponding change to Kazakhstan's credit ratings. On 18 January 2022, Moody's placed DBK's long-term local- and foreign-currency issuer ratings, as well as its senior unsecured debt ratings, on review for possible downgrade, citing uncertainty regarding external support probability for DBK channelled by the Government through Baiterek JSC following the President's statement referencing DBK and criticisms of its governance. Fitch and S&P have not taken similar action, with Fitch affirming DBK's ratings and stable outlook on 1 March 2022, noting that Fitch did not expect a major change in policy role. In April 2022, Moody's confirmed DBK's long-term ratings and changed the outlook to stable, reflecting Moody's assessment that the "*operating environment and credit profiles of rated financial institutions will remain resilient to the increased social and political risks in [Kazakhstan], which is highlighted by the widespread social unrest and related state of emergency in January 2022*". See "—*State Ownership*".

In the past, DBK's credit rating has also been affected by its exposure to the Kazakhstan banking sector. Any future downgrade of Kazakhstan's sovereign credit rating and liquidity problems in Kazakhstan's economy could adversely affect its economic development, which could, in turn, make it more expensive for DBK to raise financing in the future, which could have a materially and adversely affect DBK's business, prospects, financial condition, cash flows or results of operations.

DBK is subject to Information Systems Risk

DBK relies on information systems to conduct its business. Any failure of, or interruption to, these systems, or any breach of security could result in failures of, or interruptions to, DBK's risk management and loan origination systems or errors in its accounting books and records. DBK has invested in the development of its information systems since 2016 and has strengthened its internal procedures to provide for the backing up of important information on a daily basis; however, if DBK's information systems were to fail, DBK could be unable to service customers' needs in a timely manner. Likewise, a temporary shutdown of DBK's information systems may result in additional expenditure associated with information retrieval and verification. The hardware and software that is used by DBK may be damaged by human error, natural disasters, power loss, sabotage, computer viruses, cyber intrusion, network attacks and other events. In 2020, one of DBK's interim servers was hacked. No secure data was held on this server, the attack was discovered and blocked, and the server subsequently restructured. No assurance can be given, however, that DBK will not be subject to further cyber-attack or other information systems failures or interruptions in the future, or that DBK will be able to swiftly and adequately respond to any such attacks, failures or interruptions. Accordingly, the occurrence of any information systems failures or interruptions could have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

There may be a Shortage of Qualified Personnel

There is a considerable shortage of adequately qualified personnel in Kazakhstan's financial sector, particularly in areas such as risk management. If the shortage of adequately qualified personnel persists, DBK's ability to offer the desired range, volume and quality of services may be affected which may, in turn, have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations. In addition, a shortage of adequately qualified personnel may force DBK to offer additional financial and other incentives to retain existing personnel and recruit additional personnel, which would increase operating expenses.

B. FINANCIAL RISKS RELATING TO DBK AND ITS BUSINESS

Loan Portfolio Growth

Continuing overall growth in the size of DBK's loan portfolio increases DBK's credit exposure. As a result, DBK will be required to implement continued and improved monitoring of credit quality and the adequacy of provisioning levels, as well as continued improvement in DBK's credit risk management programme. Failure to do so could result in significant impairment losses, which DBK has experienced in the past. For the year ended 31 December 2021, DBK recognised KZT 33,357.5 million in impairment losses on debt financial assets, as compared to KZT 37,207.9 million for the year ended 31 December 2020 and KZT 20,907.3 million for the year ended 31 December 2019. Despite the increase in impairment losses since 2019, the COVID-19 pandemic has not, to date, had a considerable impact on DBK's key financial stability indices. DBK's NPLs increased as at 31 December 2021, accounting for 2.7% of gross loans to customers, as compared to 1.5% and 1.7% as at 31 December 2020 and 2019, respectively. In addition, DBK's capital adequacy ratio was 17.4%, as compared to 20.2% and 20.5% as at 31 December 2020 and 2019, respectively. While DBK does not currently expect a significant increase in NPLs in 2022, there can be no assurance NPLs and impairment will not increase, in particular, if the impact of the COVID-19 pandemic continues for a significant period of time or if escalating geopolitical tensions in the region continue and adversely affect the Kazakhstan economy and DBK's customers.

In addition, while DBK's policy is to limit impairment losses through the restructuring of problem loans on a prompt basis (and it has historically used such policy to maintain a low level of NPLs) (see "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures—Loan Restructuring Policies*"), there can be no assurance that impairment losses will not increase in the future and that such impairment losses will not further increase as the size of DBK's loan portfolio increases.

As at 31 December 2021, the Bank classified 9.2% of gross loans to customers at amortised cost as "Stage 2" loans, representing loans to 11 out of a total of 73 corporate borrowers. These loans span eight economic sectors: metallurgical industry, chemical and petrochemical industry, airports, machinery and equipment, power supply, storage facilities, vehicle manufacturing and hospitality (hotels). See "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures—Loan Provisioning Policy*". In its rating action commentary released in March 2022, Fitch noted that "*[i]mpaired loans (Stage 3 and purchased or originated credit impaired loans under IFRS9) increased to 13% of gross loans at end-3Q21 from 7% at end-2020, due to ongoing pandemic pressure on some borrowers*". While DBK considers the risks associated with its "Stage 2" loans to be manageable, with certain loans likely to be migrated back to "Stage 1" in the short- to medium-term, there is a risk that they may deteriorate further and be reclassified as "Stage 3" loans, which could have a material adverse impact on the credit quality of DBK's loan portfolio and, in turn, on DBK's financial condition. See "*—A. Operational Risks relating to DBK and its Business—Impact of the COVID-19 Pandemic*".

Pursuant to DBK's long-term strategy for the period 2014-2023 (the "**Development Strategy**") which was approved by the Board of Directors on 14 July 2014 and was most recently amended in November 2021, DBK aims to foster national economic growth in partnership with business, manage its financial resources to meet business needs and improve its operations. See "*Business—Strategy*". Failure by DBK to diversify its portfolio could limit DBK's ability to increase the size of its loan portfolio, maintain loan portfolio quality and meet its strategic aims, all of which could have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

At a meeting of the Government held in February 2022, it was announced that as part of the reforms signalled by the President, DBK would be more focused on financing large-scale and capital-intensive investment projects with long payback periods, as well as continuing its work on improving transparency of operations, optimising and digitalising business processes and expanding access to DBKs' services. In addition, the announced changes to strategy include reducing support provided to state-owned companies, as well as an increased focus on privately-owned borrowers and longer-term projects. If implemented, this change in focus may also increase the risks DBK faces in respect of, *inter alia*, the quality and concentration of its loan portfolio, collateral value and long-term project and liquidity risks. See "*—Loan Portfolio Concentration*", "*Collateral Value*" and "*Long-Term Projects and Liquidity Risk*".

Continued growth of DBK's loan portfolio is, to an extent, dependent upon the availability of funds allocated by the Government to finance development projects, the ability of DBK to identify suitable corporate guarantors for such development projects, the ability of DBK to borrow in the domestic and international markets and the ability of DBK to attract and retain qualified personnel and to train new personnel to monitor asset quality. Failure by DBK in any of these areas could limit DBK's ability to increase the size of its loan portfolio and maintain its quality and, accordingly, could result in a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

Loan Portfolio Concentration

DBK was established, among other reasons, to provide credit and certain other banking services at preferential interest rates to certain sectors of the Kazakhstan economy, including the non-extractive and raw materials sectors, to support the Government's development goals. As a result, DBK's loan portfolio is, from time-to-time, characterised by a high concentration in one or more particular economic sectors. As at 31 December 2021, the largest proportion of DBK's loans to customers was granted in the petrochemical manufacturing sector, accounting for 24.5% of total gross loans granted to customers. In addition, as a result of the scale of investment projects funded by DBK, DBK's loan portfolio is, from time-to-time, characterised by a concentration of borrowers. As at 31 December 2021, DBK had seven borrowers whose balances exceeded 10% of DBK's equity, as compared to six such borrowers, as at 31 December 2020, and eight such borrowers, as at 31 December 2019. Outstanding loans to the top ten borrowers comprised 59.1% of DBK's total gross loans to customers, as at 31 December 2021.

As a result of the nature of DBK's lending activities, DBK has had and continues to have concentrated exposure to particular industries or economic sectors, particular groups of borrowers and borrowers whose businesses are not mature and, ultimately, could adversely affect the diversity and quality of DBK's overall loan portfolio. As a result, DBK may experience higher losses in its loan portfolio than would be the case if it had a more diversified portfolio of lending to more established and varied businesses, which could, in turn, have a material adverse effect on DBK's business, prospects, financial condition, capitalisation, cash flows or results of operations.

Collateral Value

Pursuant to the DBK Law, DBK requires security from all borrowers, except in the circumstances where DBK provides financing to its wholly-owned subsidiaries or DBK's participation in the financing is made through mezzanine financing or interbank financing. As at 31 December 2021, the carrying amount of loans to corporate customers with no collateral or other credit enhancement was KZT 222.7 million, as compared to no unsecured loans to customers as at 31 December 2020 and a carrying amount of KZT 1,476.4 million as at 31 December 2019. As at 31 December 2021, loans to banks with a carrying amount of KZT 121,034.6 million were unsecured with no collateral or other credit enhancement, as compared to KZT 124,810.7 million as at 31 December 2020 and KZT 110,945.8 million as at 31 December 2019. At least 30% of security for loans must be comprised of "tangible assets collateral", which includes immovable, movable property, cash and commodities. Collateral may also include legal rights of use and possession property rights, securities, cash and commodities and other forms of security not prohibited under Kazakhstan law. DBK also accepts security by way of third party guarantees, provided that such guarantees meet DBK's requirements. Downturns in the relevant markets or a general deterioration of economic conditions may result in reductions in the value of collateral securing a number of loans to levels below the amounts of the outstanding principal and accrued interest on such loans. If collateral values decline, they may not be sufficient to cover uncollectable amounts on DBK's secured loans. Furthermore, DBK may face difficulties with enforcing collateral under Kazakhstan law, which may also lead to lower than expected recovery levels on secured loans. A failure to recover the expected value of collateral may expose DBK to losses, which could, in turn, have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

Long-Term Projects and Liquidity Risk

A key area of DBK's business is the limited recourse financing of large and long-term infrastructure projects. As a result, DBK is exposed to significant risks if such projects are not successful. The macro-economic and political risks inherent in emerging economies, such as Kazakhstan, has a significant effect on the success or failure of these projects, and it is impossible to predict at the outset of a project all of the factors, which may affect it in the long-term. The main risks are likely to be that a project will not be completed within the agreed timeframe, on budget, or it may fail altogether. There is also the risk that if an event of default occurs under a project financing, the collateral provided may not be sufficient to cover the value of the loans. The occurrence of any of these events could have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

In addition, the long-term nature of the projects that DBK finances may expose DBK to increased liquidity risk if its financial liabilities are mismatched with the long-term maturities of its loans to customers. An unmatched position potentially enhances profitability, but can also increase the risk of losses. See "*Selected Statistical and Other Data*" and "*Asset and Liability Management—Liquidity Risk*". While DBK 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, there can be no assurance that its liquidity management policies will continue to be effective, that it will be able to effectively manage the mismatch of its assets and liabilities going forward and that it will not be exposed to resulting future losses, which could, in turn, have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

Credit Risks

The DBK Law, the Credit Policy Memorandum and DBK's internal credit policy rules set out the principal guidelines in relation to DBK's lending policies, including the duration, limits and bases for the calculation of interest rates charged for credit instruments, which include, *inter alia*, loans, letters of credit and guarantees. DBK has implemented specific credit risk policies and procedures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor DBK's credit risk. See "*Asset and Liability Management*" and "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures—Credit Monitoring".* However, DBK's credit portfolio consists of medium- to long-term loans, and there has been little historical experience in Kazakhstan with such loans. There can be no assurance that DBK's credit policies are or will be sufficient to mitigate the risks involved in making medium to long-term loans in an emerging market such as Kazakhstan. In addition, although DBK has not experienced a material negative effect on its credit quality as a result of the COVID-19 pandemic to date, there can be no assurance that, particularly if the effects of the COVID-19 pandemic are prolonged, it will not experience increased impairment and lower loan recoveries going forward due to the impact of the COVID-19 pandemic.

Kazakhstan's economy is substantially influenced by commodity prices and customers operating in industries that are susceptible to commodity price fluctuations may find their financial condition affected by such fluctuations. Following the outbreak of the COVID-19 pandemic in March 2020, the oil price was severely negatively impacted. Oil prices have also fluctuated significantly since the commencement of Russia's military operation in Ukraine in February 2022. Consequently, the ability of such customers to service loans extended by DBK fully and on time may be adversely affected.

In particular, there can be no assurance that DBK's credit risk policies and procedures will protect DBK from increased levels of cost of risk, potential loan quality deterioration and NPLs in such circumstances.

DBK has developed a risk management system to assess certain credit and other risks to its financial stability resulting from the COVID-19 pandemic, the state of emergency in the Republic following the political events in January 2022 and the ongoing armed conflict commenced by Russia in Ukraine, including: (i) a possible increase in the cost of funding; (ii) decreases in the Republic's sovereign credit rating and in DBK's credit rating; (iii) the risk of a change of ownership of DBK; (iv) the likelihood of subsidies being cancelled under the State budget; (v) further significant devaluation of the Tenge against the U.S. dollar and other currencies; and (vi) potential restrictions on the Republic's export and import operations (*i.e*., transport logistical risks, which are described as failures in the supply chain of goods, or a failure to meet deadlines, in connection with the outbreak of hostilities and the closure of borders, which may lead to the cancellation or reduction in the sale of borrowers' products to or from foreign markets, and to an increase in the cost of production). Currently, based on the results of its risk assessment processes, DBK believes that the likely impact will be the lowered credit ratings of borrowers in its loan portfolio, leading to a deterioration in quality of DBK's loan portfolio, as well as an impact in respect of provisions. To manage these risks, DBK developed a risk response plan, which includes regular stress testing to assess the impact of risks on DBK's key financial indicators. In addition, DBK, together with its borrowers, is working on an action plan to reduce or prevent the possible negative effects of the stress test scenario on the level of provisions necessary.

There can be no assurance that DBK's current level of loan recovery will be maintained in the future, and any failure to accurately assess the credit risk of potential borrowers and the additional risks relating to such medium- to long-term loans or any acceptance of a higher degree of credit risk in the future may result in a deterioration in DBK's loan portfolio and a corresponding increase in loan impairment, which would, in turn, have a material adverse effect on DBK's financial condition and results of operations.

Foreign Currency Risk

DBK is exposed to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. DBK has set limits on the level of exposure to currencies, primarily, the U.S. Dollar. Certain of DBK's cash flows are generated in U.S. Dollars and any future movements in the exchange rate between the Tenge and the U.S. Dollar may adversely affect the carrying value of DBK's Tenge-denominated monetary assets and liabilities and DBK's ability to realise investments in non-monetary assets measured in Tenge.

Additionally, in line with DBK's policy of limiting its exposure to currency fluctuations, DBK's loan portfolio includes non-Tenge loans, particularly loans denominated in U.S. Dollars. Loans to customers denominated in U.S. Dollars accounted for 42.1% of total net loans as at 31 December 2021 and 48.7% and 49.5% of total net loans as at 31 December 2020 and 2019, respectively. Any fluctuation in the value of the Tenge relative to the U.S. Dollar might result in a change in costs for DBK and its customers, which could have a material adverse effect on DBK's business, financial condition, results of operations and prospects. As at 31 December 2021, the official KZT/U.S.$ market exchange rate reported by the NBK was KZT 431.80 per U.S.$1.00, as compared to KZT 420.91 per U.S.$1.00 as at 31 December 2020 and KZT 382.59 per U.S.$1.00 as at 31 December 2019. Due, in part, to economic and political sanctions against the Russian Federation imposed by the United States, European Union, United Kingdom, Japan, Canada, Switzerland and other countries since February 2022, the U.S. Dollar has strengthened against the Tenge, resulting in a depreciation of the Tenge by 18.2% over a three-week period from 23 February 2022 to 16 March 2022. Consequently, the NBK increased the base rate from 10.25% to 13.5% in February 2022. See "*—C. Macroeconomic and Geopolitical Risks—Political, Economic and Related Considerations*" and "*—C. Macroeconomic and Geopolitical Risks—Sanctions imposed on Russia*". DBK is monitoring the events and performs stress testing for obvious negative consequences, including testing for foreign currency risk.

Many of DBK's borrowers have revenues principally generated in Tenge and, to the extent they borrow in U.S. Dollars, any decrease in the value of the Tenge relative to the U.S. Dollar may generally adversely affect their financial condition and, in particular, could have a negative effect on the ability of such borrowers to repay U.S. Dollar denominated loans extended by DBK. In February 2014, and in anticipation of a devaluation of the Tenge, DBK began periodically conducting stress testing and reviewed all projects financed with loans denominated in foreign currencies and, for those projects most affected by the devaluation, converted the principal of such loans into Tenge, in order to minimise the impact of any devaluation. As a matter of policy, DBK now only finances projects with foreign currency-denominated loans if the project or the customer has sufficient export earnings or income to cover such foreign currency-denominated financing and, in turn, DBK will only seek funding in foreign currencies if such eligible customers request that DBK provide foreign currency-denominated loans.

DBK has also been subject to foreign currency risk as a portion of its borrowings and debt securities are denominated in U.S. Dollars, and, in the past, has been adversely affected by past devaluations of the Tenge and their impact on the Tenge-value of loans from banks and other financial institutions, as well as U.S. Dollar-denominated debt securities. As at 31 December 2021, 46.1% of DBK's debt securities issued were denominated in U.S. Dollars. Accordingly, while DBK takes measures to naturally hedge its foreign currency risk (as referred to above), and DBK has increased its Tenge-denominated borrowings in recent years, any future devaluation of the Tenge against the U.S. Dollar may have an adverse effect on DBK. In addition, in the event of any shortage of availability of U.S. Dollars in Kazakhstan in the future, this would have a material adverse impact on DBK's ability to service payments under its U.S. Dollar-denominated borrowings, including the Notes, which are denominated or payable in U.S. Dollars.

Until recently, DBK was subject to exchange rate fluctuations in the KZT/RUB exchange rate as a result of borrowings denominated in Russian Roubles. For example, Industrial Development Fund JSC ("**IDF JSC**"), DBK's wholly-owned subsidiary (previously known as DBK-Leasing), had entered into a number of facility agreements with Roseximbank JSC. In March 2022, these facility agreements were repaid.

DBK's exposure to exchange rate risk may increase, particularly as it continues to obtain foreign currency funding by accessing the international capital markets and syndicated and bilateral lending markets. Currency exchange rates can be particularly volatile in times of national or global financial instability, such as the recent period of economic turmoil. Accordingly, any future changes in such rates could have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

See "*Risk Factors—Factors that may affect DBK's ability to fulfil its obligations under, or in connection with, the Notes—C. Macroeconomic and Geopolitical Risks—Exchange Rate Polices*".

Interest Rate Risk

DBK is exposed to risk resulting from mismatches between the interest rates on its interest-bearing liabilities and interest-earning assets. Generally, the maturities of DBK's assets and liabilities are not balanced and, accordingly, an increase or decrease in interest rates could have an adverse effect on DBK's net interest margin and results of operations. To the extent that DBK's assets reprice more frequently than its liabilities, if interest rates fall, DBK's interest expenses will decrease more slowly than its interest income, which could negatively affect interest margins and result in liquidity problems. According to DBK's credit policy, DBK intends to pass on such risks to borrowers by lending on similar conditions as it borrows; however, DBK may not always be able to do so. In addition, in order to manage the risk of mismatch in interest rates inherent to DBK's operations, the Government grants low-interest loans to DBK. There can be no assurance that DBK will continue to benefit from such loans in the future.

In addition, there is a risk that the current global inflationary environment could have a more pronounced negative impact on Kazakhstan given its history of sustained high inflation levels, and, in turn, on DBK's business. Annual inflation in Kazakhstan increased to 12.0% in March 2022 from 7.4% in February 2021, primarily due to a general increase in prices and an intensification of inflationary pressures. The annual growth rates of prices for food products, non-food products and paid services also increased to 15.4%, 10.9%, and 8.3% in March 2022, respectively, as compared to 10.7%, 5.6% and 3.7% in March 2021, respectively. According to forecasts published by the NBK, inflation levels in 2022 and 2023 will be higher than previously estimated, primarily due to the depreciation in value of the Tenge, the strengthening of external inflationary pressures, as well as rising prices in global food markets. As a consequence of the high inflation rates, the economic growth in the Republic is likely to slow down due to high production costs and low lending activities, in turn caused by increased market borrowing rates. One likely impact of inflation increases in Kazakhstan on DBK will be the rising production costs of its debtors, which may increase the risk of delays in debt repayments and loan defaults. This, in turn, could lead to DBK needing to further increase its provisioning levels or experiencing increasing levels of NPLs, as well as in a general deterioration of DBK's financial stability.

As illustrated by the above factors, DBK's ability to mitigate interest rate risks is limited and, as such, its financial condition may be negatively affected. In addition, volatility in interest rate movements may have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

C. MACROECONOMIC AND GEOPOLITICAL RISKS

Political, Economic and Related Considerations

DBK is a Kazakhstan-based development bank, with 100% of its loans to customers as at 31 December 2021 made in Kazakhstan. Accordingly, DBK is affected by political, economic and other events in Kazakhstan.

Kazakhstan became an independent sovereign state in 1991, as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan under two presidents, Nursultan Nazarbayev and, from June 2019, Kassym-Jomart Tokayev, has experienced significant changes as it has emerged from a centrally controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a stagnant economy marked by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment. However, Kazakhstan actively pursued a programme of economic reform designed to establish a free market economy through privatisation of government-owned enterprises and deregulation and it is more advanced in this respect than some other countries of the former Soviet Union. Under President Nazarbayev's leadership, Kazakhstan has moved toward a market-oriented economy.

In March 2019, President Nazarbayev announced his retirement as President. Kassym-Jomart Tokayev, who was at the time the chairperson of the Senate, was appointed as acting President. The latest presidential election took place on 9 June 2019 and Kassym-Jomart Tokayev, who competed with six other candidates, won the election with 71% of the vote.

On 2 January 2022, protests began in the west of Kazakhstan related to an increase in the price of LNG from KZT 60 per litre to KZT 120 per litre. These protests spread to other cities and resulted in looting and loss of life. On 5 January 2022, the Government declared a state of emergency, following which the President of Kazakhstan has made certain public statements regarding possible measures, including additional taxes. During the protests, internet access was restricted across Kazakhstan, bank operations and transactions were suspended, stock and commodity exchanges were closed and flights were cancelled. On 19 January 2022, the state of emergency was lifted.

As Kazakhstan produces and exports large quantities of commodity products (primarily oil and gas), its economy is particularly vulnerable to fluctuations in the prices of such commodities in the international markets. While the Government has been promoting economic reform to diversify the economy, Kazakhstan's revenue continues to depend on the prices of export commodities. Weak demand in its export markets and low commodity prices, especially within the oil and gas industry, may adversely affect Kazakhstan's economy in the future, which may in turn have a material adverse effect on DBK's business, financial condition, results of operations or prospects.

Due to business disruption and lockdowns in many countries as a result of the COVID-19 pandemic, global oil demand has substantially decreased, leading to oversupply and a significant decrease in oil prices. On 12 April 2020, major global oil producers, including Kazakhstan, agreed to a record cut in crude oil production aimed at stabilising the market. Such actions have not, however, reversed the downward pressure on the oil market. Such decreases in oil prices and production volumes have resulted in corresponding decreases in oil producers' income and payments to the State budget, which could, in turn, have a material adverse effect on the Kazakhstan economy and public sector spending. In April 2020, the Minister of Finance reported a further increase of the State budget deficit by KZT 840.7 billion and, in October 2020, the Kazakhstan parliament adopted amendments to the State budget for 2020-2022, which reflected an increase in State budget expenditures in 2020 by approximately KZT 1.5 trillion to KZT 13.9 trillion. State budget expenditures in 2021 are budgeted at KZT 13.8 trillion. Kazakhstan's economy is also subject to regional risks and spill-over effects resulting from the armed conflict commenced by Russia in Ukraine, which is ongoing, resulting in further elevated levels of economic uncertainty in Kazakhstan. After the launch of the armed conflict by Russia on 24 February 2022, oil prices rose to U.S.$105/bbl, on expectations that sanctions by western countries against Russia would significantly negatively affect energy exports. Oil prices are also likely to be impacted by any disparity between the price of Urals oil, which is an export grade of crude Russian oil, and which is used as a pricing benchmark for the corresponding European market, compared to other sources.

The impact of the economic sanctions imposed on Russia as a result of the armed conflict has included the depreciation of the Russian Rouble. Given Kazakhstan's increased dependence on imports of goods from Russia, the Tenge's exchange rate against the U.S. Dollar has also come under pressure, despite high oil prices. The NBK attempted to stabilise the exchange rate of KZT by injecting U.S.$176 million a week into the economy, and as of 24 February 2022, U.S.$138 million had been injected. On the same day, NBK announced a deposit protection programme, raising the base rate to 13.5%. The Ministry of National Economy has forecasted that the growth of the Republic's economy in 2022 has been reduced from 3.9% to 2.1%. However, nominal GDP is estimated at KZT 91.5 trillion, which is KZT 3.5 trillion higher than the approved forecast. According to the NBK, inflation is determined within the range of 8 to 10%. Based on the adjusted macroeconomic forecast, the State budget assumes revenues in the amount of KZT 10.2 trillion, which is KZT 955 billion higher than in the approved plan. The increase in revenues is expected due to the export customs duty on crude oil, changes in the exchange rate between the Tenge and the U.S. Dollar and corporate income tax.

There can be no assurance that further revisions of the State budget will not be required in light of continuing oil price volatility and continuing impact of the COVID-19 pandemic. This may, in turn, affect funding available to DBK from the State budget. An oversupply of oil or other commodities in world markets, a general turndown in the economies of any significant markets for oil or other commodities or a weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy, which, in turn, could indirectly have a material adverse effect on DBK's business, financial condition, results of operations or prospects.

DBK is particularly affected by Kazakhstan's budgetary revenues and general economic performance as it relies on funding from the State Budget to finance its customers' projects and run its business. Such funding is also affected by political and economic events in Kazakhstan. The budget for 2020-2022 allocates the following amounts to DBK in 2020: a KZT 30 billion loan to DBK to provide export financing and the following loans to IDF JSC; (i) a KZT 10 billion loan to finance the leasing of buses; (ii) a KZT 20 billion loan to finance the leasing of passenger wagons; and (iii) a KZT 8 billion loan to finance the leasing of buses, combine harvesters and tractors. An amount of KZT 48.3 billion is also allocated for the implementation of the Business Road Map 2025 (as defined below) initiative under the 2020-2022 budget. DBK funding from the budget for 2021 comprised KZT 10 billion for the implementation of financing relating to the multifunctional tourist complex in Keruyen-Saray, KZT 10 billion to IDF JSC to finance leasing activities in accordance with the Government's industrial innovative development programme, KZT 16 billion to stimulate export finance, KZT 22 billion to IDF JSC to finance the leasing of buses and KZT 14.7 billion to finance the purchase of new passenger rail cars. The budget for 2021-2023 allocated KZT 4 billion to DBK for 2022 to finance projects under the Government's programme on industrial innovative development, and DBK is working on documentation in connection with other budget programmes. There can be no assurance that DBK will continue to benefit from funding from the State Budget at the same levels or at all.

Kazakhstan's economy and finances have and continue to experience slower levels of growth since the global financial crisis which began in 2008 and, most recently, due to the impact of the COVID-19 pandemic. The Kazakhstan economy is also expected to be impacted by the ongoing armed conflict commenced by Russia against Ukraine. According to statistics published by the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Kazakhstan's real GDP grew by 3.7% in 2021, as compared to a contraction of 2.6% in 2020. According to IMF forecasts, Kazakhstan's real GDP growth is projected to be 3.9% in 2022 and 3.1% in 2023. Currently, due to ongoing geopolitical uncertainty around Russia and Ukraine, the potential for further sanctions applicable to the Russia and Russian entities, as well as a of lack of certainty as regards the ability of Russia to mitigate the adverse effects on its economy and macroeconomic indicators, DBK is unable to quantify the impact on the Group's financial position of new measures, if any, which have been taken or to be taken by the Government, or what impact the above said developments will have on the economy of Kazakhstan. See "—*Sanctions imposed on Russia*".

There can be no assurance that either the economic performance of, or political stability in, Kazakhstan can or will be sustained. To the extent that economic growth or performance in Kazakhstan slows or begins to decline, there is a return to high or sustained inflation, or political conditions deteriorate materially DBK's business, financial condition, results of operations and prospects may be adversely affected.

Sanctions imposed on Russia

On 24 February 2022, Russian military forces launched an armed conflict against Ukraine, and sustained conflict and disruption in the region is likely. Although the length, impact and outcome of the ongoing armed conflict in Ukraine is highly unpredictable, this conflict could lead to significant market and other disruptions, including significant volatility in commodity prices, financial markets, supply chain interruptions and changes in consumer or purchaser preferences, as well as increase in cyberattacks and espionage, the impacts of which, if any, are unpredictable. After the launch of the armed conflict by Russia on 24 February 2022, oil prices rose to U.S.$105/bbl, on expectations that sanctions by western countries against Russia would significantly negatively affect energy exports. Russia's annexation of Crimea, recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military action against Ukraine have led to sanctions being levied by the United States, the European Union, the United Kingdom, Canada, Switzerland, Japan and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic, including, among others, the agreement to remove certain Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) payment system, which can significantly hinder the ability to transfer funds in and out of Russia. Sanctions have also been imposed against certain Russian and Belarussian entities and individuals.

DBK has had certain relationships with Kazakhstan-established subsidiaries of Russian state-owned banks (including, Subsidiary Bank Sberbank JSC and Subsidiary Organization VTB Kazakhstan JSC and Subsidiary Bank Alfa-Bank JSC, which are currently subject to the EU, UK and U.S. sanctions). Such activities include allocation of funding in connection with state-administered interbank lending programmes. All funding provided to such entities is denominated in Tenge and the loans to such entities accounted for 21.0% of DBK's gross loans to banks as at 31 December 2021 (or KZT 26,429.4 million). See "*Business—Participation in Government Programmes—Interbank Lending Programmes*" At the time of funding such loans, such funding activities were conducted in accordance with applicable laws, including U.S., EU, UK and other applicable sanctions**.**

DBK has been actively terminating or winding down its activities and relationships with Russian state-owned banks and Kazakhstan-established subsidiaries of Russian state-owned banks in response to the expansion of sanctions since February 2022. On 14 March 2022, all loans granted to Subsidiary Organization VTB Kazakhstan JSC were transferred to another Kazakhstan bank. Loans granted to Subsidiary Bank Sberbank JSC have been transferred to other Kazakhstan banks or repaid via the conclusion of contracts on assignment of right of demand on loans to customers. DBK has fully withdrawn and closed its correspondent accounts held with Subsidiary Organization VTB Kazakhstan JSC and closed its correspondent accounts held with Subsidiary Bank Sberbank JSC and with Sberbank in Russia in April 2022. IDF JSC had a guarantee arrangement with Subsidiary Bank Sberbank JSC, which was closed in April 2022, and has a deposit and current account with the bank which will be closed in May 2022. IDF JSC has a correspondent account, guarantee and deposit arrangement with Subsidiary Bank Alfa-Bank JSC. Only the minimum required balance (approximately the equivalent value in Tenge of U.S.$20,000) is currently maintained in the deposit account and the guarantees are due to expire by 30 June 2022, while limited amounts will remain in the correspondent account until the technical completion of settlement.

IDF JSC, DBK's wholly-owned subsidiary (previously known as DBK-Leasing), had entered into a number of facility agreements with Roseximbank JSC. Such loans were fully prepaid on 4 March 2022, and DBK has since received confirmation from Roseximbank JSC of the full repayment of the loans between IDF JSC and Roseximbank JSC.

While Kazakhstan maintains strong independent diplomatic relationships with both Russia and Ukraine and noted its neutral position with respect to the armed conflict between Russia and Ukraine, Kazakhstan has significant economic and political relations with Russia. In 2014, Kazakhstan, Russia and Belarus signed the treaty establishing the Eurasian Economic Union ("**EEU**") (which came into force in 2015), marking a new milestone of economic integration and ensuring the free movement of goods, services, capital and labour within the EEU and establishing coordinated, coherent or unified policies in key sectors of the economy. A customs code of the EEU came into force on 1 January 2018. The EEU is expected to continue to strengthen Kazakhstan's economic relations with Russia going forward. Russia is one of Kazakhstan's largest export partners and, according to preliminary data published by the National Statistics Office, as at 31 December 2021, Kazakhstan's imports from Russia accounted for 42.1% of Kazakhstan's total imports, and its exports to Russia accounted for approximately 11.5% of its total exports. Key exports to Russia include ferrous metals, ores, chemicals and minerals. On 10 February 2021, Kazakhstan's Minster of Trade and Integration met the Russian Minister of Economic Development. Kazakhstan's close economic links with Russia, the existing sanctions imposed on Russia or any future sanctions could have a material adverse effect on Kazakhstan's economy, which could, in turn, have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

In addition, sanctions imposed and the ongoing conflict within Europe has led to further uncertainty in the global financial markets, including fluctuations in: (i) foreign exchanges and commodity prices, which impact asset and liability ratios and other credit metrics; and (ii) commodities trade, including the disruption to exportation of hydrocarbons through Russian pipelines and the ongoing risk that trade with either Russia or the western countries could be curtailed for an uncertain duration.

When managing currency risks, DBK adheres to the principle of maintaining a neutral currency position, which allows it to minimise losses from currency revaluations. In addition, in order to assess DBK's current and future exposure to market risks, a stress test was carried out under three scenarios, as described above. However, significant and continued, unexpected or increased volatility in the global markets may lead to covenant breaches in DBK's loan agreements and the like. Increased risk of covenant breaches may also be significantly driven by foreign currency fluctuations (as movements in the exchange rate between the Tenge and the U.S. Dollar may materially affect the value of DBK's assets and liabilities, requiring an increase in provisions, *etc*), which may negatively impact DBK's financial stability and, potentially, future ability to repay the Notes.

The situation is rapidly evolving as a result of the armed conflict in Ukraine, and the United States, the European Union, the United Kingdom, Japan and other countries may implement additional sanctions, export controls or other measures against Russia or other countries, regions, officials, individuals or industries in the respective territories. Such sanctions and other measures, as well as any potential responses from Russia or other countries to such sanctions, tensions and military actions, could adversely affect the global economy and financial markets and, in particular, the Kazakhstan economy and, in turn, DBK's business, financial condition and results of operations.

Legislative, Regulatory, Tax and Judicial Considerations

Although a large volume of legislation and regulation has been enacted since early 1995 (including new tax codes in January 2002, January 2009 and January 2018 and new or amended laws and regulations relating to foreign arbitration, foreign investment and foreign currency, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, and State enterprise reform and privatisation throughout the period), the legal framework in Kazakhstan (although one of the most developed among the countries of the former Soviet Union) is still evolving compared to countries with established market economies.

The judicial system, judicial officials and other Government officials in Kazakhstan may not be fully independent of external social, economic and political forces. For example, there have been instances of improper payments being made to public officials. Therefore, court decisions can be difficult to predict and administrative decisions have on occasion been inconsistent. Kazakhstan is a civil law-based jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions.

Further, the legal and tax authorities may make arbitrary judgments and assessments of tax liabilities and challenge previous judgments and tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, including, in particular, the uncertainty surrounding judgments rendered under the tax code introduced with effect from 1 January 2018 (as amended from time-to-time, the "**2018 Tax Code**"), as well as a lack of an established system of precedent or consistency in legal interpretation, the legal and tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed legal and tax system.

The Budget Code of the Republic of Kazakhstan grants DBK the status of a financial agency. The 2018 Tax Code exempts debt securities, such as the Notes, issued by a financial agency, as well as gains realised on the disposal, sale, exchange or transfer of such securities from Kazakhstan income tax. In past years, DBK's tax burden has increased as a result of changes to tax legislation.

Kazakhstan's tax system is still in a transitional phase and it is expected that tax legislation in Kazakhstan will continue to evolve. There can be no assurance that DBK will retain its status of a financial agency or that new taxes and duties or new tax rates will not be introduced in the future or that any tax legislation passed in the future will not materially adversely affect DBK's business, prospects, financial condition, cash flows or results of operations. Investors in Notes should be aware that further changes in the withholding tax regime may give DBK the right to redeem Notes prior to their stated maturity.

The continuous development of Kazakhstan's legislative and regulatory environment may result in further reduced predictability of its legislative and regulatory landscape, which may result in inconsistent interpretations due to the lack of court precedents or guidance from the regulators. Any of these factors could be significant and could have a material adverse effect on DBK's business, financial condition, results of operations or prospects and/or the Noteholders' rights and remedies under the Notes.

Exchange Rate Policies

Although the Tenge is convertible for current account transactions, it is not a fully convertible currency for capital account transactions outside Kazakhstan. Since the NBK adopted a floating rate exchange policy for the Tenge in April 1999, the Tenge has fluctuated significantly and the NBK has adopted a number of exchange rate policies. The Tenge had generally appreciated in value against the U.S. Dollar over the previous decade until its devaluation by the NBK in February 2009. In August 2015, the NBK announced the adoption of a free-floating exchange rate and medium-term inflation targeting policy, which resulted in a 26.2% depreciation against the U.S. Dollar. In February 2022, the Tenge depreciated significantly against major foreign currencies amid the external geopolitical situation driven by escalating tensions in the region. In order to reduce the negative impact of external factors on the Kazakhstan economy, the NBK raised the base rate from 10.25% to 13.5% *per annum*, and interventions with respect to the currency market were performed to support the Tenge exchange rate against foreign currencies. As a substantial portion of DBK's loans to customers and debt securities are denominated in U.S. Dollars, DBK's loan portfolio and financial condition are sensitive to currency exchange rate fluctuations, and any devaluation of the Tenge against the U.S. Dollar may have an overall adverse effect on DBK. See "*—Foreign Currency Risk"*.

The Group is also subject to exchange rate fluctuations in the KZT/RUB exchange rate as a result of borrowings denominated in Russian Roubles. Any devaluation of the Tenge against the Russian Rouble may have an overall adverse effect on DBK. In addition, there has been a historic correlation between the foreign exchange rates of the Tenge and international hydrocarbon prices. See "*—Foreign Currency Risk"*.

There can be no assurance that the NBK will maintain its current exchange rate policy. Any change in the NBK's exchange rate policy could have an adverse effect on Kazakhstan's public finances and economy, which could, in turn, have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

Kazakhstan's Currency Control Law

The Law of Kazakhstan "On Currency Regulation and Currency Control" dated 13 June 2005 (the "**2005 Currency Law**") empowered the Government, by special action and under circumstances when the economic stability of Kazakhstan is threatened, to introduce a special currency regime that would (i) require the compulsory sale of foreign currency received by Kazakhstan residents; (ii) require the placement of a certain portion of funds resulting from currency transactions into a non-interest bearing deposit in an authorised bank or the NBK; (iii) restrict the use of accounts in foreign banks; (iv) limit the volumes, amounts and currency of settlements under currency transactions; and (v) require a special permit from the NBK to conduct currency transactions. Moreover, the Government is authorised to impose other requirements and restrictions on currency transactions when the economic stability of Kazakhstan is threatened.

On 2 July 2018, the President signed a new Law on Currency Regulation and Currency Control (the "**2018 Currency Law**") that replaced the 2005 Currency Law with effect from 1 July 2019. The 2018 Currency Law retained the Government's power to impose restrictions under the special currency regime. As at the date of this Drawdown Information Memorandum, the Government has not invoked such restrictions.

In response to the low oil price environment, the adverse impact of the COVID-19 pandemic and the volatility of the Tenge, on 19 March 2020, the NBK decreased the amount of foreign currency that Kazakhstan companies can buy in the domestic foreign exchange market without supporting documents from U.S.$100,000 to U.S.$50,000. On 21 April 2020, the NBK limited the amount of cash that Kazakhstan companies can withdraw from their accounts. The regime was extended to 1 January 2021. In particular, large businesses cannot withdraw more than KZT 150 million from their accounts per calendar month. Withdrawal of any amount in excess of such limit must be backed up with supporting documents and is subject to approval by the Kazakhstan tax authorities. There can be no assurance that the currency laws and regulations will not be amended further or that any such amendments passed in the future will not materially adversely affect DBK. For instance, any imposition of significant restrictions on DBK's foreign currency dealings could have a material adverse effect on DBK's business, prospects, financial condition or results of operations and ability to make payments on the Notes.

DBK is subject to the volatility of Kazakhstan's Banking Industry

The global financial and economic crisis of 2008-2009 significantly affected the Kazakhstan banking system, which continues to remain under stress, with banks seeking to deleverage through partial repayments and debt restructurings. A number of distressed asset takeovers and mergers have occurred in the Kazakhstan banking sector. In addition, in the past several years the regulator revoked the licences of a number of banks of varying size. While, along with the regulator's measures to support the liquidity of financial institutions, such restructurings, consolidations and revocation of licences have contributed to the general stability of the Kazakhstan banking industry, the sector continues to operate in a challenging environment where further defaults or debt restructurings cannot be ruled out.

The Kazakhstan banking sector has been particularly affected by the lack of availability of international wholesale debt financing and the volatility of deposits. Kazakhstan banks have previously relied heavily on such financing and deposits as a source of funding. The high dependence on capital market funding poses a significant refinancing risk for both individual banks and the banking system as a whole and wholesale debt financing became significantly more expensive. In addition, the banking sector in Kazakhstan has been burdened by high levels of non-performing assets and NPLs across the sector, with NPLs increasing to 31.2% as at 1 January 2014 from 8.2%, as at 1 January 2009. NPLs in the banking sector in Kazakhstan have since decreased to 7.0% as at 1 March 2021 and 3.5% as at 1 March 2022, reflecting the write-off of significant amounts of corporate sector NPLs.

The negative impact of the continuing problems in the banking sector may affect the willingness of foreign investors and banks to consider lending to, or investing in, Kazakhstan banks, such as DBK. This reluctance could have an adverse effect on DBK's ability to attract finance from foreign financial institutions. While DBK's regulator and the Government have taken steps to support the Kazakhstan banking sector, such as the adoption by the NBK (DBK's then-regulator) of the "Program Improving Financial Stability of the Banking Sector of the Republic of Kazakhstan" (the "**2017 Programme**") aimed at, inter alia, improving the banking sector's financial health and promoting consolidation of Kazakhstan banks, the Kazakhstan banking system remains under stress.

It is also uncertain what impact the on-going problems in the sector may have on investors' perceptions of Kazakhstan. Such problems could have a negative impact on the country's sovereign credit rating or other adverse developments, which could, in turn, have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

Corporate Governance and Disclosure Laws

The corporate governance laws and rules applicable to DBK are, in the first instance, the DBK Law, the Kazakhstan Joint Stock Company Law (the "**JSC Law**") and other laws of Kazakhstan. The corporate governance regime in Kazakhstan is less developed than that in the United States or the United Kingdom, and the responsibilities of the members of the Board of Directors and DBK's management board (the "**Management Board**") under Kazakhstan law are different from those generally applicable to corporations organised in the United States, the United Kingdom or other jurisdictions.

A principal objective of the securities laws of the United States, the United Kingdom and certain other countries is to promote the full and fair disclosure of all material corporate information to the public. Although DBK is subject to certain disclosure requirements under Kazakhstan law, these requirements are less stringent than the comparable requirements in the United States, the United Kingdom or certain other jurisdictions and, therefore, there is less information publicly-available about DBK than would be required if DBK were organised in the United States, the United Kingdom or certain other jurisdictions. This could have a material adverse impact on an investor's ability to assess the suitability of Notes issued by DBK for its purposes.

While the Government has stated that it intends to continue to reform the corporate governance regulations to which DBK is subject, in common with all other joint stock companies, with a view toward increasing disclosure and transparency in the corporate sector in order to promote growth and stability, it may not continue to pursue such a policy in the future or such policy, if continued, may not ultimately prove to be successful. It is not possible to predict the effect in this regard of future legislative developments. Accordingly, investment is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and such investors cannot rely on the same level of public information about DBK as may be required of issuers in more developed jurisdictions.

Corruption and Business Environment Weaknesses in Kazakhstan

As in many other emerging market jurisdictions, the incidence and perception of elevated levels of corruption remains a significant issue in Kazakhstan, although the climate has improved in this respect in recent years. Kazakhstan was ranked 102 out of 180 countries in Transparency International's 2021 Corruption Perceptions Index. Kazakhstan's score in the 2021 index was 37 (with 1 the most corrupt score and 100 being the least corrupt). Kazakhstan's business climate and competitive indicators are also negatively affected by the need for reform in investor protection arrangements, the cost of establishing a business, the tax system, resolving insolvency and contract enforcement. See "*Asset and Liability Management—Anti-Money Laundering, Countering the Financing of Terrorism, Anti-Corruption and Anti-Bribery Policies and Procedures*".

Failure to address continued or perceived corruption and governance failures in the public sector and any future allegations, or perceived risk, of corruption in Kazakhstan, could have a material adverse effect upon Kazakhstan's ability to attract foreign investment, which could, in turn, have a material adverse effect on Kazakhstan's economy and, in turn, a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

In January 2017, the National Anti-Corruption Bureau of Kazakhstan arrested the former head of Baiterek JSC, Mr. Kuandyk Bishimbayev, on corruption charges in connection with alleged bribes and kickbacks from construction companies and other parties in a number of Baiterek JSC projects. These projects included an engineering, procurement and turnkey construction project for a float glass manufacturing and processing plant in Kyzylorda (the "**Kyzylorda Project**"). The Kyzylorda Project, which is still ongoing, was partially financed by DBK on the basis of an approval of DBK's Board of Directors of which Mr. Bishimbayev, as a representative of Baiterek JSC, was chairman at the time. Following an investigation, a trial in respect of the allegations against Mr. Bishimbayev commenced on 31 October 2017. On 14 March 2018, Mr. Bishimbayev was convicted of bribery and embezzlement and was sentenced to ten years in prison. On 11 October 2019 Mr. Bishimbayev was released on parole. No charges or proceedings have been brought and, to the best of DBK's knowledge, no charges or proceedings are threatened and no investigations have been conducted against DBK or any of its current officers or employees in connection with this matter. There can be no assurance, however, that any further investigation into these or similar allegations against Mr. Bishimbayev would not result in investigations into DBK or any of its officers or employees.

Lack of Information and Risk Assessments

Kazakhstan's system for gathering and publishing statistical information relating to its economy, specific economic sectors, and corporate or financial information relating to companies and other economic enterprises is not as comprehensive as that of countries with established market economies. Thus, the statistical, corporate and financial information, including audited financial statements, available to DBK relating to its corporate borrowers or other clients makes the assessment of credit risk, including the valuation of collateral, more difficult. The absence of accurate statistical, corporate and financial information may decrease the accuracy of DBK's credit risk assessment. This could increase the risk of borrower default, decrease the likelihood that DBK would be able to enforce any collateral in respect of the corresponding loan or decrease the likelihood that the relevant collateral has a value commensurate to the loan secured on it, each of which could, in turn, reduce DBK's loan recovery, increase its impairment losses and NPLs and have a corresponding negative impact on its financial condition and results of operations. Further, DBK finances long-term development projects about which there may be little historical information. Accordingly, DBK is subject to greater risks than a commercial bank and the potential negative impact of such risks materialising could be more substantial than with respect to a commercial bank that focuses on other types of project or that does not engage in the funding of development projects.

In 2004, in co-operation with an international credit reference agency, Experian, Kazakhstan's commercial banks established a credit reference bureau in Kazakhstan to provide information about potential borrowers. However, the credit reference bureau may still not be as developed as credit reference agencies in other jurisdictions, and, as a result, the quality of information it provides may not be adequate, which could, in turn, adversely affect the quality of DBK's lending decisions.

FACTORS THAT ARE MATERIAL FOR ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES

Absence of Trading Market for the Notes

Notes have no established trading market when issued and none may develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

DBK will cause the Notes to be admitted to the "Bonds" category of the "Debt Securities" sector of the "Main" platform of the official list of the KASE, and no Notes issued by DBK may be issued and/or placed (including the listing thereof) outside of the Republic of Kazakhstan without prior getting the Agency Permissions. There can be no assurance that either such listings or Agency Permissions will be obtained or, if obtained, that an active trading market will develop or be sustained. The liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and may be affected by political, economic, social and other developments both in Kazakhstan and in other emerging markets. Accordingly, there can be no assurance as to the development or liquidity of any market for the Notes.

The Notes may not be a suitable investment for all investors seeking exposure to "development finance" assets

There is currently no market consensus on what precise attributes are required for a particular project or financing to be defined as "development", and, therefore, no assurance can be provided to investors that the Notes and the use of proceeds by DBK or any development impact projects will satisfy, whether in whole or in part, any expectations or requirements of any investor or any present or future expectations or requirements with respect to development finance. Neither DBK nor the Development Finance Structuring Agent makes any representations or assurances as to whether (and are not responsible for ensuring that) (a) the characterization of the Notes as development finance or the level of its expected development intensity rating impact will (i) comport with any investor's definition of development finance, (ii) meet any investor's criteria and expectations with regard to developmental impact, or (iii) comport with the characterization or definitions used by any other development finance institution in the public or private sectors or (b) the proceeds of the Notes, will in fact be used for eligible development finance projects. Notes will not constitute Green or Social Bonds for purposes of the International Capital Markets Association's Green Bond Principles or Social Bond Principles. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Drawdown Information Memorandum regarding the use of proceeds and its purchase of Notes should be based upon such investigation as it deems necessary.

In addition, although the proceeds from the issue of Notes under the Programme are expected to enable the development finance initiatives described under "*Development Impact*", it will not be an event of default under the Conditions of the Notes if DBK fails to comply with such development finance initiatives.

Furthermore, there can be no assurance that the projects or financings defined as "development" will be capable of being implemented in or substantially in such a manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such projects. Nor can there be any assurance that such projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by DBK. Any such event or failure by DBK will not constitute an event of default under the Conditions.

Collective Action Clauses

The Conditions contain collective action clauses, which are provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined percentages of Noteholders voting in favour to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a contrary manner.

Further Issues of Notes with Original Issue Discount

DBK may offer further Notes with original issue discount for U.S. federal income tax purposes ("**OID**") to be consolidated with and form a single series with the Notes. Purchasers of Notes after the date of consolidation of any further issue of Notes will not be able to differentiate between the Notes sold as part of the further issue and previously issued Notes. If DBK were to issue further Notes with OID, purchasers of Notes after such a further issue of Notes may be required to accrue OID (or greater amounts of OID than they would otherwise have accrued) with respect to their Notes. These OID consequences may affect the price of outstanding Notes following a further issue. Prospective purchasers of Notes should consult their own tax advisers with respect to the implications of any decision by DBK to undertake a further issue of Notes with OID.

Trading in the Clearing Systems

The Notes are being issued with a minimum denomination of U.S.$200,000 and in principal amounts in integral multiples of U.S.$1,000, in excess thereof. While the Notes are traded in a clearing system, it is possible that processing of trades in the clearing systems may result in amounts being held in denominations smaller than the minimum denominations specified above. If Definitive Notes are required to be issued in relation to the Notes in accordance with the provisions of the terms of the relevant Global Notes, a holder who does not hold at least the minimum denomination in its account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of Definitive Notes unless and until such time as its holding becomes an integral multiple of the minimum denomination. Holdings of less than a minimum denomination or integral multiple thereof may also be less liquid and there may be difficulties in trading such holdings.

Volatility of the Trading Price of the Notes

In recent years stock markets have experienced significant price fluctuations. These fluctuations often were unrelated to the operating performance of the companies whose securities are traded on such stock markets. Market fluctuations as well as adverse economic conditions have negatively affected the market price of many securities and may affect the market price of the Notes.

In particular, the markets for securities bearing emerging market risks, such as risks relating to Kazakhstan, may be volatile. Markets for such securities are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including Kazakhstan. In 2008, the global markets experienced significant financial turmoil that had a ripple effect on other emerging markets. These events caused significant volatility in prices of emerging market debt. Events may occur which would cause significant volatility of the sort which occurred in worldwide financial markets in 1997 and 1998. Any such volatility may adversely affect the liquidity of the market for, or price of, the Notes.

Exchange Rate Risks and Exchange Controls

DBK is obliged to pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the U.S. Dollars or the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. Dollar would decrease equivalent in the Investor's Currency of the yield on the Notes, the principal payable on the Notes and the market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest Rate Risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit Ratings

One or more independent credit rating agencies may assign credit ratings to Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above or other factors that may affect the value of Notes. A credit rating is not a recommendation to buy, sell, or hold securities and may be revised or withdrawn by the rating agency at any time.

Enforceability of Judgments

Kazakhstan's courts will not enforce any judgment of a court established in a country other than Kazakhstan unless: (i) there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty; or (ii) there is a proved reciprocity in enforcement of judgments of Kazakhstan courts in that country, which can be very hard or impossible to prove. There is no such treaty in effect between Kazakhstan and the United Kingdom. However, each of Kazakhstan and the United Kingdom are parties to the 1958 New York convention on the Recognition and Enforcement of Foreign Arbitral Awards and, accordingly, an arbitration award should be recognised and enforceable in Kazakhstan provided the conditions of enforcement set out in such Convention and applicable Kazakhstan laws are met. See "*Enforcement of Foreign Judgments*".

On 8 April 2016, the Arbitration Law was signed by the President of Kazakhstan. Whilst the introductory language to the Arbitration Law, as well as other provisions of this law, imply that the Arbitration Law should only apply where the matter involves dispute resolution in Kazakhstan (*i.e.*, in respect of arbitration bodies with a seat in Kazakhstan) and should not apply to foreign arbitration such as the LCIA with a seat outside of Kazakhstan. In particular, the preamble to the Arbitration Law states that: "This [l]aw regulates social relations arisen in the process of arbitration activity on the territory of the Republic of Kazakhstan as well as the procedure and terms of recognition and enforcement of arbitral awards in Kazakhstan…". There are, however, certain provisions in the Arbitration Law which may have implications (as described below) in respect of the arbitration provisions contained in the Notes, the Agency Agreement and the Trust Deed. In particular, the provisions of the Arbitration Law do not clearly differentiate between domestic and foreign arbitration. However, given that there is no well-developed practice in Kazakhstan on the application of the Arbitration Law, there can be no assurance that Kazakhstan courts would support the interpretation of the Arbitration Law set out in "Enforcement of Civil Liabilities" and that an award against DBK in arbitral proceedings in London under English law would be enforced in Kazakhstan. If the Arbitration Law applies to disputes under the Notes and the Trust Deed, there is a risk that an LCIA award in a proceeding related to the Notes and the Trust Deed may not be recognised and enforced in Kazakhstan as being contrary to Kazakhstan public order and/or a dispute under the Notes and the Trust Deed cannot be resolved by arbitration. Furthermore, an event of default could occur under the Notes and the Trust Deed to the extent that DBK's obligations under the Notes and/or the Trust Deed to settle disputes by arbitration in the LCIA and/or under English law become illegal or unenforceable.

CAPITALISATION

The following table sets forth the capitalisation and long-term indebtedness of DBK as at 31 December 2021. This table should be read in conjunction with "Selected Financial Information and Other Data" and "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Financial Statements, and the notes thereto, included elsewhere in this Drawdown Information Memorandum.

	As at 31 December 2021	
	(U.S.$ millions)[(1)(2)]	*(KZT millions)*[(2)]
Long-term debt[(3)]		
Current accounts and deposits from customers	0.4	162.1
Loans from Samruk-Kazyna	11.4	4,909.3
Loans from banks and other financial institutions	1,282.3	553,717.1
Loans from parent company	656.2	283,330.2
Government grants	658.7	284,435.2
Debt securities issued	2,685.7	1,159,705.5
Subordinated debt	273.8	118,216.8
Other liabilities	33.2	14,338.4
Provisions	**5.9**	**2,563.1**
Total long-term debt	**5,607.6**	**2,421,377.6**
Equity:		
Share capital	1,194.9	515,953.5
Fair value reserve	(13.5)	(5,828.6)
Additional paid-in capital	85.1	36,750.5
Retained earnings/Accumulated losses	23.0	9,952.9
Total equity	**1,289.6**	**556,828.3**
Total capitalisation and long-term liabilities	**6,897.2**	**2,978,205.9**

Notes:

(1) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.$ market exchange rate quoted on the KASE, as reported by the NBK, as at 31 December 2021, which was KZT 431.80 per U.S.$1.00. There can be no assurance that these Tenge amounts could have been converted into U.S. Dollars at this rate or any other rate.

(2) Nominal amount of long-term debt.

(3) Indebtedness is classified as long-term if its remaining maturity is not less than one year as at the reporting date.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The audited selected financial information for DBK presented below as at and for the years ended 31 December 2021, 2020 and 2019 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Financial Statements, including the notes thereto, included elsewhere in this Drawdown Information Memorandum.

Prospective investors should read the selected financial information in conjunction with the information contained under the headings "Risk Factors", "Capitalisation", "Management's Discussion and Analysis of Results of Operations and Financial Condition", "Selected Statistical and Other Data", and "Business", as well as the Financial Statements, including the notes thereto, included elsewhere in this Drawdown Information Memorandum.

Selected Information from the Consolidated Statement of Comprehensive Income and Financial Position

Consolidated Statement of Comprehensive Income

	For the year ended 31 December			
	2021		2020	2019
	(U.S.$ millions)[(1)]	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*
Interest income calculated using the effective interest method	421.9	182,178.5	155,607.2	144,098.4
Other interest income	136.7	59,044.6	43,310.9	30,354.7
Interest expense	(408.8)	(176,535.4)	(144,536.1)	(123,647.5)
Net interest income	**149.8**	**64,687.8**	**54,382.0**	**50,805.6**
Fee and commission income	1.7	717.0	727.2	3,699.5
Fee and commission expense	(1.6)	(704.6)	(960.1)	(3,010.1)
Net fee and commission income/(expense)	**0.0**	**12.3**	**(232.9)**	**689.3**
Net foreign exchange loss	(4.6)	(1,986.8)	(2,179.8)	(1,487.1)
Net realised gain/(loss) on debt securities at fair value through other comprehensive income	0.1	49.0	6,808.5	(61.8)
Net gain on financial instruments at fair value through profit or loss	2.4	1,031.0	6,459.1	936.6
Net gain arising from derecognition of financial assets measured at amortised cost	23.1	9,961.5	1,775.8	4,494.8
Other income/(expense), net	10.1	4,343.5	(6,504.2)	(8,041.8)
Operating profit	**180.9**	**78,098.3**	**60,508.6**	**47,335.7**
Impairment loss on debt financial assets	(77.3)	(33,357.5)	(37,207.9)	(20,907.3)
(Impairment losses)/reversal of impairment losses on loan commitments and financial guarantee contracts	(6.5)	(2,810.6)	1,763.5	1,744.9
(Impairment losses)/reversal of impairment losses on other non-financial assets	(0.7)	(312.7)	5,270.2	(5,927.2)
General administrative expenses	(17.6)	(7,583.4)	(7,094.8)	(7,204.4)
Profit before income tax	78.8	**34,034.1**	**23,239.6**	**15,041.7**
Income tax expense	(5.9)	(2,534.4)	(869.8)	(4,083.2)
Profit for the year	**72.9**	**31,499.7**	**22,369.8**	**10,958.5**
Other comprehensive (loss)/income				
Movement in revaluation reserve:				
Net change in fair value (debt instruments)	(27.5)	(11,888.3)	7,565.4	5,296.3
Net amount reclassified to profit or loss	(0.1)	(49.0)	(6,808.5)	61.8
Movement in fair value reserve of equity instruments	17.3	7,488.8	—	—
Other comprehensive income/(loss) for the period	**(10.3)**	**(4,448.5)**	**756.9**	**5,358.2**
Total comprehensive income for the period	**62.6**	**27,051.2**	**23,126.8**	**16,316.6**

Notes:

(1) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.$ market exchange rate quoted on the KASE, as reported by the NBK, as at 31 December 2021, which was KZT 431.80 per U.S.$1.00. There can be no assurance that these Tenge amounts could have been converted into U.S. Dollars at this rate or any other rate.

Consolidated Statement of Financial Position

	As at 31 December			
	2021		2020	2019
	(U.S.$ millions)(1)	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*
Assets				
Cash and cash equivalents	755.3	326,147.4	242,786.1	144,173.7
Placements with banks and other financial institutions	395.2	170,632.3	121,779.5	91,562.9
Loans to banks	280.3	121,034.6	124,810.7	110,945.8
Loans to customers(2)	4,382.8	1,892,508.0	1,845,916.2	1,618,204.5
Finance lease receivables(3)	1,047.0	452,103.7	326,539.9	190,340.3
Debt securities	1,261.0	544,518.9	209,257.7	225,466.1
Advances paid under finance lease agreements	385.4	166,405.1	123,159.0	133,273.1
Assets to be transferred under finance lease agreements	13.0	5,625.9	27,855.4	14,822.0
Equity investments	82.6	35,687.4	14,841.0	19,506.3
Investment property	0.5	217.8	222.5	227.2
Property, plant and equipment and intangible assets	13.9	5,988.8	5,991.3	5,951.4
Other assets	25.4	10,981.2	31,327.8	26,056.8
Current tax asset	16.8	7,244.5	963.5	124.7
Deferred tax assets	6.3	2,733.7	1,040.1	—
Derivative financial instruments	—	—	11,489.2	10,160.7
Total assets	**8,665.7**	**3,741,829.4**	**3,087,979.9**	**2,590,815.5**
Liabilities				
Current accounts and deposits from customers	70.4	30,412.1	15,793.7	17,236.3
Loans from the Government and Samruk-Kazyna(4)	25.9	11,195.7	27,966.9	26,986.3
Loans and deposits from banks and other financial institutions	1,289.2	556,670.0	640,008.0	540,295.4
Loans from the Parent Company	656.2	283,338.1	227,597.0	175,229.0
Amounts payable under sale and repurchase agreements	100.0	43,189.7	—	—
Government grants	697.4	301,140.6	261,839.0	210,933.4
Debt securities issued	3,975.8	1,716,748.7	1,241,012.7	1,051,544.3
Subordinated debt	273.8	118,216.8	111,163.0	104,534.6
Other liabilities	258.2	111,480.4	47,741.1	27,916.5
Provisions	29.2	12,609.2	2,825.4	7,563.5
Deferred tax liabilities	—	—	—	198.4
Total liabilities	**7,376.1**	**3,185,001.1**	**2,575,946.8**	**2,162,437.7**
Equity				
Share capital	1,194.9	515,953.5	503,667.5	445,667.5
Fair value reserve	(13.5)	(5,828.6)	(1,380.1)	(2,137.1)
Additional paid-in capital	85.1	36,750.5	34,239.2	28,423.2
Retained earnings/(accumulated losses)	23.0	9,952.9	(24,493.5)	(43,575.8)
Total equity	**1,289.6**	**556,828.3**	**512,033.1**	**428,377.8**
Total liabilities and equity	**8,665.7**	**3,741,829.4**	**3,087,979.9**	**2,590,815.5**

Notes:

(1) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.$ market exchange rate quoted on the KASE, as reported by the NBK, as at 31 December 2021, which was KZT 431.80 per U.S.$1.00. There can be no assurance that these Tenge amounts could have been converted into U.S. Dollars at this rate or any other rate.

(2) Represents net loans to customers. See Note 14 to the 2021 Annual Financial Statements and Note 16 to the 2020 Annual Financial Statements and "*Selected Statistical and Other Data*".

(3) Represents net finance receivables. See Note 15 to the 2021 Annual Financial Statements and Note 17 to the 2020 Annual Financial Statements and "*Selected Statistical and Other Data*".

(4) The figure for 2021 does not include loans from the Government; it represents loans from Samruk-Kazyna only.

Selected Financial Ratios and Economic Data

The table below sets forth DBK's selected financial ratios and economic data for Kazakhstan as at, and for the years ended, 31 December 2021, 2020 and 2019:

	As at and for the year ended 31 December		
	2021	**2020**	**2019**
	(%, unless otherwise indicated)		
Profitability Ratios[1]			
Return on average equity	5.9	4.8	2.7
Return on average assets[2]	0.9	0.8	0.4
Net interest margin[3]	2.0	2.1	2.1
Net interest spread[4]	0.5	0.6	0.8
Non-interest expense/net interest income plus non-interest income[5][6]	(10.5)	(13.1)	(20.3)
Non-interest expense as a percentage of net interest income[5]	(12.8)	(14.8)	(20.1)
Non-interest expense as a percentage of average total assets[5]	(0.2)	(0.3)	(0.4)
Loan Portfolio Quality			
Allowance for impairment losses/loans to customers and banks[7]	(6.7)	(5.6)	(4.7)
Balance Sheet Ratios and Capital Adequacy			
Loans to customers and banks-total assets	53.8	63.8	66.7
Total equity-total assets	14.9	16.6	16.5
Liquid assets-total assets[8]	27.8	18.2	17.4
Contingent liabilities-total equity[9]	67.0	41.1	100.2
Direct liabilities-total equity[10]	4.9	4.4	4.7
Capital adequacy ratio[11]	17.4	20.2	20.5
Economic Data[12]			
Period-end exchange rate (*KZT/U.S.$*)	431.80	420.91	382.59
Average exchange rate for period (*KZT/U.S.$*)	426.03	412.95	(382.87)
Inflation growth rate (CPI)[13]	8.4	7.5	5.4
GDP growth (real)[13]	4.0	(2.6)	4.5

Notes:

(1) Averages are based upon opening and closing balances. Average equity was calculated using opening and closing balances for each relevant period.

(2) Return on average assets is profit for the year divided by average period total assets. Average period total assets are calculated based on opening and closing balances for each relevant period.

(3) Net interest margin is a percentage of average interest-bearing assets. Interest-bearing assets are comprised of cash and cash equivalents, placements with banks and other financial institutions, loans to banks, loans to customers, finance lease receivables, debt securities and amount receivable from IFK JSC. See "*Selected Statistical and Other Data—Average Balance Sheet and Interest Rates*".

(4) Net interest spread is the difference between the average interest rate on interest-bearing assets and the average interest rate on interest-bearing liabilities. Average interest rates are calculated as the ratio of net interest income to the average balance of interest-bearing assets or liabilities. Interest-bearing liabilities are comprised of loans from the Government and SWF Samruk-Kazyna JSC, loans from the Parent Company, loans and deposits from banks and other financial institutions, current accounts and deposits from customers, debt securities issued and subordinated debt. See "*Selected Statistical and Other Data—Average Balance Sheet and Interest Rates*".

(5) Non-interest expense is comprised of fee and commission expense, and general administrative expenses.

(6) Non-interest income is comprised of net foreign exchange gain/(loss), net realised gain/(loss) on debt securities at fair value through other comprehensive income, net gain/(loss) on financial instruments at fair value through profit or loss, net loss resulted from derecognition of financial assets measured at amortised cost and other (expense)/income.

(7) Loan portfolio quality is calculated using gross loan balances.

(8) Liquid assets comprise cash and cash equivalents, placements with banks and other financial institutions and debt securities measured at fair value through other comprehensive income.

(9) Contingent liabilities include loan, credit line and finance lease commitments, as well as letters of credit, guarantees and other commitments related to settlement operations.

(10) Direct liabilities include loans from the Government and SWF Samruk-Kazyna JSC, loans and deposits from banks and other financial institutions, current accounts and deposits from customers, debt securities issued, loans from Parent Company, subordinated debt and derivative financial instruments.

(11) Calculated as a ratio of DBK's consolidated equity capital to its risk-weighted assets, calculated according to Basel II (International Convergence of Capital Measurement and Capital Standards) Convention ("**Basel II**") principles.

(12) Based on data from the NBK and the NSA.

(13) Year-on-year rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following management's discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in DBK's results of operations and financial condition. The selected financial and operating data set forth below, subject to rounding, has been extracted without material adjustment from the Financial Statements. Such data, together with the related discussion and analysis, should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements, including the notes thereto, as well as the information set forth under the captions "Selected Statistical and Other Data" and "Asset and Liability Management" included elsewhere in this Drawdown Information Memorandum. Unless otherwise indicated, all figures are expressed in or derived from amounts in Tenge. The Financial Statements are consolidated and reflect the results of operations of DBK and its subsidiaries, IDF JSC and DBK Capital Structure Fund B.V. DBK prepares its Financial Statements in accordance with IFRS. This management's discussion and analysis contains forward-looking statements, which involve risks and uncertainties. See "Forward-looking Statements". DBK's actual results could differ materially from those anticipated in the forward-looking statements contained herein for several reasons, including those set forth under "Risk Factors" and elsewhere in this Drawdown Information Memorandum. This discussion, insofar as it refers to average amounts, has, unless otherwise stated, been based upon annual opening and closing balances. See "Presentation of Financial and Other Information".

Introduction

DBK was incorporated on 31 May 2001 and is organised under the Decree of the President of the Republic of Kazakhstan № 531 dated 28 December 2000, the Law of the Republic of Kazakhstan № 178-II dated 25 April 2001 and the Resolution of the Government of the Republic of Kazakhstan № 659 dated 18 May 2001 for an unlimited duration as Closed Joint Stock Company "Development Bank of Kazakhstan". On 18 August 2003, DBK was re-registered as Joint Stock Company "Development Bank of Kazakhstan" in line with the requirements of the amended JSC Law. A re-registration certificate (№ 4686-1900-AO) was issued in respect of DBK by the Registration Service and Legal Assistance Committee of the Ministry of Justice on 18 August 2003. DBK is a national development bank that is authorised to implement State investment policies and State support of the production sector of the Kazakhstan economy.

DBK operates under business identification number 010540001007 and its registered office is n-r. pr. 15, building 55A Mangilik Yel Avenue, Yesil district, Nur-Sultan, Republic of Kazakhstan and its telephone number is +7 7172 792 604. DBK's sole shareholder is Baiterek JSC, which is, in turn, wholly-owned by the Government. Accordingly, the ultimate controlling party of DBK is the Government, represented by the Ministry of Industry and Infrastructural Development.

In accordance with the DBK Law, DBK's objectives are:

- to improve and increase the efficiency and effectiveness of governmental investment activity;
- to develop industrial infrastructure and the manufacturing industry in Kazakhstan; and
- to promote foreign and domestic investment in Kazakhstan.

As a part of its role under Kazakhstan's industrial development programme and in furtherance of such purposes, and in accordance with the Credit Policy Memorandum, DBK provides medium and long-term financing for investment projects (other than food or beverage projects and public private partnership projects) of KZT 7 billion or more, food or beverage investment projects and public private partnership projects of KZT 3 billion or more and export transactions of KZT 1 billion or more. See "*Business—Participation in Government Programmes*" and "*Business—Lending*". In 2020, DBK introduced a new rating system, which is designed to assess and compare the impact that potential projects are expected to have on the economy, sustainable development and environment of a particular region of or the Republic of Kazakhstan as a whole. In addition to the impact that each potential project could have, DBK also assesses whether each project has the potential to increase the output capacity, improve labour productivity and increase export revenues, and analyses the shareholding structure of each project. A project that is assessed as being likely to have a high social and economic effect is assigned a high development score. In determining which projects or transactions to finance, DBK gives priority to private investor projects, projects that have high development scores and those that are designed to establish new or develop existing energy, communication, transport infrastructure, agricultural and production facilities, as well as commercial service industries including tourism, healthcare, recreation, sports and hotels. Approximately 33% of the projects financed by DBK are greenfield projects. DBK's lending activities are primarily funded through the issuance and placement of domestic and international debt securities and through borrowings from Baiterek JSC, international financial institutions and the State budget.

IDF JSC, DBK's wholly-owned subsidiary, offers short- and long-term (up to 20 years) lease financing in various forms, including for industrial equipment, leasing of industrial buildings and certain combined services, and credit and leasing. IDF JSC invests only in large-scale projects valued at over KZT 500 million or more. IDF JSC provides financial leasing for investment projects in priority sectors of the economy in an amount of U.S.$448,776 or more under Government support programmes (see "*—IDF JSC*"), and KZT 50 million or more for investment projects in the consumer goods industry. See "*Business—Industrial Development Fund JSC*".

In July 2017, DBK established its wholly-owned subsidiary DBK Capital Structure Fund B.V. ("**DBK CSF**"), a closed private limited liability company established in the Netherlands. DBK CSF was established for the purpose of participating in a direct investment fund in the Netherlands. In November 2017, DBK CSF and Kazyna Capital Management Fund ("**KCM**") established DBK Equity Fund CV ("**DBK Equity Fund**"), a direct investment fund, for purposes of investing in domestic and foreign projects, which promote the interests of the Kazakhstan economy and in which DBK is not permitted to invest directly as a result of the restrictions imposed on it under the Credit Policy Memorandum. DBK Equity Fund is 97% owned by DBK CSF. See "*Business—DBK CSF*".

For the year ended 31 December 2021, DBK's profit for the year was KZT 31,499.7 million, as compared to KZT 22,369.8 million for the year ended 31 December 2020 and KZT 10,958.5 million for the year ended 31 December 2019. As at 31 December 2021, DBK had total assets of KZT 3,741,829.4 million, as compared to total assets of KZT 3,087,979.9 million as at 31 December 2020 and KZT 2,590,815.5 million as at 31 December 2019.

Critical Accounting Policies

DBK's accounting policies are integral to understanding the results of operations and financial condition presented in the Financial Statements and notes thereto. DBK's significant accounting policies are described in Note 3 to the Financial Statements appearing elsewhere in this Drawdown Information Memorandum. In addition, the preparation of the Financial Statements requires DBK's management to make estimates and judgments. See Note 2(d) to the Financial Statements. Set out below is a summary of certain significant accounting policies which DBK's management believe to be of particular importance.

Financial Instruments

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 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.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- 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.

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 income using the effective interest method;
- expected credit losses ("**ECL**") and reversals; and
- foreign exchange gains and losses.

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.

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

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, DBK may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

DBK classified its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL. Financial liabilities are not reclassified subsequent to their initial recognition.

Impairment

DBK recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- net investment in finance lease;
- financial guarantee contracts issued; and
- loan commitments issued.

DBK measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

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

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

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:

- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by DBK on terms that DBK would not consider otherwise;
- *force majeure* and other circumstances that caused significant material damage to the borrower (including the revocation or suspension of a licence for the activities of the borrower);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation, as well as involvement in litigation; or
- the disappearance of an active market for a security because of financial difficulties.

Government Grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to DBK in return for past or future compliance with certain conditions relating to the operating activities of DBK. Government grants are not recognised until there is reasonable assurance that DBK will comply with the conditions attached to them and the grants will be received. If there are conditions that may require repayment, the grant is recognised as "deferred income" in other liabilities.

The benefit of a Government loan at a below-market rate of interest is treated as a Government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and the proceeds received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which DBK recognises as expenses the related costs for which the grants are intended to compensate. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Government Grants*".

Primary Factors affecting DBK's Results of Operations

The primary factors that have affected DBK's results of operations during the years ended 31 December 2021, 2020 and 2019, and that can be expected to affect DBK's results of operations in the future, are: (i) DBK's role as a development bank; (ii) the current economic environment in Kazakhstan, including the impact of the COVID-19 pandemic; (iii) fluctuations in interest rates; (iv) fluctuations in exchange rates; (v) fluctuations in oil prices; (vi) shifts in composition of borrowers and funding sources; and (vii) taxation.

DBK's Role as a Development Bank

DBK is a development bank that is wholly-owned by Baiterek JSC, which is, in turn, wholly-owned by the Government. Accordingly, DBK's lending and investment policies are different from those of a standard commercial bank, in that DBK's business activities are generally driven by macro-economic policy in Kazakhstan as a whole rather than purely commercial considerations. As a development bank, DBK does not compete with commercial lending and financial institutions in providing finance to customers and has declined lending opportunities in the past where financing was available elsewhere. In addition, DBK does not generally accept customer deposits, and its primary funding sources are concessional loans made by the Government, its sole shareholder and Baiterek JSC, issuances of debt securities and loans from international and multi-lateral institutions. DBK concentrates on providing funding to investment projects, such as infrastructure projects and high-value manufacturing projects in Kazakhstan, which are not typically eligible for financing or refinancing on terms acceptable to commercial banks and other non-specialist market investors. Loans and investments made by DBK often involve relatively large principal amounts, have longer-term maturities and are extended at preferential rates, all of which make these activities of relatively high risk and low return. In general, DBK sets interest rates by reference to its cost of funding a particular loan plus a margin reflecting its administrative costs and a risk premium.

The Current Economic Environment

The Kazakhstan economy may be influenced by market downturns and economic slowdowns elsewhere in the world. The general slowdown and challenging macroeconomic conditions in the global financial market that began in 2008 resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and tighter credit conditions within Kazakhstan and generally for Kazakhstan companies, as well as weakened global demand for and a decline in prices of crude oil and other commodities. Since 2020, the Kazakhstan economy has been materially adversely affected by the COVID-19 pandemic.

The general decline in global economic activity, the disruption of the supply chains of goods and services, the restriction of the free movement of people, and the transition to self-isolation caused by the COVID-19 pandemic led to a significant drop in GDP around the world in 2020. According to estimates published by the IMF, the decline in global GDP in 2020 was estimated to be 3.1%, however, it then saw a general global rebound and increased by 5.9% in 2021. According to statistics published by the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Kazakhstan's real GDP grew by 3.7% in 2021, as compared to a contraction of 2.6% in 2020. In November 2021, the IMF projected real GDP growth to be 3.9% in 2022 and 3.1% in 2023, and the unemployment rate to be 4.7% for both 2022 and 2023, respectively. In April 2022, the IMF adjusted its forecast. Overall, the IMF predicts a slowdown in the growth of the entire global economy, and Kazakhstan's GDP growth is projected to decline to 2.3% in 2022 before increasing to 4.4% in 2023. The IMF's adjusted forecasted unemployment rate is 4.9% and 4.8% in 2022 and 2023, respectively. According to the IMF, inflation was 5.2%, 6.8% and 7.5% and in 2019, 2020 and 2021, respectively. In November 2021, the IMF forecasted inflation to be 6.5% in 2022 and 5.0% in 2023. In April 2022, the IMF forecasted inflation in the Middle East and in Central Asia to be 12.8%, 10.5% and 6.9% in 2022, 2023 and 2024, respectively.

The COVID-19 pandemic has had, and is continuing to have, an indeterminable adverse impact on the world economy, including the Kazakhstan economy, as well as on DBK's counterparties and, in turn, DBK's business. The pandemic has affected investment sentiment and resulted in sporadic volatility in the global capital and financial markets. This has had a material adverse effect on the global economy, slowing national economic development and adversely affecting the Kazakhstan economy. The duration, impact and severity of the outbreak on financial markets may be significant.

During 2020 and 2021, the Government implemented measures, including periods of lockdown and quarantines in an effort to combat the spread of the virus in Kazakhstan and alleviate the negative effects of the pandemic. A state of emergency was declared in Kazakhstan between 16 March 2020 and 12 May 2020. During this period, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities.

On 2 January 2022, protests started in the west of Kazakhstan related to an increase in the LNG price from KZT 60 per litre to KZT 120 per litre. These protests spread to other cities and resulted in looting and loss of life. On 5 January 2022, the Government declared a state of emergency. As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures, including additional taxes. On 19 January 2022, the state of emergency was lifted.

The Kazakhstan economy is particularly affected by global oil prices. Due to business disruption and lockdowns in many countries as a result of the COVID-19 pandemic, global oil demand has substantially decreased, leading to oversupply and a significant decrease in oil prices. On 12 April 2020, major global oil producers, including Kazakhstan, agreed to a record cut of 9.7 million barrels per day in crude oil production aimed at stabilising the market. Such decreases in oil prices and production volumes have resulted in corresponding decreases in oil producers' income and payments to the State budget, which have had, and continue to have, a material adverse effect on the Kazakhstan economy and public sector spending. However, during 2021 and 2022, demand for oil has surged and in the U.S. Energy Information Administration's March 2022 Short-Term Energy Outlook, Brent crude oil was forecast to rise to U.S.$116 per barrel in the second quarter of 2022.

The fluctuations in oil price have a correlation with the value of the Tenge. If oil prices fall sharply, the value of the Tenge also falls. Accordingly, DBK's credit portfolio is indirectly exposed to the fluctuation in oil prices, especially if borrowers have loans denominated in U.S. Dollars who might be more greatly affected by downward swings in the Tenge and may ask to restructure their foreign currency-denominated loans (to Tenge-denominated loans).

On 11 February 2014, the NBK devalued the Tenge by 18.3% against the U.S. Dollar in light of the depreciation of the Russian Rouble over the course of 2013 and 2014, as well as the overall situation in the global financial and commodity markets. In August 2015, the NBK announced the adoption of a free-floating exchange rate, which resulted in a 26.2% depreciation against the U.S. Dollar. The Tenge/U.S. Dollar exchange rate weakened by 10% in 2020, from KZT 382.59 to KZT 420.91 per U.S.$1.00. In February 2022, the Tenge depreciated significantly against major foreign currencies amid the external geopolitical situation driven by the armed conflict in Ukraine and escalating tensions in the region. In order to reduce the negative impact of external factors on the Kazakhstan economy, the NBK raised the base rate from 10.25% to 13.5%, and interventions with respect to the currency market were performed to support the tenge exchange rate against foreign currencies.

As at 31 December 2021, the official KZT/U.S.$ market exchange rate reported by the NBK was KZT 431.80 per U.S.$1.00, as compared to KZT 420.91 per U.S.$1.00 as at 31 December 2020 and KZT 381.18 per U.S.$1.00 as at 31 December 2019. See "*—Exchange Rate Devaluations and Depreciations*". Past devaluations of the Tenge have resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, all of which have had, and are expected to continue to have, a material effect on DBK's financial position and results of operations.

Concern about the stability of the banking sector in Kazakhstan in recent years has led to a material reduction in liquidity as wholesale funding has become more expensive and less available. The Government has taken a number of steps to support the Kazakhstan banking sector, including by making significant capital injections. According to Fitch Ratings, with the completion of the 2020 asset quality review, banks have raised shareholder capital, improving the sector's total aggregate capital adequacy ratio to 26.9% of risk-weighted assets as at the end of November 2020 (end of 2019: 24.3%). System non-performing loans ("**NPL**") fell to 3.3% of total loans as of the end of 2021 (end of 2020: 6.8%; end of 2019: 8.1%). Asset quality issues from the COVID-19 pandemic's impact on the economy are not yet captured in NPL numbers, but are expected to be manageable. See "*The Banking Sector in Kazakhstan*".

The future stability of the Kazakhstan economy is part dependent upon the continued implementation of economic reform programmes and the effectiveness of economic, financial and monetary measures undertaken by the Government, as well as developments in other economies in the region, particularly the Russian economy and related effects on the value of the Russian Rouble. On 24 February 2022, Russia launched an armed conflict against Ukraine. The situation in Eastern Europe, and sanctions imposed by governments in response, has led to significant volatility in the global credit markets and on the global economy. As at 31 December 2021, DBK had loans issued to subsidiaries of Russian banks with the carrying amount of KZT 21,220.9 million. DBK has been actively terminating or winding down its activities and relationships with Kazakhstan-established subsidiaries of Russian state-owned banks and Russian state-owned banks in response to the expansion of sanctions since February 2022. On 14 March 2022, all loans granted to Subsidiary Organization VTB Kazakhstan JSC were transferred to another Kazakhstan bank. Loans granted to Subsidiary Bank Sberbank JSC have been, or are in the process of being, transferred to other Kazakhstan banks or repaid to DBK and letters of credit have been closed and transferred to another Kazakhstan bank. See "*Risk Factors—Factors that may affect DBK's ability to fulfil its obligations under, or in connection with the Notes—C. Macroeconomic and Geopolitical Risks—Exchange Rate Policies*".

Fluctuations in Interest Rates

DBK provides lending at low rates in line with its mission as a development bank and, until recent interest rate rises, the generally low interest rate climate globally.

Interest rates are sensitive to many factors beyond DBK's control, including the policies of central banks, such as the NBK, adverse domestic and international economic conditions and political factors. DBK's intentions to diversify its funding sources by continuing to access the domestic and international capital markets may increase these risks.

DBK is exposed to risks resulting from mismatches between the interest rates on its interest-bearing liabilities and interest-earning assets. To the extent that DBK's assets may reprice more frequently than its liabilities, if interest rates fall, DBK's interest expense will increase more rapidly than its interest income, which could negatively affect interest margins. As a measure to manage the risk of mismatches in interest rates, which is inherent in DBK's operations, the Government grants loans to DBK with low interest rates to ensure DBK is able to sustain margins in a falling interest rate environment through the interest income generated by such loans. In addition, DBK structures its assets with floating interest rates and its overall balance sheet in such a way that a fixed portion of its interest income from assets with floating rates covers possible fluctuations in interest rate, resulting in an acceptable balance between interest-bearing liabilities and interest-earning assets. In particular, in accordance with DBK's credit policy, DBK seeks to pass on interest rate risks to borrowers by on-lending under similar conditions. DBK's interest rate management policies are strengthened by a system of limits and reporting requirements to control and monitor interest rate risk on monthly basis.

Although nearly all of DBK's assets are match-funded, an increase in interest rates may generally raise DBK's funding costs and may also increase interest income in the future, but overall demand for new loans may be reduced and the risk of customer defaults may increase. Increased interest rates may also generally decrease the market value of fixed-rate debt securities held by DBK.

See "*Asset and Liability Management*".

Fluctuations in Exchange Rates

Fluctuations in exchange rates impact DBK's financial condition and results of operations. DBK maintains open foreign currency positions, which give rise to foreign exchange rate risk. DBK's exposure to exchange rate risk may increase, particularly as it continues to access international capital markets. A significant portion of DBK's exposure to foreign exchange rate risk also depends on numerous factors beyond its control, such as overall market trading activity, fluctuations in interest-rate levels and exchange rates, government actions and general market volatility.

DBK is also subject to foreign currency risk as a portion of its borrowings and debt securities are denominated in U.S. Dollars, and, in the past, has been adversely affected by past devaluations of the Tenge, including devaluations by the NBK, and their impact on the Tenge-value of loans from banks and other financial institutions, as well as U.S. Dollar-denominated debt securities. As at 31 December 2021, 46.1% of DBK's debt securities issued were denominated in U.S. Dollars. Accordingly, while DBK takes measures to naturally hedge its foreign currency risk by undertaking U.S. Dollar-denominated borrowings only for certain projects that have corresponding hard currency revenues, and DBK has increased its Tenge-denominated borrowings in recent years, any future devaluation of the Tenge against the U.S. Dollar may have an adverse effect on DBK.

The following table sets forth the period end, average and low and high KZT/U.S.$ exchange rates quoted on the KASE, as reported by the NBK, (after rounding adjustment) for the periods indicated:

Period	Period end	Average[(1)]	High	Low
		(KZT/U.S.$1.00)		
Year ended 31 December 2019	382.59	382.87	390.13	373.56
Year ended 31 December 2020	420.91	413.38	448.52	375.87
Year ended 31 December 2021	431.80	426.08	436.35	414.77

Note:
(1) The average of the rate reported by the KASE for each month during the relevant period.

DBK has also been subject to exchange rate fluctuations in the KZT/RUB exchange rate as a result of borrowings denominated in Russian Roubles, in particular, credit facilities entered into between IDF JSC and Roseximbank JSC, although all facilities with Roseximbank JSC were fully prepaid on 4 March 2022 (with such prepayments confirmed by Roseximbank JSC in a letter dated 5 March 2022). As at 31 December 2021, the official KZT/RUB exchange rate reported by the NBK was KZT 5.76 per RUB 1.00, as compared to KZT 5.62 per RUB 1.00 as at 31 December 2020 and KZT 6.16 per RUB 1.00 as at 31 December 2019.

Shifts in Composition of Borrowers and Funding Sources

DBK's lending activities and business can be both positively and negatively affected by shifts in the composition of its borrowers and funding sources. In general, as a result of the borrower concentration and relatively large size of individual loans within the loan portfolio, the breakdown of loans granted to customers in different economic sectors can fluctuate significantly as a result of a single loan disbursement being repaid in a given period. Such fluctuations in loans to customers by economic sector, for the most part, occur in the ordinary course of DBK's business.

Changes in policy in respect of DBK's lending and funding strategies, can result in changes to the composition of its borrowers and funding sources. For example, in 2014, the Bank began lending to second-tier Kazakhstan banks for on-lending, particularly to the private sector, primarily through the implementation of Government programmes. As a result there has been a significant shift in DBK's borrower portfolio since 2014. Such shifts have in the past had, and may continue in the future to have, a positive effect of increasing the size of the loan portfolio, thereby helping DBK to further grow its business. Such changes can also, however, result in an increased cost of risk of impairment, depending on the borrower concentration.

As part of its Development Strategy, DBK also aims to diversify its funding sources by attracting funds from non-Governmental sources while also maintaining its focus on cost control. Any concentration in new sources of funding will increase DBK's exposure to political and economic conditions in the resident country of the lender, which could have both positive and negative effects on the rates and level of funding available to DBK.

Taxation

Income tax expense represents the sum of the current and deferred tax expense. The current tax expense is the expected tax payable on the taxable income for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. DBK's current tax expense is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date and includes any adjustment to tax payable in respect of previous years.

Deferred tax is 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. The following temporary differences are not provided for: (i) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and (ii) temporary differences related to investments in subsidiaries and associates where the shareholder 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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is 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.

DBK's impairment losses are tax deductible, in line with the Government's rules on creating provisions (reserves).

Results of operations for the years ended 31 December 2021, 2020 and 2019

Net Interest Income

The following table sets forth the principal components of DBK's net interest income for the years ended 31 December 2021, 2020 and 2019:

	Year ended 31 December			Percentage change	
	2021	2020	2019	2021/20	2020/19
		(KZT millions)		(%)	
Interest income calculated using the effective interest method	182,178.5	155,607.2	144,098.4	17.1	8.0
Other interest income	59,044.6	43,310.9	30,354.7	36.3	42.7
Interest expense	(176,535.4)	(144,536.1)	(123,647.5)	22.1	16.9
Net interest income	**64,687.8**	**54,382.0**	**50,805.6**	**19.0**	**7.0**

DBK's net interest income increased in 2021 by KZT 10,305.8 million, or 19.0%, to KZT 64,687.8 million for the year ended 31 December 2021, from KZT 54,382.0 million for the year ended 31 December 2020 after having increased in 2020 by KZT 3,576.4 million, or 7.0%, from KZT 50,805.6 million for the year ended 31 December 2019. The increases in net interest income in each of 2021 and 2020 were primarily due to increases in interest income calculated using the effective interest method and other interest income, which were only partially offset by increases in interest expense.

Interest Income calculated using the effective interest method

The following table sets forth the principal components of DBK's interest income for the years ended 31 December 2021, 2020 and 2019:

	Year ended 31 December			Percentage change	
	2021	2020	2019	2021/20	2020/19
		(KZT millions)		(%)	
Loans to customers	131,480.4	124,466.8	106,262.4	5.6	17.1
Cash and cash equivalents	17,284.9	3,131.1	15,410.8	452.0	(79.7)
Loans to banks	12,570.2	11,840.8	7,243.2	6.2	63.5
Placements with banks and other financial institutions	12,095.4	7,708.5	6,668.9	56.9	15.6
Debt securities	7,211.6	6,299.5	6,548.0	14.5	(3.8)
Other financial assets	1,536.1	2,160.4	1,965.1	(28.9)	9.9
Interest income calculated using the effective interest method	**182,178.5**	**155,607.2**	**144,098.4**	**17.1**	**8.0**

Interest income calculated using the effective interest method increased in 2021 by KZT 26,571.3 million, or 17.1%, to KZT 182,178.5 million for the year ended 31 December 2021, from KZT 155,607.2 million for the year ended 31 December 2020, after having increased in 2020 by KZT 11,508.8 million, or 8.0%, from KZT 144,098.4 million for the year ended 31 December 2019.

The year-on-year increase in 2021 was primarily due to: (i) the increase in interest received on loans to customers of KZT 7,013.6 million, or 5.6%, in 2021, from KZT 124,466.8 million for the year ended 31 December 2020 to KZT 131,480.4 million for the year ended 31 December 2021, primarily reflecting increased lending to corporate clients; (ii) the increase in interest income on cash and cash equivalents of KZT 14,153.8 million, or 452.0%, in 2021, from KZT 3,131.1 million for the year ended 31 December 2020 to KZT 17,284.9 million for the year ended 31 December 2021, primarily reflecting interest income from reverse repurchase agreements; and (iii) the increase in interest received on placements with banks and other financial institutions of KZT 4,386.9 million, or 56.9%, in 2021, from KZT 7,708.5 million for the year ended 31 December 2020 to KZT 12,095.4 million for the year ended 31 December 2021, primarily reflecting an increase in deposits in banks and other financial institutions.

The year-on-year increase in 2020 was primarily due to the increase in interest received on loans to customers of KZT 18,204.4 million, or 17.1%, in 2020, from KZT 106,262.4 million for the year ended 31 December 2019 to KZT 124,466.8 million for the year ended 31 December 2020, primarily reflecting increased lending to corporate clients. The year-on-year increase in 2020 was also due to the year-on-year increase in interest income on loans to banks by KZT 4,597.6 million, or 63.5%, in 2020, from KZT 7,243.2 million for the year ended 31 December 2019 to KZT 11,840.8 million for the year ended 31 December 2020, which largely reflected increased lending within the banking sector.

Other Interest Income

DBK generates other interest income from finance lease receivables, loans to customers and debt securities measured at fair value through profit or loss.

The following table sets out the principal components of DBK's other interest income for the years ended 31 December 2021, 2020 and 2019:

	Year ended 31 December			Percentage change	
	2021	**2020**	**2019**	**2021/20**	**2020/19**
		(KZT millions)		*(%)*	
Finance lease receivables	51,355.5	35,088.0	24,422.3	46.4	43.7
Loans to customers	7,548.6	8,091.5	5,707.7	(6.7)	41.8
Debt securities measured at fair value through profit or loss	140.5	131.3	224.7	7.0	(41.6)
Total other interest income	**59,044.6**	**43,310.9**	**30,354.7**	**36.3**	**42.7**

Total other interest income increased by KZT 15,733.7 million, or 36.3%, to KZT 59,044.6 million for the year ended 31 December 2021, as compared to KZT 43,310.9 million for the year ended 31 December 2020. This increase was primarily due to a KZT 16,267.5 million, or 46.4%, increase in interest income in respect of finance lease receivables, which was, in turn, a result of increased transfers of leased items to lessees.

Total other interest income increased by KZT 12,956.2 million, or 42.7%, to KZT 43,310.9 million for the year ended 31 December 2020, as compared to KZT 30,354.7 million for the year ended 31 December 2019. This increase was primarily due to a KZT 10,665.8 million, or 43.7%, increase in interest income in respect of finance lease receivables and a KZT 2,383.8 million, or 41.8%, increase in interest income in respect of loans to customers, which was, in turn, a result of further lending to corporate clients.

Interest Expense

The following table sets forth the principal components of DBK's interest expense for the years ended 31 December 2021, 2020 and 2019:

	Year ended 31 December			Percentage change	
	2021	**2020**	**2019**	**2021/20**	**2020/19**
		(KZT millions)		*(%)*	
Debt securities issued	(121,865.3)	(93,014.7)	(74,616.6)	31.0	24.7
Loans from the Parent Company	(23,590.7)	(17,236.4)	(12,697.6)	36.9	35.7
Loans and deposits from banks and other financial institutions	(22,461.5)	(24,974.5)	(27,492.8)	(10.1)	(9.2)
Subordinated debt	(7,440.2)	(7,014.8)	(6,579.1)	6.1	6.6
Loans from SWF "Samruk-Kazyna"	(976.9)	(1,395.7)	(1,364.6)	(30.0)	2.3
Current accounts and deposits from customers	(162.5)	(900.0)	(896.7)	(81.9)	0.4
Amounts payable under sale and repurchase agreements	(38.3)	—	—	—	—
Total interest expense	**(176,535.4)**	**(144,536.1)**	**(123,647.5)**	**22.1**	**16.9**

For the year ended 31 December 2021, DBK's interest expense increased by KZT 31,999.3 million, or 22.1%, to KZT 176,535.4 million from KZT 144,536.1 million for the year ended 31 December 2020, having increased in 2020 by KZT 20,888.6 million, or 16.9%, from KZT 123,647.5 million for the year ended 31 December 2019.

The year-on-year increase in interest expense in 2021 was primarily due to a 31.0% increase in interest expense on debt securities issued (which was, in turn, primarily due to six debt issuances in 2021: (i) ten-year Eurobonds in an aggregate principal amount of U.S.$500 million; (ii) five-year Tenge-denominated Eurobonds in an aggregate principal amount of KZT 100,000 million; (iii) ten-year domestic bonds in an aggregate principal amount of KZT 32,200 million; (iv) nine-year domestic bonds in an aggregate principal amount of KZT 22,200 million; (v) ten- and seven-year domestic bonds of IDF JSC in an aggregate principal amount of KZT 50,000 million), as well as a 36.9% increase in interest expense on loans from the Parent Company. The year-on-year increase in interest expense in 2021 was partially offset by a 10.1% decrease in interest expense on loans and deposits from banks and other financial institutions and a 81.9% decrease in interest expense related to current accounts and deposits from customers.

The year-on-year increase in interest expense in 2020 was primarily due to an 24.7% increase in interest expense on debt securities (which was, in turn, primarily due to DBK's issuance of the Series 9 Eurobonds under the Programme in February 2020, (see "*Selected Statistical and Other Data—Principal Sources of Funding—Debt Securities*")) and a 35.7% increase in interest expense on loans from the Parent Company. The year-on-year increase in interest expense in 2020 was partially offset by a 9.2% decrease in interest expense on loans and deposits from banks and other financial institutions.

Net Non-Interest Income

The following table sets forth the principal components of DBK's net non-interest income for the years ended 31 December 2021, 2020 and 2019:

	Year ended 31 December			Percentage change	
	2021	**2020**	**2019**	**2021/20**	**2020/19**
		(KZT millions)		*(%)*	
Net fee and commission (expense)/income	12.3	(232.9)	689.3	(105.3)	(133.8)
Net foreign exchange loss	(1,986.8)	(2,179.8)	(1,487.1)	(8.9)	46.6
Net realised gain/(loss) on debt securities at fair value through other comprehensive income	49.0	6,808.5	(61.8)	(99.3)	(11,117.0)
Net gain/(loss) on financial instruments at fair value through profit or loss	1,031.0	6,459.1	936.6	(84.0)	589.6
Net gain arising from derecognition of financial assets measured at amortised cost	9,961.5	1,775.8[(1)]	4,494.8[(3)]	461.0	(60.5)
Other income/(expense), net	4,343.5	(6,504.2)[(2)]	(8,041.8)[(4)]	(166.8)	(19.1)
Net non-interest income/(expense)	**13,410.5**	**6,126.5**	**(3,470.0)**	**118.9**	**(276.6)**

Note:

(1) In the 2021 Annual Financial Statements, this figure (for line item "*Net gain arising from derecognition of financial assets measured at amortised cost*") has been revised from the loss in the amount of KZT 266.2 million to the gain in the amount of KZT 1,775.8 million. The increase of KZT 2,042.0 million was due to the change in presentation. Please see Note 2(e) to the 2021 Annual Financial Statements.

(2) In the 2021 Annual Financial Statements, this figure (for line item "*Other income/(expense), net*") has been revised from the expense in the amount of KZT 4,462.2 million to the expense in the amount of KZT 6,504.2 million. The increase of KZT 2,042.0 million was due to the change in presentation. Please see Note 2(e) to the 2021 Annual Financial Statements.

(3) To be consistent with the presented figures for 2020-2021, this figure (for line item "*Net gain arising from derecognition of financial assets measured at amortised cost*") has been revised from the loss in the amount of KZT 1,550.4 million to the gain in the amount of KZT 4,494.8 million. The increase of KZT 6,045.2 million was due to reclassification.

(4) To be consistent with the presented figures for 2020-2021, this figure (for line item "*Other income/(expense), net*") has been revised from the expense in the amount of KZT 1,996.6 million to the expense in the amount of KZT 8,041.8 million. The increase of KZT 6,045.2 million was due to reclassification.

Net non-interest income increased by KZT 7,284.0 million, or 118.9%, in 2021 from net non-interest income of KZT 6,126.5 million for the year ended 31 December 2020 to net non-interest income of KZT 13,410.5 million for the year ended 31 December 2021. The year-on-year increase in net non-interest income in 2021 was primarily due to a 166.8% increase in other income/(expense) and a 461.0% increase in net gain arising from derecognition of financial assets measured at amortised cost. This was partially offset by a 99.3% decrease in net realised gain/(loss) on debt securities at fair value through other comprehensive income and a 84.0% decrease in net gain/(loss) on financial instruments at fair value through profit or loss.

Net non-interest income increased by KZT 9,596.5 million or 276.6%, in 2020 from net non-interest expense of KZT 3,470.0 million for the year ended 31 December 2019 to net non-interest income of KZT 6,126.5 million for the year ended 31 December 2020. The year-on-year increase in net non-interest income in 2020 was primarily due to the recognition of KZT 6,808.5 million in net realised gains on debt securities at fair value through other comprehensive income in 2020, as compared to KZT 61.8 million in net realised loss on debt securities at fair value through other comprehensive income in 2019, and due to a recognition of KZT 6,459.1 million in net gain/(loss) on financial instruments at fair value through profit or loss in 2020, as compared to KZT 936.6 million in 2019. This was partially offset by a 60.5% decrease in net gain arising from derecognition of financial assets measured at amortised cost.

The recognition of net commission expense for the year ended 31 December 2020 was primarily due to a KZT 547.5 million write-off of commission for provisioning of cash under an unused credit limit due to the expiry of the availability period.

DBK recognised a net foreign exchange loss of KZT 1,986.8 million for the year ended 31 December 2021, as compared to a net foreign exchange loss of KZT 2,179.8 million for the year ended 31 December 2020 and a net foreign exchange loss of KZT 1,487.1 million for the year ended 31 December 2019. The net foreign exchange losses in 2021, 2020 and 2019 were primarily due to the increase in U.S. Dollar liabilities and the depreciation of the Tenge in U.S. Dollar terms.

Net gain arising from derecognition of financial assets measured at amortised cost increased by KZT 8.185.7 million, or 461.0%, in 2021 from gain arising from derecognition of financial assets measured at amortised cost of KZT 1,775.8 million for the year ended 31 December 2020 to KZT 9,961.5 million for the year ended 31 December 2021. The year-on-year increase was primarily due to the early repayment of loans to customers.

Net other income was KZT 4,343.5 million for the year ended 31 December 2021, as compared to net other expense of KZT 6,504.2 million for the year ended 31 December 2020 and net other expense of KZT 8,041.8 million for the year ended 31 December 2019. The year-on-year increase in net other income in 2021 was primarily due to an increase in income received from the utilisation of government grants, as well as decreases in losses arising on initial recognition of loans issued, expenses on estimates of loan commitments to provide a loan at a below-market interest rate and restructuring expenses.

Operating Profit

As a result of the foregoing, operating income increased by KZT 17,589.7 million, or 29.1%, to KZT 78,098.3 million for the year ended 31 December 2021 from KZT 60,508.6 million for the year ended 31 December 2020, having increased by KZT 13,172.9 million, or 27.8%, from KZT 47,335.7 million for the year ended 31 December 2019.

Impairment losses

The following table sets forth the principal components of DBK's impairment losses for the years ended 31 December 2021, 2020 and 2019:

	Year ended 31 December			Percentage change	
	2021	**2020**	**2019**	**2021/20**	**2020/19**
	(KZT millions)			*(%)*	
Loans to customers	(30,389.0)	(27,026.1)	(19,681.2)	12.4	37.3
Finance lease receivables	(3,188.4)	(8,629.8)	(1,093.8)	(63.1)	689.0
Other financial assets	(694.8)	(1,926.1)	98.4	(63.9)	(2,057.4)
Placements with banks and other financial institutions	(58.1)	(26.7)	234.3	117.6	(111.4)
Cash and other cash equivalents	(0.5)	(0.0)	12.3	—	(100.0)
Debt securities	19.6	224.6	(125.0)	(91.3)	(279.7)
Loans to banks	953.7	176.2	(352.1)	441.3	(150.0)
Losses on impairment of debt financial assets	**(33,357.5)**	**(37,207.9)**	**(20,907.3)**	**(10.3)**	**78.0**
Reversal of impairment loss/(impairment loss) in relation to loan commitments issued and financial guarantee contracts	**(2,810.6)**	**1,763.5**	**1,744.9**	**(259.4)**	**1.1**
Reversal of impairment losses/(impairment losses) on other non-financial assets	**(312.7)**	**5,270.2**	**(5,927.2)**	**(105.9)**	**(188.9)**

Losses on impairment of debt financial assets decreased in 2021 by KZT 3,850.4 million, or 10.3%, to KZT 33,357.5 million for the year ended 31 December 2021 from KZT 37,207.9 million for the year ended 31 December 2020, having increased in 2020 by KZT 16,300.6 million, or 78.0%, to KZT 37,207.9 million for the year ended 31 December 2020 from KZT 20,907.3 million for the year ended 31 December 2019.

The year-on-year decrease in impairment losses in 2021 was primarily due to a 63.9% decrease in other financial assets and a 63.1% decrease in impairment losses on finance lease receivables, which was, in turn, primarily due to the downgrading of the accounts receivable from IFK JSC from a Stage 1 to a Stage 2 impairment level in 2020 and to transferring and foreclosing the leased items, accordingly. For an explanation of NPLs and impairment procedures, see "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures—Loan Restructuring Policies*".

General administrative expenses

The following table sets forth the principal components of DBK's general administrative expenses for the years ended 31 December 2021, 2020 and 2019:

	Year ended 31 December			Percentage change	
	2021	**2020(1)**	**2019**	**2021/20**	**2020/19**
	(KZT millions)			*(%)*	
Personnel costs	4,180.9	3,815.0	3,955.5	9.6	(3.6)
Maintenance and repair of property, plant and equipment	609.3	431.7	335.6	41.1	28.6
Taxes other than income tax	468.1	451.1	419.1	3.8	7.6
Personnel outsourcing	356.6	269.3	332.0	32.4	(18.9)
Depreciation of property, plant and equipment, intangible assets and investment property	340.3	291.7	236.9	16.7	23.1
Amortisation of intangible assets	267.8	213.9	142.2	25.2	50.4
Administrative expense of the Board of Directors	253.2	322.3	352.6	(21.4)	(8.6)
Information services	243.7	215.3	209.6	13.2	2.7
Communication services	170.4	126.9	30.0	34.3	323.0
Rating services	141.7	123.9	120.4	14.4	2.9
Advertising and marketing	103.3	59.4	97.5	73.9	(39.1)
Travel expenses	81.6	30.8	103.4	164.9	(70.2)
Insurance	80.7	88.2	75.3	(8.5)	17.1
Audit expenses	73.5	70.0	72.2	5.0	(3.0)
Employee training (and advanced training)(1)	65.4	50.4	87.1	29.8	(42.1)
Consulting expenses	39.3	416.4	406.2	(90.6)	2.5
Charity and sponsorship	20.0	19.3	-	3.6	-
Transport services	16.5	4.5	9.0	266.7	(50.0)
Materials	12.9	12.2	1.7	5.7	617.6
Other expenses	57.9	82.4	218.1	(29.7)	(62.2)
Total	**7,583.4**	**7,094.8**	**7,204.4**	**6.9**	**(1.5)**

Note:

(1) Reclassified due to the of optimisation of disclosure of "*General administrative expenses*" in 2021, being the consolidation of: (i) line-items "*Wagebill deduction*" (KZT 254.6 million) and "*Wages and salaries*" (KZT 3,560.4 million) into the line-item "*Personnel costs*"; (ii) line-item "*Social expenditure*" (KZT 71.7 million) into the line-item "*Insurance*" (KZT 88.2 million); and (iii) line-items "*Office rental*" (KZT 17.9 million), "*Occupational health and safety*" (KZT 6.8 million), "*Banking services*" (KZT 4.2 million), "*Office supplies and printing expenses*" (KZT 2.9 million), "*Holding festive, entertainment and sports events*" (KZT 2.8 million), "*Security services*" (KZT 2.6 million) and "*Other*" (KZT 45.1 million) into the line-item "*Other expenses*" (KZT 82.4 million).

General administrative expenses increased in 2021 by KZT 488.6 million, or 6.9%, to KZT 7,583.4 million for the year ended 31 December 2021 from KZT 7,094.8 million for the year ended 31 December 2020, having decreased in 2020 by KZT 109.6 million, or 1.5%, from KZT 7,204.4 million for the year ended 31 December 2019.

The year-on-year increase in general administrative expenses in 2021 was primarily due to higher expenses relating to personnel costs, as well as increases in maintenance and repair of property, plant and equipment expenses. These increases were partially off-set by decreases in expenses relating to consulting services and the administrative expenses of the Board of Directors.

The year-on-year decrease in general administrative expenses in 2020 was primarily due to lower expenses relating to personnel costs, advertising and marketing, travel expenses and employee training, in large part due to the impact of the COVID-19 pandemic and corresponding restrictions on travel and in person meetings, as well as the introduction of remote working.

Personnel costs increased by KZT 365.9 million, or 9.6%, to KZT 4,180.9 million for the year ended 31 December 2021 from KZT 3,815.0 million for the year ended 31 December 2020, having decreased by KZT 140.5 million, or 3.6%, from KZT 3,955.5 million for the year ended 31 December 2019. The increase in personnel costs in 2021 was primarily due to the non-payment of bonuses for the third quarter of 2020, which led to unusually lower costs in 2020.

Profit before income tax

As a result of the foregoing, profit before income tax increased by KZT 10,794.5 million, or 46.4%, to KZT 34,034.1 million for the year ended 31 December 2021 from KZT 23,239.6 million for the year ended 31 December 2020, having increased by KZT 8,197.9 million, or 54.5% from KZT 15,041.7 million for the year ended 31 December 2019.

Income tax expense

Income tax expense increased by KZT 1,664.6 million, or 191.4%, to KZT 2,534.4 million for the year ended 31 December 2021, as compared to KZT 869.8 million for the year ended 31 December 2020, having decreased by KZT 3,213.4 million, or 78.7%, from KZT 4,083.2 million for the year ended 31 December 2019.

The year-on-year increase in income tax expense was primarily due to an increase in the incidence of income tax being withheld at the source of payment and in the application of deferred income tax benefit.

DBK's applicable tax rate for current and deferred tax was 20% for each of 2021, 2020 and 2019.

Profit for the year

As a result of all the foregoing, DBK's profit for the year increased by KZT 9,129.9 million, or 40.8%, in 2021 to KZT 31,499.7 million for the year ended 31 December 2021, from KZT 22,369.8 million for the year ended 31 December 2020, having increased by KZT 11,411.3 million, or 104.1%, from KZT 10,958.5 million for the year ended 31 December 2019.

Other comprehensive income/loss

The following table sets forth the principal components of DBK's other comprehensive income for the years ended 31 December 2021, 2020 and 2019:

	Year ended 31 December			**Percentage change**	
	2021	**2020**	**2019**	**2021/20**	**2020/19**
		(KZT millions)		*(%)*	
Net change in fair value	(11,888.3)	7,565.4	5,296.3	(257.1)	42.8
Net amount reclassified to profit or loss	(49.0)	(6,808.5)	61.8	(99.3)	(11,117.0)
Movement in fair value reserve of equity instruments	7,488.8	—	—	—	—
Other comprehensive income/(loss) for the year	**(4,448.5)**	**756.9**	**5,358.2**	**(687.7)**	**(85.9)**

Other comprehensive loss was KZT 4,448.5 million for the year ended 31 December 2021. For the year ended 31 December 2020, DBK's other comprehensive income decreased by KZT 4,601.3 million to KZT 756.9 million from an income of KZT 5,358.2 million for the year ended 31 December 2019.

The other comprehensive loss in 2021 was primarily due to the recognition of a KZT 11,888.3 million loss in net change in fair value, as compared to a gain in 2020, partially offset by a KZT 7,488.8 million positive movement in fair value reserve of equity instruments.

The other comprehensive income in 2020 was primarily due to an increase in the net change in fair value, partially offset by the net amount reclassified to loss. The other comprehensive income in 2019 was primarily due to a significant increase in the net change in fair value.

Total comprehensive income/(loss)

As a result of all the foregoing, DBK had a total comprehensive income of KZT 27,051.2 million for the year ended 31 December 2021, as compared to a total comprehensive income of KZT 23,126.8 million for the year ended 31 December 2020 and a total comprehensive income of KZT 16,316.6 million for the year ended 31 December 2019.

SELECTED STATISTICAL AND OTHER DATA

The selected statistical information and other data set forth below have been extracted, subject to rounding, without material adjustment from the Financial Statements, which are included elsewhere in this Drawdown Information Memorandum and from management reports and accounting records. The selected statistical information and other data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements, as well as the information set forth under the caption "*Management's Discussion and Analysis of Results of Operations and Financial Condition*". Unless otherwise indicated, all figures are expressed in or derived from amounts in Tenge. All average balances are calculated as the average of annual opening and closing balances. Were a different method of calculating averages to be used, such as using averages of quarterly balances, the averages so determined may be materially different from those set forth in this Drawdown Information Memorandum.

Average Balance Sheet and Interest Rates

The following tables set forth the average balances for DBK's interest-earning assets and interest-bearing liabilities, together with weighted average rates and the corresponding amount of interest income (expense) for the years ended 31 December 2021, 2020 and 2019:

	For the year ended 31 December								
	2021			2020			2019		
	Average balance(1)	Average interest rate(2)	Interest Income/ Expense	Average balance(1)	Average interest rate(2)	Interest Income/ Expense	Average balance(1)	Average interest rate(2)	Interest Income/ Expense
	(KZT millions)	*(%)*	*(KZT millions)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(KZT millions)*	*(%)*	*(KZT millions)*
Interest-earning assets									
Cash and cash equivalents	284,466.7	6.1	17,284.9	193,479.9	1.6	3,131.1	217,171.1	7.1	15,410.8
Placements with banks and other financial institutions	146,205.9	8.3	12,095.4	106,671.2	7.2	7,708.5	80,868.3	8.2	6,668.9
Loans to banks	122,922.7	10.2	12,570.2	117,878.3	10.0	11,840.8	84,148.4	8.6	7,243.2
Loans to customers	1,869,212.1	7.4	139,029.0	1,732,060.3	7.7	132,558.3	1,628,534.8	6.9	111,970.1
Finance lease receivables	389,321.8	13.2	51,355.5	258,440.1	13.6	35,088.0	151,831.9	16.1	24,422.3
Debt securities	376,888.3	2.0	7,352.1	217,361.9	3.0	6,430.9	231,919.8	2.9	6,772.7
Amounts receivable from IFK JSC	17,831.4	8.6	1,536.1	23,535.5	9.2	2,160.4	21,978.4	8.9	1,965.1
Total interest-earning assets	**3,206,848.9**	**7.5**	**241,223.1**	**2,649,427.2**	**7.5**	**198,918.1**	**2,416,452.7**	**7.2**	**174,453.1**
Interest-bearing liabilities									
Current accounts and deposits from customers	23,102.9	(0.7)	(162.5)	16,515.0	(5.4)	(900.0)	18,281.0	(4.9)	(896.7)
Loans from the Government and SWF "Samruk-Kazyna"	19,581.3	(5.0)	(976.9)	27,476.6	(5.1)	(1,395.7)	30,987.3	(4.4)	(1,364.6)
Loans and deposits from banks and other financial institutions	598,339.0	(3.8)	(22,461.5)	590,151.7	(4.2)	(24,974.5)	629,534.3	(4.4)	(27,492.8)
Loans from the Parent Company	255,467.5	(9.2)	(23,590.7)	201,413.0	(8.6)	(17,236.4)	148,395.4	(8.6)	(12,697.6)
Debt securities issued	1,478,880.7	(8.2)	(121,865.3)	1,146,278.5	(8.1)	(93,014.7)	998,805.2	(7.5)	(74,616.6)
Subordinated debt	114,689.9	(6.5)	(7,440.2)	107,848.8	(6.5)	(7,014.8)	101,438.3	(6.5)	(6,579.1)
Amounts payable under sale and repurchase agreements	21,594.8	(0.2)	(38.3)	—	—	—	—	—	—
				—	—	—	—	—	—
Total interest-bearing liabilities	**2,511,656.1**	**(7.1)**	**(176,535.4)**	**2,089,683.6**	**(6.9)**	**(144,536.1)**	**1,927,441.5**	**(6.4)**	**(123,647.5)**
Net interest income	—	—	**64,687.8**	—	—	**54,382.0**	—	—	**50,805.6**

Notes:

(1) Average balances are calculated as the arithmetic average of the opening and closing balances for the relevant period.

(2) Average interest rates are calculated as the ratio of interest income/expense to the average balance for the relevant period. Figures are not annualised.

The average interest rate on interest-earning assets each of the years ended 31 December 2021 and 2020 was 7.5%, as compared to 7.2% for the year ended 31 December 2019. The increase in the average interest rate on interest-earning assets in 2020, as compared to 2019, was primarily due to the increase in average interest rates on loans to customers.

The average interest rate on interest-bearing liabilities increased to 7.1% for the year ended 31 December 2021 from 6.9% for the year ended 31 December 2020 and 6.4% for the year ended 31 December 2019. The increase in the average interest rate on interest-bearing liabilities in 2021, as compared to 2020, was primarily due to the increase in average interest rates on loans and deposits from banks and other financial institutions. The increase in the average interest rate on interest-bearing liabilities in 2020, as compared to 2019, was primarily due to the increase in average interest rates on debt securities issued. See "—*Principal Sources of Funding*".

As at 31 December 2021, DBK's cash and cash equivalents increased by KZT 83,361.2 million, or 34.3%, to KZT 326,147.4 million from KZT 242,786.1 million as at 31 December 2020, having increased by KZT 98,612.4 million, or 68.4% from KZT 144,173.7 million as at 31 December 2019.

The increase in 2021 was primarily due to an increase in cash in reverse repurchase agreements with original maturities of less than three months, which was, in turn, primarily due to reverse repurchase agreements made at Kazakhstan Stock Exchange. The subject of these agreements was notes issued by the NBK. This increase was partially offset by a decrease in current account balances held with the NBK.

The increase in 2020 was primarily due to an increase in cash in current accounts with the NBK, while the decrease in 2019 was primarily due to a decrease in cash in current accounts both at the NBK and other banks and also in reverse repurchase agreements with original maturities of less than three months.

Loans to customers

Net total loans increased in 2021 by KZT 46,591.8 million, or 2.5%, to KZT 1,892,508.0 million as at 31 December 2021 from KZT 1,845,916.2 million as at 31 December 2020, having increased, in 2020, by KZT 227,711.7 million, or 14.1%, from KZT 1,618,204.5 million as at 31 December 2019.

The increase in DBK's loan portfolio in 2021 was primarily due to loans to customers originated during 2021. The increase in DBK's loan portfolio in 2020 was primarily due to an increase in loans to corporate customers.

DBK is targeting increasing the share of its loan and leasing portfolios of total assets by up to 77% by 31 December 2023 (as compared to 31 December 2014).

Loans to Customers by Type of Borrower

In line with DBK's status as a development bank, large corporate borrowers, which are borrowers with over 250 employees and average assets in excess of U.S.$3 million, seeking funding for large infrastructure and industrial projects have historically comprised the largest component of DBK's loan portfolio, with loans to large corporate borrowers accounting for 94.2% of total gross loans to customers as at 31 December 2020, as compared to 93.9% and 94.2% of gross total loans to customers as at 31 December 2020 and 2019, respectively.

As at 31 December 2021, DBK had seven borrowers whose balances exceeded 10% of DBK's equity, as compared to six such borrowers as at 31 December 2020 and eight such borrowers as at 31 December 2019.

Loans to Customers by Type

The following table sets forth an analysis of DBK's loan portfolio as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Loans to corporate customers	1,780,160.0	94.2	1,764,252.8	93.9	1,534,219.9	94.2
Mortgage loans	57.1	0.0	110.3	0.0	159.3	0.0
Accrued interest	109,060.3	5.8	113,783.4	6.1	94,019.9	5.8
Gross loans to customers measured at amortised cost	**1,889,277.4**	**100.0**	**1,878,146.6**	**100.0**	**1,628,399.2**	**100.0**
Loss allowance	(140,879.8)	—	(111,292.4)	—	(79,087.7)	—
Total net loans to customers measured at amortised cost	**1,748,397.6**	—	**1,766,854.2**	—	**1,549,311.4**	—
Loans to customers measured at fair value through profit or loss	144,110.4	—	79,062.0	—	68,893.1	—
Total loans to customers	**1,892,508.0**	—	**1,845,916.2**	—	**1,618,204.5**	—

Loans to corporate customers in the carbon and petrochemicals manufacturing, metal industry, mining, energy and electricity distribution sectors accounted for the largest proportion of such lending as at 31 December 2021, accounting for 72.8% of total gross loans to customers measured at amortised cost and loans measured at fair value through profit or loss.

Loans to Customers by Economic Sector

The following table sets forth an analysis of DBK's loan portfolio, by economic sector, before impairment, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Petrochemicals manufacturing	498,421.4	24.5	585,581.3	29.9	531,518.5	31.3
Metal industry	405,514.6	19.9	334,248.7	17.1	348,927.1	20.6
Mining	309,447.2	15.2	297,412.8	15.2	212,440.6	12.5
Electric power supply, and gas and steam supply, and air conditioning	265,928.6	13.1	234,713.0	12.0	271,162.2	16.0
Machinery manufacturing	112,435.6	5.5	92,982.5	4.8	71,598.6	4.2
Transportation and warehousing	104,910.3	5.2	112,478.7	5.7	59,040.1	3.5
Foodstuff manufacturing	104,059.3	5.1	42,340.6	2.2	36,218.6	2.1
Information and telecommunications	53,069.0	2.6	66,354.7	3.4	61,029.4	3.6
Arts; entertainment and leisure industry	51,658.9	2.5	29,443.9	1.5	—	—
Chemical industry	49,000.9	2.4	56,585.7	2.9	60,096.9	3.5
Catering and accommodation services	47,117.8	2.3	77,382.7	4.0	40,198.9	2.4
Construction materials manufacturing	31,633.2	1.6	27,439.6	1.4	4,768.1	0.3
Financial services	191.1	0.0	244.4	0.0	293.4	0.0
	2,033,387.8	**100.0**	**1,957,208.6**	**100.0**	**1,697,292.2**	**100.0**
Loss allowance for expected credit losses	(140,879.8)		(111,292.4)		(79,087.7)	
Total loans to customers	**1,892,508.0**		**1,845,916.2**		**1,618,204.5**	

Since 31 December 2019, loans to customers have been concentrated predominantly in the petrochemicals manufacturing and metal industries. See "*Business—Lending*".

As a percentage of total gross loans to customers measured at amortised cost and total loans measured at fair value through profit or loss, as at 31 December 2021, as compared to 31 December 2020, loans to customers in the metal industry sector increased from 17.1% to 19.9%, primarily due to new loans to customers in the context of a growing loan book, while loans to customers in the petrochemicals manufacturing industry decreased from 29.9% to 24.5% of total gross loans to customers measured at amortised cost, primarily due to repayments. Such fluctuations in loans to customers by economic sector, for the most part, occur in the ordinary course of DBK's business and generally results from the disbursement or repayment of one or more large loans.

As a percentage of total gross loans to customers measured at amortised cost and total loans measured at fair value through profit or loss, as at 31 December 2021, 31 December 2020, as compared to 31 December 2019, loans to customers in the mining sector increased from 12.5% to 15.2%, primarily due to an increase in loans to corporate customers, while loans to customers in the carbon and petrochemical manufacturing sector decreased from 31.3% to 29.9% of total gross loans to customers measured at amortised cost. Loans to customers in the energy and electrical distribution sector decreased from 16.0% as at 31 December 2019 to 12.0% as at 31 December 2020 of total gross loans to customers measured at amortised cost and measured at fair value through profit or loss, primarily due to repayments. Such fluctuations in loans to customers by economic sector, for the most part, occur in the ordinary course of DBK's business and generally results from the disbursement or repayment of one or more large loans.

As at 31 December 2021, the five largest investment projects and export operations were in the mining, oil and gas and metallurgy sectors. DBK's participation in such projects accounted for approximately U.S.$3,416 million. See "*Business—Investment Projects*".

In general, as a result of the borrower concentration and relatively large size of individual loans within the loan portfolio, the breakdown of loans granted to customers in the different economic sectors can fluctuate significantly as a result of a single loan disbursement repaid in a given period. See "*—Loan Policies and Credit Approval Procedures*" for a description of DBK's lending policy.

Loans to Customers by Geographic Location

As at 31 December 2021, 100% of total loans to customers were loans to customers in Kazakhstan. DBK lends in all regions of Kazakhstan. See "*Business—Participation in Government Programmes*". The regional distribution across the loan portfolio varies depending on the nature and industry of investment projects being undertaken as at any given date. As at 31 December 2021, outstanding loans to customers were granted to customers in each of Nur-Sultan (4% of total loans to customers), Karaganda (7%), Aktobe (4%), Atyrau (6%), Eastern Kazakhstan (21%), Shymkent (14%) and Pavlodar (13%), while inter-regional projects accounted for 9% of total loans to customers and the remaining 22% of total loans to customers were granted to customers across nine other regions of Kazakhstan.

Loans to Customers by Currency

The following table sets forth an analysis of DBK's loan portfolio, by currency, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		**2020**		**2019**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
U.S. Dollars	796,002.5	42.1	898,304.6	48.7	800,381.0	49.5
Tenge	1,096,505.5	57.9	947,611,6	51.3	806,353.1	49.8
Euros	—		—	—	11,470.3	0.7
Other currencies	—		—	—	—	—
Total loans to customers	**1,892,508.0**	**100.0**	**1,845,916.2**	**100.0**	**1,618,204.5**	**100.0**

DBK lends in Tenge and foreign currencies, principally U.S. Dollars, depending on customer requirements. As a matter of policy, however, DBK only finances projects with foreign currency-denominated loans if the project or the customer has sufficient export earnings to cover such foreign currency-denominated financing. Loans to customers denominated in Tenge generally carry a higher interest rate than loans in U.S. Dollars.

In recent years, the currency mix of DBK's loans has fluctuated, particularly when a large loan is disbursed or repaid. As at 31 December 2021, 2020 and 2019, Tenge-denominated loans have represented a majority of the loan portfolio. The continuing increase in the proportion of Tenge-denominated loans is in line with DBK's aim to increase the portion of its loan portfolio denominated in Tenge as set out in its Development Strategy. See "*Business—Strategy*".

Fluctuations may occur when a single large loan is disbursed or repaid. As a percentage of total loans to customers as at 31 December 2021, loans to customers denominated in Tenge increased to 57.9%, as compared to 51.3% as at 31 December 2020, having increased from 49.8% as at 31 December 2019.

In 2022, the impact of sanctions imposed against Russia and certain Russian entities, including the concurrent depreciation of the Tenge against the U.S. Dollar and related decline in business activity, has led to an increase in provisions for credit instruments. DBK carries out stress testing of its loan portfolio using various stress factors and correlates the results with risk appetites. Based on the results of stress testing, DBK then implements and plans measures to manage the possible negative impact on financial and risk indicators, as well as to prevent violation of covenants, calculates the additional formation of loan loss provisions for projects with high currency risk and forms an action plan to lessen the vulnerability of the corporate borrowers to the devaluations. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Primary Factors affecting DBK's Results of Operations—Fluctuations in Exchange Rates*".

Loans to Customers by Maturity

The following table sets forth an analysis of DBK's loan portfolio after allowances for losses, by maturity, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		**2020**		**2019**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	909.3	0.0	542.5	0.0	—	—
One month to three months	21,162.7	1.1	20,732.4	1.1	11,091.4	0.7
Three months to one year	96,889.2	5.1	76,798.4	4.2	83,269.4	5.1
One year to five years	594,897.2	31.4	477,049.2	25.8	259,144.3	16.0
More than five years	1,173,106.5	62.0	1,264,370.2	68.5	1,262,524.8	78.0
Overdue	5,543.1	0.3	6,423.5	0.3	2,174.6	0.1
Total net loans to customers	**1,892,508.0**	**100.0**	**1,845,916.2**	**100.0**	**1,618,204.5**	**100.0**

Reflecting its mission as a development bank to provide financing for large-scale investment projects, DBK's loan portfolio is principally comprised of loans with more than five years until maturity, which accounted for 62.0% of total net loans as at 31 December 2021, as compared to 68.5% and 78.0% as at 31 December 2020 and 2019, respectively. The decrease in 2021 was primarily due to the early repayments of long-term loans. In addition, loans with between one and five years until maturity comprised 31.4% of total net loans to customers as at 31 December 2021, as compared to 25.8% and 16.0% as at 31 December 2020 and 2019, respectively.

Overdue loans comprised 0.3% of total loans to customers as at each of 31 December 2021 and 2020, as compared to 0.1% as at 31 December 2019.

Loans to Customers by Size

The following table sets forth an analysis of DBK's loan portfolio (for investment projects only) by size, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		**2020**		**2019**	
	Principal Amount	**№ of Investment Projects**	**Principal Amount**	**№ of Investment Projects**	**Principal Amount**	**№ of Investment Projects**
	(KZT millions)		*(KZT millions)*		*(KZT millions)*	
Under U.S.$25 million	124,964	17	113,753	15	65,628	11
U.S.$25-50 million	269,152	17	163,890	11	141,682	11
U.S.$50-100 million	613,854	19	671,812	21	515,293	18
U.S.$100-200 million	468,803	8	266,255	5	293,595	6
Over U.S.$200 million	2,157,237	10	1,878 887	8	1,731,577	8

As at 31 December 2021, 3.4% of DBK's loans to customers were in an amount of less than U.S.$25 million, as compared to 3.7% and 2.4% as at 31 December 2020 and 2019, respectively. As at 31 December 2021, 16.9% of DBK's loans to customers were in an amount of between U.S.$50 million and U.S.$100 million, as compared to 21.7% and 18.8% as at 31 December 2020 and 2019, respectively.

Loans to Banks

In 2014, the Bank began lending to second-tier banks for on-lending, particularly to the private sector, primarily through the implementation of Government programmes.

Loans to banks decreased by KZT 3,776.1 million, or 3.0%, to KZT 121,034.6 million as at 31 December 2021 from KZT 124,810.7 million as at 31 December 2020, having increased by increased by KZT 13,864.9 million, or 12.5%, from KZT 110,945.8 million as at 31 December 2019. See Note 13 to the 2021 Annual Financial Statements and "*Business—Participation in Government Programmes*".

The decrease in loans issued to banks as at 31 December 2021, as compared to 31 December 2020, was primarily due to the repayment of loans.

The increase in loans issued to banks as at 31 December 2020, as compared to 31 December 2019, was primarily due to the issue of new loans to banks. At the same time, the volume of disbursed loans amounted to KZT 24,630.3 million, a decrease of KZT 60,078.0 million, as compared to the corresponding period of 2019.

As at each of 31 December 2021, 2020 and 2019, 100% of DBK's loans to banks were denominated in Tenge.

Loans to Banks by Maturity

The following table sets forth an analysis of DBK's loans to banks after allowances for losses, by maturity, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	—	—	—	—	—	—
One month to three months	—	—	—	—	—	—
Three months to one year	—	—	—	—	—	—
One year to five years	1,554.4	1.3	1,916.2	1.5	2,240,0	2.0
More than five years	119,480.2	98.7	122,894.5	98.5	108,705.8	98.0
Overdue	—	—	—	—	—	—
Total net loans to banks	**121,034.6**	**100.0**	**124,810.7**	**100.0**	**110,945.8**	**100.0**

As at 31 December 2021, 98.7% of DBK's loans to banks was comprised of loans with maturities of more than five years, as compared to 98.5% as at 31 December 2020 and 98.0% as at 31 December 2019.

Loans to First Heartland Jusan Bank and Eurasian Development Bank

As at 31 December 2021, DBK had no outstanding balances of loans issued to banks whose balances exceeded 10% of equity.

As at 22 January 2019, debt owed by First Heartland Jusan Bank JSC to DBK amounted to KZT 8,408.0 million. The claims were restructured in accordance with the terms and conditions of a framework agreement with First Heartland Jusan Bank JSC. As part of such restructuring, DBK's loans were exchanged for bonds issued by First Heartland Jusan Bank JSC and DBK recognised the bonds as credit-impaired debt securities. Pursuant to the restructuring, the use of loan proceeds for intended purposes provisions were waived and the nominal interest rate on loans was reduced from 2.0% to 0.1%.

During 2019, the Group issued a loan of KZT 51,000 million to the Eurasian Development Bank ("**EADB**"), with a nominal interest rate of 8% *per annum*, for the subsequent financing of Astana Gas KMG JSC, to finance a gas supply project in Nur-Sultan, as well as to implement other development programmes in the gas industry. See Note 15(b) to the 2020 Annual Financial Statements.

Loan Policies and Credit Approval Procedures

The DBK Law, the Credit Policy Memorandum and DBK's internal credit policy rules set out the principal guidelines in relation to DBK's lending policies, including the duration, limits and the bases for the calculation of interest rates charged for credit instruments, which include, *inter alia*, loans, letters of credit and guarantees.

Pursuant to the Credit Policy Memorandum, which was most recently amended on 14 April 2021, the Board of Directors makes decisions in relation to the financing of investment projects and export transactions and the granting of loans otherwise in amounts exceeding KZT 17 billion (or its equivalent) and in relation to the financing to be provided by DBK to IDF JSC. Applications for the financing of investment projects, export transactions and leasing transactions will only be reviewed by the Board of Directors upon receipt of positive recommendations from the Management Board and the Credit

Committee. Pursuant to the Credit Policy Memorandum, DBK's Management Board may make decisions in relation to the financing of investment projects, export transactions and the granting of credit instruments up to an amount not exceeding KZT 17 billion (or its equivalent). The Management Board also reports to the Board of Directors in relation to problem investment projects, export transactions and leasing transactions. Applications for the financing of investment projects, export transactions, leasing transactions will only be reviewed by the Management Board upon receipt of positive recommendations from the Credit Committee.

DBK's credit approval process is based on the Credit Policy Memorandum, its regulations on internal lending policies and other internal regulations and procedures approved by DBK's Board of Directors and Management Board. In 2011, following the amendments to the DBK Law, DBK updated its *Guidelines for the Implementation of Investment Projects and Export Operations* in light of DBK's special status and to permit the analysis of strategic investment projects as part of its participation in the industrialisation programme in place at that time (which has since been replaced with the Industrialisation Programme (see "*Business—Participation in Government Programmes—Industrialisation Programme*")). In particular, as a result of these changes, the lending decision-making process has been divided into stages: preliminary review and in-depth project expertise. At the preliminary stage, analysis is undertaken to understand the structure of the project, as well as the project-related risks. In the event that the project is deemed suitable following such preliminary review, DBK will proceed to analyse the project in more detail. The introduction of this preliminary phase allows DBK to eliminate projects prior to conducting a more detailed, and costly, analysis. As many of the projects undertaken by DBK are of strategic importance, DBK has cancelled commission fees relating to the complex, technical and financial analysis of projects. As part of these changes, DBK has also updated its internal decision making procedures and forms used in the lending process.

The Credit Policy Memorandum provides that the level of DBK's exposure to any single borrower or group of affiliated borrowers shall be set by the Board of Directors. Such exposure is limited to 25% of its total equity at any given time, unless such borrower is an entity in which the State or Samruk-Kazyna owns 50% or more of the voting shares or participatory interests, in which case the exposure is not limited but may be specially defined by the Board of Directors.

As with DBK's exposure to a single borrower or group of affiliated borrowers, industry sector exposure limits are also set by the Board of Directors. Such exposure set at a range of between 5% and 25% of "exposure at default" for all sectors, unless amended by a decision of the Board of Directors.

DBK is in compliance with the exposure limits set out in the Credit Policy Memorandum.

Pursuant to DBK's internal credit policy rules, the structure of DBK's loan portfolio, in terms of sources, maturities and fees charged for credit, is set by the Assets and Liabilities Management Committee ("**ALMC**"). DBK's Financial Department, Project Management Divisions, Asset Restructuring Department, Problem Loan Department and Risk Management Department are responsible for evaluating DBK's loan portfolio, including its credit quality, and establishing allowances and provisions in relation thereto.

Since the start of its operations in 2001, DBK has approved more than 161 credit applications to finance investment projects and 110 export transactions. Many of these projects and operations have been and continue to be co-financed with other financial institutions.

As part of its plan of action adopted after the January 2022 protests, DBK also intends to enhance transparency and to expand access to DBK's services, as well as to optimise corporate governance through considerable time reduction in loan application review, launch of a digital platform for accepting and reviewing loan applications, and inclusion of the requirement for borrowers to grant DBK the right to publish information about borrowers' beneficial owners. Other significant changes to DBK's lending activities include that it will no longer finance quasi-public sector projects and operations, public-private partnership projects or accept as collateral property directly or indirectly owned by the Republic (with the exception of offtake contracts) for the obligations of private companies.

Loan Classification Policies

Loans to customers include:

- loans to customers measured at amortised cost, which are initially measured at fair value, plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- loans to customers mandatorily measured at FVTPL due to non-compliance solely with payments of principal and interest criterion, which are measured at fair value with changes recognised immediately in profit or loss.

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.

In assessing whether the contractual cash flows are solely payments of principal and interest, DBK 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.

DBK classifies its loan portfolio by credit quality into not credit-impaired and credit-impaired loans. As at 31 December 2021, credit-impaired loans accounted for approximately 10.3% of total gross loans to customers measured at amortised cost (comprising the credit portfolio of DBK's investment projects). See "*—Loan Provisioning Policy*".

DBK classifies loans overdue by more than 90 days as NPLs. As a result of the foregoing, as at 31 December 2021, 2.7% of gross loans to customers were classified as non-performing, as compared to 1.5% and 1.7% as at 31 December 2020 and 2019, respectively.

Pursuant to amendments to the DBK Law dated 29 December 2011, DBK was exempted from the reporting requirements of the regulator in respect of loan classifications and collateral classifications, which are applicable for commercial banks. DBK is required to classify its loan portfolio and form reserve capital pursuant to the Rules for Creation of Reserves approved by Resolution № 212 of the Government on 20 April 2018 and the Methodology of Calculating Provisions (Reserves) in Accordance with International Standards of Financial Reporting, as approved by the decision of the Management Board dated 28 November 2018, as amended and approved most recently by the decision of the Management Board dated 10 December 2021.

Loan Restructuring Policies

If the terms of a financial asset are modified, DBK 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.

DBK 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. DBK 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, DBK analogises to the guidance on the derecognition of financial liabilities.

DBK makes a determination as to whether the modification is substantial based on the following qualitative factors:

- change in the currency of the financial asset;
- change in collateral or other credit enhancement; and
- change of terms of the financial asset that lead to non-compliance with the "Solely Payment of Principal and Interest" criterion (such as the inclusion of a conversion feature).

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then DBK 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.

Loan Provisioning Policy

IFRS 9 became effective on 1 January 2018. In preparation for the implementation of IFRS 9, DBK developed a methodology for the calculation of provisions, which was agreed with its then-regulator, the NBK. According to this methodology, provisions are calculated on the basis of an ECL model. ECL are a probability-weighted estimates of credit losses. The determination of the required ECL depends on the allocation of the loan to one of three stages in the model. In 2021, DBK's loan provisioning policy was re-evaluated due to the updating of the methodological package for credit risk models, which include updated historical information including the effect of the COVID-19 pandemic.

Loans for which a 12-month ECL is recognised are referred to as "Stage 1". These are loans upon initial recognition independently of their credit quality unless they are originally credit impaired at origination (i.e., restructured loans). 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument Loans, other than purchased or originated credit-impaired assets, for which a lifetime ECL is recognised are referred to as "Stage 2". These are loans for which there has been a significant increase in credit risk since their initial recognition (if the credit risk has increased significantly since initial recognition, but the loans are not credit-impaired).

Credit-impaired loans are classified as "Stage 3", if there is objective evidence of credit loss. At each reporting date, DBK assesses whether financial assets measured at amortised cost 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 borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Credit Monitoring

DBK has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor DBK's credit risk. See "*Asset and Liability Management—Principal Committees—Credit Committee*".

Credit risk assessment and management is carried out by the Risk Management Department in accordance with DBK's internal regulations. The Customer Relationship Management Department, Credit Analysis and Deal Structuring Department, Legal Department, Collateral Appraisal Department, Security Department and Compliance Service undertake thorough analyses of each credit applicant, which includes a project feasibility study, financial analysis and examination of the reputation and experience of the potential borrower. Once this analysis has been completed, the Risk Management Department will prepare its recommendations in relation to the application on the basis of risks relating to the project structure, the borrower and the proposed collateral.

Once the credit instrument has been approved, DBK monitors the following on an ongoing basis: (i) compliance with the intended purpose of the loan, including monitoring the use of proceeds over the tenor of the loan; (ii) the financial standing of borrowers, co-borrowers, guarantors and other related parties on a quarterly basis; (iii) the status of the project site through site due diligence visits on an annual or more frequent basis; (iv) the value and quality of collateral on an at least semi-annual basis; (v) the borrowers, co-borrowers and guarantors credit history and payment behaviour; and (vi) covenant compliance. In addition, DBK maintains and updates a credit file in respect of the loan and borrower on an ongoing basis.

Monitoring reports are produced by the relevant Bank units; Customer Relationship Management Department, Credit Analysis and Deal structuring Department, Problem Loan Department, Collateral Management Department, Credit Administration Department, Security Department, Legal Department and Risk Management Department. Such reports are based on standard templates approved by the Credit Committee and are subject to periodic reviews to ensure compliance with both DBK's internal requirements and local laws and regulations. DBK also maintains watch tables with information on credit instrument early-warning signs in order to perform ongoing and effective credit control. In addition, DBK has implemented an internal credit rating system that produces internal ratings as part of the lending process. These internal ratings are periodically reviewed on the basis of financial and qualitative data.

Problem loans are handled by the Customer Relationship Management Department, Credit Analysis and Deal structuring Department, in accordance with DBK's internal policies.

In the event that an attempted restructuring of a loan is unsuccessful, the loan is then handled by the Problem Loan Department. Borrowers whose loans are in the Problem Loan Department are generally considered to be collateral-reliant. As at 31 December 2021, there were five loans being handled by the Distressed Loan Department, as compared to five as at 31 December 2020.

Analysis of Loans by Credit Quality

DBK estimates loan loss provisions on a monthly basis, applying the policies described above. *See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Critical Accounting Policies—Impairment—Financial assets carried at amortised cost".*

The following tables set forth information on the credit quality of DBK's loans to customers (by loans measured at amortised cost) as at 31 December 2021, 2020 and 2019:

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL for assets not credit impaired**	**Stage 3 Lifetime ECL for assets credit impaired**	**Credit impaired on initial recognition**	**Total**
			(KZT millions)		
			As at 31 December 2021		
Not overdue	1,520,639.2	174,327.6	134,076.7	9,047.5	1,838,091.0
Overdue more than 180 days and less than 1 year	—	—	45,012.6	—	45,012.6
Overdue more than one year	—	—	2,771.2	3,402.6	6,173.8
Total	**1,520,639.2**	**174,327.6**	**181,860.5**	**12,450.1**	**1,889,277.4**
Loss allowance	(16,290.7)	(36,498.0)	(84,631.4)	(3,459.7)	(140,879.8)
Total loans to customers at amortised cost	**1,504,348.5**	**137,829.6**	**97,229.1**	**8,990.4**	**1,748,397.6**
			As at 31 December 2020		
Not overdue	1,432,366.6	299,098.1	75,889.2	9,897.3	1,817,251.2
Overdue less than 90 days	—	—	33,455.8	—	33,455.8
Overdue more than 90 days and less than 180 days	—	—	—	240.2	240.2
Overdue more than 1 year	—	—	23,547.9	3,651.4	27,199.3
Total	**1,432,366.6**	**299,098.1**	**132,893.0**	**13,788.9**	**1,878,146.6**
Loss allowance	(15,699.4)	(19,951.5)	(72,201.2)	(3,440.3)	(111,292.4)
Total loans to customers at amortised cost	**1,416,667.1**	**279,146.7**	**60,691.7**	**10,348.7**	**1,766,854.2**
			As at 31 December 2019		
Not overdue	1,194,574.1	325,373.2	61,206.4	9,729,8	1,590,883.5
Overdue less than 90 days	—	—	10,582.4	—	10,582.4
Overdue more than 180 days and less than 1 year	—	—	22,165.2	—	22,165.2
Overdue more than 1 year	—	—	—	4,768.1	4,768.1
Total	**1,194,574.1**	**325,373.2**	**93,954.0**	**14,497.9**	**1,628,399.2**
Loss allowance	(4,933.7)	(25,669.7)	(44,155.9)	(4,328.5)	(79,087.7)
Total loans to customers at amortised cost	**1,189,640.5**	**299,703.4**	**49,798.2**	**10,169.4**	**1,549,311.4**

As at 31 December 2021, the ratio of impairment allowance to total gross loans to customers measured at amortised cost (in respect of credit-impaired loans) was 45.3%, as compared to 51.6% and 44.7%, as at 31 December 2020 and 2019, respectively. The decrease in impairment provisions of credit-impaired loans as at 31 December 2021, as compared to 31 December 2020, was primarily due to early repayment of certain credit-impaired loans. The increase in impairment provisions as at 31 December 2020, as compared to 31 December 2019, was primarily due to the transfer of certain loans from Stage 2 to Stage 3, reflecting increased credit-impaired loans in 2020, in turn, due to the negative economic impact of the COVID-19 pandemic on DBK's customers.

DBK classifies loans overdue by more than 90 days as NPLs. DBK's NPLs remained relatively stable in 2019 and 2020, accounting for 1.5% of gross loans to customers as at 31 December 2020 and 1.7% as at 31 December 2019. NPLs increased to 2.7% of gross loans to customers as at 31 December 2021. The decrease in NPLs as at 31 December 2020, as compared to as at 31 December 2019, was due to the overall growth in the credit portfolio in 2020 but stability in the number overdue loans, as compared to 2019.

DBK has taken a number of actions to reduce and subsidise lending rates for its customers that have been significantly adversely affected by the COVID-19 pandemic and restrictions imposed during the state of emergency. For example, DBK has offered concessional rate loans and payment deferrals as a support measure to customers in the tourism and construction industry. DBK has also granted grace periods for repayment of principal and interest under loans to certain customers who have been facing reduced demand for services or who provide products or services that are at risk of interruption due to supply chain disruption during state of emergency and lockdown periods. Those customers whose products are particularly sensitive to exchange rate fluctuations (such as, the prices of metals) have been offered additional support through, *inter alia,* the monitoring of tariffs, restructuring options and refinancing offered by DBK. DBK has also offered support in optimising expenses to those customers who have faced difficulties due to restrictions on the movement of goods and on border crossing in connection with the COVID-19 pandemic and state of emergency restrictions.

The granting of the deferral of payments or grace periods on loans for investment projects affected by the COVID-19 pandemic was considered on a case-by-case basis, with varying lengths of payment deferrals and grace periods granted. The impact of the COVID-19 pandemic and lockdown restrictions and the state of emergency in January 2022 has led to, and may continue to lead to, requests from customers to reschedule debt owed to DBK (including the delay of certain payments of principal and interest to DBK). Between 1 January 2021 and 31 December 2021, five restructurings of loans were conducted, of which three were due to the impact of the COVID-19 pandemic. In 2020, 20 restructurings of loans were conducted, of which six were attributed to the impact of the COVID-19 pandemic.

See "*Risk Factors—Factors that may affect DBK's ability to fulfil its obligations under, or in connection with, the Notes—A. Operational Risks relating to DBK and its Business—Impact of the COVID-19 Pandemic*".

As at 31 December 2021, DBK's ratio of provisions to gross loans was 7.5%, as compared to 5.9% as at 31 December 2020 and 4.9% as at 31 December 2019.

Policies relating to Collateral

Pursuant to the DBK Law, DBK requires security from all borrowers except in circumstances where the financing is provided to wholly-owned subsidiaries of DBK or DBK's participation in the financing is made through mezzanine financing, as well as interbank financing. As at 31 December 2021, the carrying amount of loans to corporate customers with no collateral or other credit enhancement was KZT 222.7 million, as compared to: (i) as at 31 December 2020, no unsecured loans to customers; and (ii) as at 31 December 2019, KZT 1,476.4 million. As at 31 December 2021, loans to banks with a carrying amount of KZT 121,034.6 million were unsecured with no collateral or other credit enhancement, as compared to KZT 124,810.7 million as at 31 December 2020 and KZT 110,945.8 million as at 31 December 2019. In accordance with DBK's internal policies, at least 30% of the security must be comprised of "tangible assets collateral", which includes immovable, movable property, cash and commodities. DBK also accepts security by way of third-party guarantees, provided that such guarantees meet DBK's requirements. The main requirements in relation to collateral are set forth in DBK's Policy on Securing the Fulfilment of Obligations, which was approved by the Board of Directors. See Note 14(b) to the 2021 Annual Financial Statements.

The procedures for collateral appraisal and evaluation are set forth in the Collateral Appraisal Policy as approved by the Board of Directors and internal rules relating to the adequacy and monitoring of collateral as set out by the Management Board. Collateral is appraised by independent valuation companies. The Collateral Appraisal Department is responsible for the inspection and valuation of collateral and for preparing an internal report in relation to the same. The Collateral Appraisal Department reviews the quality of collateral on an annual basis.

See Note 14(b) to the 2021 Annual Financial Statements for further information on collateral and other credit enhancements securing loans to corporate customers, by type of collateral.

As at 31 December 2021, credit-impaired or overdue loans measured at amortised cost with an aggregate gross value of KZT 194,311 million were secured by collateral with a fair value of KZT 414,279 million. In 2021, DBK did not acquire any assets by foreclosure on collateral accepted as security for loans.

As a result of the foregoing, as at 31 December 2021, the coverage ratio of total collateral to total loans was 169%, as compared to 142% and 144% as at 31 December 2020 and 2019, respectively.

In July 2017, DBK established its wholly-owned subsidiary, DBK CSF, a closed private limited liability company established in the Netherlands. DBK CSF was established for the purpose of participating in a direct investment fund in the Netherlands. In November 2017, DBK CSF and KCM established DBK Equity Fund, a direct investment fund, for purposes of investing in domestic and foreign projects, which promote the interests of the Kazakhstan economy and in which DBK is not permitted to invest directly as a result of the restrictions imposed on it under the Credit Policy Memorandum.

In respect of the normative documents for DBK Equity Fund, on 3 November 2017, a limited partnership agreement was signed among DBK CSF and KCM and, on 29 December 2017, a share premium contribution agreement was signed between DBK and CSF for a share premium contribution in an amount equivalent to U.S.$97.0 million. See "*Business—DBK CSF*".

Contingent Liabilities and Other Off-Balance Sheet Exposures

Credit related commitments

In the normal course of business, DBK makes contractual commitments on behalf of its customers and, in order to meet the financing needs of its customers, is a party to financial instruments with off-balance sheet risk. Such commitments comprise principally loans or credit lines, whereby DBK agrees to make payments for customers' accounts under certain conditions or in the event of default by a customer and financial guarantees and letters of credit to guarantee the performance of customers to third parties. In return for such payments, DBK receives a counter-indemnity from the customer, as well as (to a lesser extent), documentary credits for imports and exports, finance leases (under similar stand-by terms) and commitments with respect to recourse risks arising from discounted bills. These services are normally provided on a fee-paying basis.

The following table sets forth an analysis of DBK's credit related commitments as at 31 December 2021, 2020 and 2019:

	As at 31 December		
	2021	2020	2019
		(KZT millions)	
Loan and finance lease commitments	367,631.1	204,832.4	420,524.9
Letters of credit, guarantees and other commitments related to settlement operations	5,203.7	5,386.0	8,570.4

As at 31 December 2021, loan and finance lease commitments increased by KZT 162,798.7 million, or 79.5%, to KZT 367,631.1 million from KZT 204,832.4 million as at 31 December 2020, having decreased by KZT 215,692.5 million, or 51.3%, from KZT 420,524.9 million as at 31 December 2019. Fluctuations in loan and finance lease commitments were due to the granting or repayment of such commitments with customers in the relevant periods.

As at 31 December 2021, letters of credit, guarantees and other commitments related to settlement operations decreased by KZT 182.3 million, or 3.4%, to KZT 5,203.7 million from KZT 5,386.0 million as at 31 December 2020, having decreased by KZT 3,184.4 million, or 37.2%, from KZT 8,570.4 million as at 31 December 2019. Fluctuations in letters of credit and other commitments were due to the entry into and fulfilment of such commitments during the relevant periods.

Investment Portfolio and Management of Share Capital

Pursuant to the Credit Policy Memorandum, DBK is not restricted from using its share capital to fund investment projects and leasing transactions and DBK may use its share capital as a funding source, including by mixing such capital with market funding resources.

A significant portion of DBK's investment portfolio consists of securities issued by the Government, and Samruk-Kazyna and companies deemed to have a significant role in the country's economy, such as JSC National Company KazMunayGas. DBK's foreign securities investment portfolio primarily includes securities issued by (in descending order of the portfolio share) the governments of Saudi Arabia, Qatar, Abu Dhabi, Mexico, Indonesia, the Philippines, Brazil, Panama, Colombia and Peru.

In accordance with DBK's Policy on Investment Portfolio Management, which was adopted on 10 April 2018 and amended most recently, 30 July 2021, DBK aims to maintain adequate levels of liquidity and maximise the profitability of its assets. The long-term objectives for the management of DBK's investment portfolio are:

- to maintain the actual cost of funds in DBK's investment portfolio;
- to maintain an appropriate level of liquidity for DBK's assets; and
- to ensure a sufficient level of return on assets (taking into consideration the degree of risk assumed).

DBK actively manages its investments, selling selective assets in order to generate profits or minimise loss, enhance DBK's liquidity and funding base and maintain the diversity of its investment portfolio.

The Policy of Investment Portfolio Management sets forth, among others, the following requirements to maintain a diversified investment portfolio. In this respect, short-term investments may comprise between 10% and 100% of DBK's investment portfolio and long-term investments may comprise between 0% and 90% of DBK's investment portfolio. In addition, the currency diversification of DBK's investment portfolio must comply with limits established by the ALMC.

The following table sets forth maximum exposure limits to certain types of investment pursuant to DBK's Policy on Investment Management:

Instruments in investment portfolio	Maximum exposure
Deposits with the NBK (except money on correspondent accounts), securities issued by the NBK and securities issued by Kazakhstan	90%
Deposits with domestic and foreign commercial banks, except money on correspondent accounts if counterparty is rated not lower than BBB- (S&P, Fitch or Moody's)	70%
Money on correspondent accounts	90%
Sovereign securities of foreign states and bonds of international institutions with credit ratings of not lower than A (S&P, Fitch or Moody's)	70%
Sovereign securities of foreign states and bonds of international institutions with credit ratings of lower than A but not lower than BBB (S&P, Fitch or Moody's Investors Services)	30%
Sovereign securities of foreign states and bonds of international institutions with credit ratings of lower than BBB but not lower than BB- (S&P, Fitch or Moody's)	10%
Corporate bonds or municipal bonds (both domestic and international) if counterparty is rated not lower than BBB- (S&P, Fitch or Moody's). Bonds issued by members of the Baiterek JSC group	70%
Corporate bonds or municipal bonds (both domestic and international) if counterparty is rated lower than BBB- but not lower than B- (S&P, Fitch or Moody's)	30%
Derivatives and structured securities, whose value is based on the value of the securities listed above	30%
Repo or reverse repo transactions	Transaction dependent

DBK also intends to develop its own benchmark credit rating to assist with the assessment of investment opportunities and investment portfolio management.

Pursuant to the Policy of Investment Portfolio Management, the ALMC approves limits with respect to sovereign risks, industry risks and counterparty risks pursuant to DBK's internal policy requirements. The Financial Risks Management Department is responsible for monitoring compliance of the investment portfolio with such limits, based upon information provided by the Treasury Department.

The Treasury Department monitors DBK's investment portfolio on a daily basis and provides data on the composition of the investment portfolio to the CEO, Management Director responsible for overseeing the investment portfolio, the Financial Risks Management Department and other financial departments. The Financial Risks Management Department monitors and assesses the risks associated with DBK's investment portfolio management and provides recommendations to the Treasury Department. The investment portfolio is assessed against a benchmark set forth in DBK's budget. In addition, the Treasury Department provides a report to the Investment Committee on the management of DBK's investment portfolio, which the Investment Committee uses to establish the key parameters of DBK's investment policy for the following quarter.

Finance Lease Receivables

DBK conducts all of its finance lease operations through its wholly-owned subsidiary, DBK–Leasing. See "*Business—Industrial Development Fund JSC*".

As at 31 December 2021, DBK's finance lease receivables increased by KZT 125,563.8 million, or 38.5%, to KZT 452,103.7 million from KZT 326,539.9 million as at 31 December 2020, having increased by KZT 136,199.6 million, or 71.6%, from KZT 190,340.3 million as at 31 December 2019.

Finance Lease Receivables by Type of Lessee

The following table sets forth the components of DBK's finance lease receivables, by type of lessee, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		**2020**		**2019**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Leases to large corporates[1]	239,065.1	50.6	140,916.2	40.9	99,339.1	50.8
Leases to small-[2] and medium-sized[3] companies	233,517.8	49.4	203,533.7	59.1	96,248.7	49.2
Gross investment in finance leases	**472,582.9**	**100.0**	**344,449.90**	**100.0**	**195,587.8**	**100.0**
Less impairment allowance	(21,746.2)	—	(20,527.8)	—	(11,899.4)	—
Net investment in finance leases	**450,836.6**		**323,922.1**	—	**183,688.4**	—
Embedded financial derivative measured at fair value through profit or loss	1,267.1	—	2,617.8	—	6,651.9	—
Finance lease receivables	**452,103.7**	—	**326,539.9**	—	**190,340.3**	—

Notes:

(1) Large corporates are corporate entities with more than 250 employees and average assets in excess of U.S.$3 million.

(2) Small companies are companies with up to 50 employees and average assets of up to U.S.$0.5 million.

(3) Medium companies are companies with between 50 and 250 employees and average assets of between U.S. $0.5 million and U.S.$3 million.

As at 31 December 2021, leases to small- and medium-sized companies ("**SMEs**") comprised 49.4% of total gross investments in finance leases, as compared to 59.1% and 49.2% as at 31 December 2020 and 2019, respectively, while leases to large corporates comprised 50.6% of total gross investments in finance leases as at 31 December 2021, as compared to 40.9% and 50.8% as at 31 December 2020 and 2019, respectively.

The increase in leases to large corporates in the year ended 31 December 2021 was primarily due to the general increase in the leasing portfolio.

The increase in leases to SMEs in the year ended 31 December 2020 was primarily due to DBK and IDF JSC's participation in Government programmes aimed at providing support to SMEs, in particular, IDF JSC's involvement in the "Business Road Map 2020" Programme. See "*Business—Participation in Government Programmes*".

Finance Lease Receivables by Maturity

The following table sets forth an analysis of DBK's finance lease receivables, by maturity, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		**2020**		**2019**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	7,610.2	1.7	4,728.2	1.4	1,394.0	0.7
One month to three months	8,668.4	1.9	6,454.7	2.0	3,937.7	2.1
Three months to one year	57,281.0	12.7	43,286.9	13.3	18,120.1	9.5
One year to five years	214,236.4	47.4	155,320.1	47.6	72,628.5	38.2
More than five years	163,267.3	36.1	112,095.5	34.3	93,315.3	49.0
Overdue	1,040.4	0.2	4,654.5	1.4	944.7	0.5
Total finance lease receivables	**452,103.7**	**100.0**	**326,539.9**	**100.0**	**190,340.3**	**100.0**

As at 31 December 2021, 36.1% of total finance lease receivables had more than five years remaining until contractual maturity, as compared to 34.3% and 49.0% of total finance lease receivables as at 31 December 2020 and 2019, respectively, and 47.4% of total finance lease receivables had between one year and five years remaining until contractual maturity, as compared to 47.6% and 38.2% as at 31 December 2020 and 2019, respectively, in line with the long-term nature of IDF JSC's lease-financing portfolio and, in turn, DBK's role as a development bank, as well as with its funding sources.

Analysis of Finance Lease Receivables by Credit Quality

The following tables set forth information on the credit quality of the finance lease portfolio as at 31 December 2021, 2020 and 2019:

	As at 31 December 2021				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL for credit unimpaired assets**	**Stage 3 Lifetime ECL for credit impaired assets**	**At FVPL (embedded Financial Derivative)**	**Total**
			(KZT millions)		
Leases to large corporates					
- not overdue	194,341.3	8,187.2	11,234.3	889.7	214,652.5
- overdue 30-89 days	25,302.3	—	—	—	25,302.3
Gross leases to large corporates	**219,643.6**	8,187.2	**11,234.3**	**889.7**	**239,954.8**
Loss allowance	(989.7)	(142.8)	(6,912.9)	—	(8,045.4)
Total leases to large corporates	**218,653.9**	**8,044.4**	**4,321.4**	**889.7**	**231,909.4**
Leases to small and medium-sized companies					
- not overdue	171,634.7	43,687.0	9,492.8	377.4	225,191.9
- overdue up to 30 days	1,028.0	62.0	—	—	1,090.1
- overdue 30-89 days	1,958.9	3,540.5	45.4	—	5,544.8
- overdue 90-360 days	—	—	934.8	—	934.8
- overdue more than 360 days	—	—	1,133.7	—	1,133.7
Gross leases to small and medium sized companies	**174,621.6**	**47,289.6**	**11,606.6**	**377.4**	**233,895.2**
Loss allowance	**(6,604.4)**	**(3,096.0)**	**(4,000.4)**	—	**(13,700.8)**
Total leases to small and medium sized companies	**168,017.2**	**44,193.6**	**7,606.1**	**377.4**	**220,194.4**
Total finance leases	**386,671.1**	**52,238.0**	**11,927.5**	**1,267.1**	**452,103.7**

	As at 31 December 2020				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL for credit unimpaired assets**	**Stage 3 Lifetime ECL for credit impaired assets**	**At FVPL (embedded Financial Derivative)**	**Total**
			(KZT millions)		
Leases to large corporates					
- not overdue	124,963.5	4,021.7	11,596.3	1,867.6	142,449.1
- overdue 90-360 days	—	334.7	—	—	334.7
Gross leases to large corporates	**124,963.5**	**4,356.4**	**11,596.3**	**1,867.6**	**142,783.8**
Loss allowance	**(1,056.9)**	**(117.4)**	**(6,702.9)**	**—**	**(7,877.2)**
Total leases to large corporates	**123,906.6**	**4,239.0**	**4,893.4**	**1,867.6**	**134,906.6**
Leases to small and medium-sized companies					
- not overdue	137,050.9	19,766.7	1,161.5	750.1	158,729.2
- overdue up to 30 days	4,310.9	8.6	38.9	—	4,358.3
- overdue 30-89 days	174.6	3,056.4	11.3	—	3,242.3
- overdue 90-360 days	—	30,203.2	4,872.4	—	35,075.6
- overdue more than 360 days	—	—	2,878.4	—	2,878.4
Gross leases to small and medium sized companies	**141,536.4**	**53,034.8**	**8,962.5**	**750.1**	**204,283.8**
Loss allowance	**(3,948.5)**	**(4,805.2)**	**(3,896.9)**	**—**	**(12,650.6)**
Total leases to small and medium sized companies	**137,587.9**	**48,229.6**	**5,065.6**	**750.1**	**191,633.2**
Total finance leases	**261,494.5**	**52,468.6**	**9,959.0**	**2,617.8**	**326,539.9**

	As at 31 December 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL for credit unimpaired assets	Stage 3 Lifetime ECL for credit impaired assets	At FVPL (embedded Financial Derivative)	Total
			(KZT millions)		
Leases to large corporates					
- not overdue	86,943.0	—	—	5,504.6	92,447.7
- overdue up to 30 days	—	—	11,316.3	—	11,316.3
- overdue more than 360 days	—	—	1,079.8	—	1,079.8
Gross leases to large corporates	**86,943.0**	**—**	**12,396.1**	**5,504.6**	**104,843.7**
Loss allowance	**(687.2)**	**—**	**(6,624.8)**	**—**	**(7,311.9)**
Total leases to large corporates	**86,255.9**	—	**5,771.3**	**5,504.6**	**97,531,8**
Leases to small and medium-sized companies					
- not overdue	74,030.7	7,646.8	3,963.2	1,147.3	86,788.0
- overdue up to 30 days	4,291.3	—	2,851.2	—	7,142.5
- overdue 30-89 days	4.9	1,439.2	261.0	—	1,705.1
- overdue 90-360 days	—	—	1,073.6	—	1,073.6
- overdue more than 360 days	—	—	687.0	—	687.0
Gross leases to small and medium sized companies	**78,326.9**	**9,086.0**	**8,835.9**	**1,147.3**	**97,396.1**
Loss allowance	**(2,015.6)**	**(74.6)**	**(2,497.3)**	**—**	**(4,587.5)**
Total leases to small and medium sized companies	**76,311.3**	**9,011.4**	**6,338.6**	**1,147.3**	**92,808.5**
Total finance leases	**162,567.1**	**9,011.4**	**12,109.9**	**6,651.9**	**190,340.3**

As at 31 December 2021, impairment as a percentage of total gross finance leases was 4.6%, as compared to 5.9% and 5.9% as at 31 December 2020 and 2019, respectively.

Debt securities measured at fair value through other comprehensive income ("FVOCI")

DBK's portfolio of debt securities measured at fair value through other comprehensive income consists of bonds and bills held by DBK and IDF JSC comprised of, *inter alia*, bonds issued by corporates, Government entities and local authorities, banks and other credit institutions and treasury bills of the Treasury Department of the Ministry of Finance of Kazakhstan.

Debt securities measured at FVOCI by Type

The following table sets forth the composition of DBK's investment portfolio of debt securities measured at fair value through other comprehensive income, by type, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Debt securities measured at FVOCI						
Debt securities of government bodies of other countries	509,406.1	95.9	177,507.9	90.3	138,633.2	64.8
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	11,549.6	2.2	5,476.0	2.8	6,656.1	3.1
Corporate bonds of Kazakhstan issuers	8,343.4	1.6	—	—	26,465.5	12.4
Bonds of foreign banks and financial institutions	1,687.0	0.3	—	—	—	—
Bonds of Kazakhstan banks	—	—	10,945.4	5.6	10,307.2	4.8
Corporate bonds of non-resident issuers	—	—	2,682.8	1.4	7,940.2	3.7
Bonds of the Sovereign Wealth Fund «Samruk-Kazyna» JSC	—	—	—	—	23,791.3	11.1
Total	**530,986.1**	**100.0**	**196,612.1**	**100.0**	**213,793.5**	**100.0**

Debt securities measured at FVOCI held by DBK increased by KZT 334,374.0 million, or 170.1%, to KZT 509,406.1 million as at 31 December 2021, from KZT 196,612.1 million as at 31 December 2020, after having decreased by

KZT 17,181.4 million, or 8% from KZT 213,793.5 million as at 31 December 2019. The increase in 2021 was primarily due to the KZT 331,898.2 million, or 187.0%, increase in DBK's portfolio of debt securities of government bodies of other countries, which was, in turn, primarily due to purchases of government securities of Mexico, Abu Dhabi, Saudi Arabia, the Philippines and Indonesia in 2021. The decrease in 2020 was primarily due to the sale of corporate bonds of Kazakhstan issuers (in an amount of KZT 26,465.5 million) and the sale of bonds of the Samruk-Kazyna (in an amount of KZT 23,791.3 million).

Debt securities measured at FVOCI by Maturity

The following table sets forth an analysis of DBK's investment portfolio of debt securities measured at fair value through other comprehensive income, by maturity, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	—	—	10,945.4	5.6	—	—
One month to three months	3,497.3	0.7	—	—	—	—
Three months to one year	44.2	0.0	44.2	0.0	25,063.2	11.7
One year to five years	96,227.4	18.1	3,525.3	1.8	19,923.0	9.3
More than five years	431,217.2	81.2	182,097.2	92.6	168,807.3	79.0
Total FVOCI-debt securities	**530,986.1**	**100.0**	**196,612.1**	**100.0**	**213,793.5**	**100.0**

As at 31 December 2021, 18.1% of total debt securities measured at FVOCI had between one and five years until maturity, as compared to 1.8% as at 31 December 2020 and 9.3% as at 31 December 2019. The increase in the proportion of debt securities measures at FVOCI with a maturity of between one and five years as at 31 December 2021, as compared to 2020, was primarily due to purchases of government securities of Saudi Arabia and Brazil in 2020. The decrease in the proportion of debt securities measures at FVOCI with a maturity of between one and five years as at 31 December 2020, as compared to 2019, was primarily due to the sale and redemption of debt securities with maturities of more than five years.

As at 31 December 2021, 81.2% of total debt securities measured at FVOCI had more than five years until maturity, as compared to 92.6% as at 31 December 2020 and 79.0% as at 31 December 2019. The decrease in the proportion of debt securities measures at FVOCI with a maturity of more than five years as at 31 December 2021, as compared to 2020, was primarily due to increase in the share of debt securities with a maturity of between one and five years. The increase in the proportion of debt securities measures at FVOCI with a maturity of more than five years as at 31 December 2020, as compared to 2019, was primarily due to the purchase of debt securities with maturities of more than five years.

Debt securities measured at FVOCI by Credit Rating

The following table sets forth information on the credit rating of DBK's debt securities measured at fair value through other comprehensive income as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Rated AA- to AA+	135,648.8	25.5	38,446.1	19.6	87,835.7	41.1
Rated A- to A+	133,934.2	25.2	67,710.2	34.4	17,752.0	8.3
Rated BBB- to BBB+	217,732.9	41.0	72,726.7	37.0	37,678.4	17.6
Rated from BB- to BB+	43,670.1	8.2	17,729.1	9.0	67,628.7	31.6
Rated from B- to B+	—	—	—	—	2,898.8	1.4
Total available-for-sale financial assets	**530,986.1**	**100.0**	**196,612.1**	**100.0**	**213,793.5**	**100.0**

Note:
(1) Ratings as reported by Reuters

As at 31 December 2021, 41.0% of total debt securities measured at FVOCI had a rating of BBB- to BBB+, as compared to 37.0% as at 31 December 2020 and 17.6% as at 31 December 2018. The increase in the proportion of debt securities measures at FVOCI with a rating of BBB- to BBB+ as at each of 31 December 2021 and 2020, as compared to as at 31 December 2019, was primarily due to the purchase of such securities.

As at 31 December 2021, 8.2% of total debt securities measured at FVOCI had a rating of BB- to BB+, as compared to 9.0% as at 31 December 2020 and 31.6% as at 31 December 2019. The decrease in the proportion of debt securities measures at FVOCI with a rating of BB- to BB+ as at 31 December 2021 and 2020, as compared to as at 31 December 2019, was primarily due to the sale and redemption of a portion of the portfolio of such securities.

Derivative Financial Instruments

DBK enters into derivatives transactions, most commonly swap agreements and other types of over-the-counter transactions with broker-dealers or other financial institutions, for hedging purposes and not speculative purposes. The Risk Management Department monitors risks associated with derivatives, particularly market risks, and derivative instruments (other than such instruments qualifying for hedge accounting) are periodically marked-to-market to reflect their realisable values. According to DBK's existing policy, some of DBK's derivative instruments qualify for hedge accounting, either through fair value or cash flow hedges. See Notes 15 and 21 to the 2021 Annual Financial Statements and Notes 17 and 22 to the 2021 Annual Financial Statements See also "*Presentation of Financial and Other Data*".

In 2021, DBK's currency interest rate swap transaction was early terminated through the conclusion of a termination agreement. See Note 15 to the 2021 Annual Financial Statement. Accordingly, as at 31 December 2021, DBK did not have any derivative financial instruments. As at 31 December 2020, derivative financial instruments increased by KZT 1,328.5 million, or 13.1%, to KZT 11,489.2 million from KZT 10,160.7 million as at 31 December 2019. This increase was mainly due to changes in currency rates and discount rates used in the valuation of such assets.

Principal Sources of Funding

DBK's activities are funded through the issuance and placement of bonds, in both the domestic and international capital markets, and through loans from the Government of the Republic of Kazakhstan, loans from Samruk-Kazyna and Baiterek JSC, loans from banks and other financial institutions, Government grants and current accounts and deposits from customers and financial institutions, including subsidiaries of Baiterek JSC.

DBK may take inter-bank deposits and open and maintain correspondent accounts for the purpose of managing its liquidity.

The following table sets forth DBK's principal external sources of funding (*i.e.*, other than capital) as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		**2020**		**2019**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Current accounts and deposits from customers	30,412.1	1.0	15,793.7	0.6	17,236.3	0.8
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	11,195.7	0.4	27,966.9	1.1	26,986.3	1.2
Loans and deposits from banks and other financial institutions	556,670.0	17.5	640,008.0	24.8	540,295.4	25.0
Loans from the Parent Company	283,338.1	8.9	227,597.0	8.8	175,229.0	8.1
Amounts payable under sale and repurchase agreements	43,189.7	1.4	—	—	—	—
Government grants	301,140.6	9.5	261,839.0	10.2	210,933.4	9.8
Debt securities issued, *of which*:	1,716,748.7	53.9	1,241,012.7	48.2	1,051,544.3	48.6
Eurobonds denominated in U.S.$	*791,518.9*	—	*566,113.8*	—	*549,203.6*	—
Eurobonds denominated in KZT	*266,785.7*	—	*165,032.0*	—	*200,477.8*	—
Local Bonds	*658,444.1*	—	*509,866.9*	—	*301,862.9*	—
Subordinated debt	118,216.8	3.7	111,163.0	4.3	104,534.6	4.8
Other liabilities	111,480.4	3.5	47,741.1	1.9	27,916.5	1.3
Provisions	12,609.2	0.4	2,825.4	0.1	7,563.5	0.3
Deferred tax liabilities	—	—	—	—	198.4	0.0
Total	**3,185,001.1**	**100.0**	**2,575,946.8**	**100.0**	**2,162,437.7**	**100.0**

To diversify its funding base and to enable it to better manage its maturity profile, DBK has entered into various credit facilities as described in "*—Borrowings*", established the Programme and issued various debt securities as described in "*—Debt Securities*". DBK has also signed a number of framework agreements and memorandums of co-operation with Japan Bank for International Cooperation, China Export-Import Bank, Deutsche Bank, Korea Export-Import Bank, Oesterreichische Kontrollbank Aktiengesellschaft, Vnesheconombank, BNP Paribas, Sumitomo Mitsui Banking Corporation, BPI (COFACE), Bank of Tokyo Mitsubishi UFJ, China Export & Credit Insurance Corporation Sinosure, European Investment Bank and Korea Trade Insurance Corporation K-Sure, China Development, Deutsche Bank, Commerzbank, KfW IPEX-Bank GmbH and EULER HERMES A.G.

Borrowings

A major source of funding for DBK is debt securities, which accounted for 53.9%, 48.2% and 48.6% of DBK's total liabilities as at 31 December 2021, 2020 and 2019, respectively. Loans and deposits from banks and other financial institutions accounted for 17.5%, 24.8% and 25.0% of DBK's total liabilities as at 31 December 2021, 2020 and 2019, respectively. Loans from Samruk-Kazyna, from Baiterek JSC and from the Government also contribute to the funding of DBK, with loans from the Government and Samruk-Kazyna accounting for 0.4% of DBK's total liabilities as at 31 December 2021, as compared to 1.1% and 1.2%, respectively, as at 31 December 2020 and 2019, and loans from Baiterek JSC accounting for 8.9% of DBK's total liabilities as at 31 December 2021, as compared to 8.8% and 8.1%, respectively, as at 31 December 2020 and 2019.

Loans and deposits from Banks and Other Financial Institutions

The table below sets forth certain information in respect of the composition of DBK's loans and deposits from banks and other financial institutions, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Loans with fixed interest rates						
Loans from OECD banks	—	—	—	—	11,088.4	2.1
Loans from non-OECD banks	108,745.9	19.5	173,962.3	27.2	176,983.9	32.8
Total loans with fixed interest rates	**108,745.9**	**19.5**	**173,962.3**	**27.2**	**188,072.3**	**34.8**
Loans with floating interest rates						
Loans from OECD banks	—	—	—	—	—	—
Loans from non-OECD banks	474,494.3	85.2	497,585.9	77.7	364,305.3	67.4
Total loans with floating interest rates	**474,494.3**	**85.2**	**497,585.9**	**77.7**	**364,305.3**	**67.4**
Less unamortised portion of borrowing costs	(26,570.2)	(4.8)	(31,540.2)	(4.9)	(12,082.2)	(2.2)
Net total loans from banks and other financial institutions	**556,670.0**	**100.0**	**640,008.0**	**100.0**	**540,295.4**	**100.0**

As at 31 December 2021, loans and deposits from banks and other financial institutions decreased by KZT 83,338.0 million, or 13.0%, to KZT 556,670.0 million from KZT 640,008.0 million as at 31 December 2020, after having increased by KZT 99,712.6 million, or 18.5%, from KZT 540,295.4 million as at 31 December 2019. The decrease in 2021 was primarily reflecting a KZT 65,216.4 million, or 37.5%, decrease in the amount of loans from non-OECD banks with fixed interest rates. The increase in 2020 was primarily reflecting a KZT 133,280.6 million, or 36.6%, increase in the amount of loans from non-OECD banks and other financial institutions with floating interest rates as at 31 December 2020, as compared to 31 December 2019, partially offset by a KZT 11,088.4 million, or 100%, decrease in the amount of loans from OECD banks with fixed interest rates.

The decrease in loans with fixed interest rates from non-OECD banks in 2021 was primarily due to the repayment of credit lines totalling U.S.$285 million.

The increase in loans with floating interest rates from non-OECD banks in 2020 was primarily due to drawdowns under credit lines totalling U.S.$310 million.

DBK's principal loans from banks and other financial institutions are as follows:

<u>Roseximbank JSC</u>

On 15 December 2016, IDF JSC (then, DBK-Leasing) entered into an RUB 2,268 million Loan Facility Agreement with Roseximbank JSC for the purchase of passenger wagons. The interest is paid on a quarterly basis and the principal is repaid quarterly. The loan matures on 16 December 2030. As at 31 December 2021, the aggregate principal amount outstanding under the facility agreement was RUB 1.547 million. All amounts due under the facility agreement were fully prepaid on 4 March 2022.

On 9 November 2017, IDF JSC entered into an RUB 558 million Loan Facility Agreement with Roseximbank JSC for the purchase of passenger wagons. The interest and principal due under the loan are paid on a monthly basis. The loan matures on 9 November 2027. As at 31 December 2021, the aggregate principal amount outstanding under the facility agreement was RUB 363.7 million. All amounts due under the facility agreement were fully prepaid on 4 March 2022.

On 28 April 2018, IDF JSC entered into an RUB 455 million Loan Facility Agreement with Roseximbank JSC for the purchase of passenger wagons. The interest and the principal due under the loan are paid on a monthly basis. The loan matures on 28 April 2025. As at 31 December 2021, the aggregate principal amount outstanding under the facility agreement was RUB 236.1 million. All amounts due under the facility agreement were fully prepaid on 4 March 2022.

On 25 December 2019, IDF JSC signed a RUB 327 million loan agreement with Roseximbank JSC for the purchase of passenger cars. The interest and principal due under the loan are paid on a quarterly basis. The loan matures on 25 December 2027. As at 31 December 2021, the total outstanding principal debt under the loan agreement amounted to RUB 261.6 million. All amounts due under the facility agreement were fully prepaid on 4 March 2022.

The full prepayment of the above loans were confirmed in a letter from Roseximbank JSC dated 5 March 2022.

Sumitomo Mitsui Banking Corporation Europe Limited

On 29 December 2017, DBK entered into a Sinosure-insured U.S.$225.0 million loan with a syndicate of banks (comprising Sumitomo Mitsui Banking Corporation Europe Limited, MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.), Deutsche Bank AG, Hong Kong Branch and Crédit Agricole Corporate and Investment Bank). The loan was scheduled to mature on 25 April 2030. As at 31 December 2021, the principal amount outstanding under this loan was U.S.$191.3 million.

HSBC Bank plc

On 24 April 2014, DBK entered into three agreements with HSBC Bank plc: (i) a €500 million framework agreement for the purchase of certain goods and services to be supported by export credit agencies; (ii) a SACE Supported Facility Agreement relating to an agreement dated 7 March 2013 between Aktobe Rail-Beam Plant Limited Liability Partnership and Siemens S.p.A. (the "**Exporter**"); and (iii) a SACE reimbursement agreement. Loans made pursuant to the SACE Supported Facility Agreement may only be used to finance or refinance payments made or to be made by DBK to the Exporter (or an advising banks for the benefit of the Exporter) pursuant to a letter of credit, provided that the aggregate total of such payments do not exceed: (x) 85% of €81.2 million in respect of goods produced in Italy, Austria, the Czech Republic and Russia and services rendered by persons ordinarily resident in such countries; or (y) 2% of €81.2 million in respect of goods produced in the EU and services rendered by persons ordinarily resident in the EU. Under the SACE reimbursement agreement, DBK is entitled to request that SACE issue an insurance policy providing cover to HSBC Bank plc in respect of certain payments due from DBK under the SACE Supported Facility Agreement.

On 6 June 2014, DBK signed a €56.1 million credit agreement with HSBC Bank plc. Between 6 June 2014 and 18 January 2016, loans aggregating €47.7 million were drawn down under this credit agreement. The credit agreement was scheduled to mature on 5 July 2023. However, all amounts drawn down under this loan were repaid in May 2020.

Export-Import Bank of China

On 1 August 2009, DBK entered into a master facility agreement for a period of up to 15 years with the Export-Import Bank of China permitting DBK to draw down up to U.S.$5.0 billion (the "**China Ex-im Bank Facility**"). The China Ex-im Bank Facility is divided into restricted (U.S.$3.5 billion) and unrestricted (U.S.$1.5 billion) portions. The restricted portion of the China Ex-im Bank Facility is for use on projects with a Chinese component, whereas the unrestricted portion can be used for DBK's general purposes. The China Ex-im Bank Facility agreement contains certain covenants, which*, inter alia,* prohibit DBK from creating security over its indebtedness in an amount exceeding 25% of its assets or disposing of over 25% of its assets. In addition, there is a change of control clause put option in favour of the Export-Import Bank of China.

Under the unrestricted portion of the China Ex-im Bank Facility, on 24 October 2009, DBK entered into an individual credit agreement with the Export-Import Bank of China for the amount of U.S.$1.5 billion. This credit agreement was entered into for a period of ten years, and principal and interest under this individual credit agreement was initially payable semi-annually. On 20 January 2011, DBK prepaid a portion of the amounts outstanding under this individual credit agreement. In addition, on 9 June 2011, DBK and the Export-Import Bank of China entered into an amendment to the China Ex-im Bank Facility, which permitted DBK to draw down again, as a second tranche, the prepaid portion, subject to entering into a supplemental agreement. This amendment also modified the terms of the individual credit agreement. Principal repayments began in January 2017 and was fully repaid in July 2018.

On 11 June 2011, DBK entered into the supplemental loan agreement described above for the amount of U.S.$500 million, which is provided on the same basis as the amended agreement described above. The full amount of loan agreement was prepaid voluntarily in 2019.

The restricted portion of the China Ex-im Bank Facility is aimed at the development of energy, transport and communication infrastructure and the funding of strategic projects in metallurgy, chemical and oil industries pursuant to the Kazakhstan State Commission on Modernisations of the Economy's consideration of such projects. The funds of this credit facility will be used for the realisation of investment projects of Kazakhstan companies, including particularly those exporting of industrial output, services and equipment to China.

Under the restricted portion of the China Ex-im Bank Facility, on 12 December 2009, DBK entered into an individual credit agreement with the Export-Import Bank of China for the amount of U.S.$884 million of which U.S.$874 million had been drawn as at 30 June 2017. This loan was granted for the purpose of providing financing for the reconstruction of the Atyrau Refinery and was amended on 19 December 2013, 8 May 2014 and 30 October 2014. This individual credit agreement matures on 21 July 2023. Principal and interest under this individual credit agreement is paid semi-annually. The loan was prepaid in full in July 2019.

In addition, in May 2010, DBK entered into a loan with the Export-Import Bank of China for the amount of U.S.$400 million. This loan is for a period of 15 years. Under the loan agreement, principal and interest is paid semi-annually. This loan matures on 21 May 2025. The loan agreement contains certain covenants prohibiting DBK from incurring indebtedness exceeding 25% of its assets, disposing of over 25% of its assets or declaring or paying more than 50% of dividends or other income distribution whilst there is an outstanding event of default or potential event of default. The funds from this loan have been used for the aluminium smelter construction project in Pavlodar. As at 31 December 2021, the principal amount outstanding under this loan was U.S.$152.4 million. See "*Business—Lending—Investment Projects—Metallurgy Sector*".

On 22 February 2011, DBK entered into a further individual credit agreement with the Export-Import Bank of China for the amount of U.S.$1.4 billion. No amounts have been drawn down under this individual credit agreement. This loan was granted for the purpose of financing the construction of an integrated petrochemical project. As at the date of this Drawdown Information Memorandum, no amounts have been drawn down under this individual credit agreement due the termination of the engineering, procurement and construction contract in respect of the integrated petrochemical project.

On 15 October 2012, DBK entered into a U.S.$199.5 million preferential buyer credit loan agreement with the Export-Import Bank of China to finance the construction of a deep oil refining complex in Atyrau, which was amended on 30 October 2014. This loan matures on 15 October 2025. This loan was prepaid in full in January 2021.

China Development Bank

On 27 March 2017, DBK entered into a facility agreement with China Development Bank in the principal amount of U.S.$650 million for on-lending to customers and use in projects in sectors, including transportation, infrastructure and communication, to the mutual benefit of Kazakhstan and China. The facility agreement was subsequently amended on 28 July 2016. The facility matures on 15 June 2025. This loan was prepaid in full in November 2021.

On 9 June 2017, DBK signed a U.S.$607 million term facility agreement with China Development Bank for the financing of modernisation and reconstruction works at the Shymkent Oil Refinery owned by Petro Kazakhstan Oil Products LLP. The facility matures on 25 April 2030. In September 2017 and December 2017, DBK drew down two tranches of U.S.$100 million each, in June 2018, DBK drew down a further U.S.$65 million and in May 2020, DBK drew down a further U.S.$130 million tranche under the facility agreement. As at 31 December 2021, the aggregate principal amount outstanding under the facility agreement was U.S.$368.1 million.

On 6 June 2018, DBK signed a U.S.$500 million term facility agreement with China Development Bank for on-lending to customers and to use in projects to the mutual benefit of Kazakhstan and China in certain economic sectors supported by the Government of Kazakhstan, including, but not limited to, the oil gas, chemical, mineral, electricity, transportation, infrastructure, agriculture, communication, manufacturing and industrial park sectors. The facility matures in 10 years from the draw down date under each sub-loan agreement. On 4 June 2021, DBK entered into a sub-loan agreement with China Development Bank, Xinjiang branch, as lender, pursuant to the U.S.$500 million framework agreement between the parties, under which the lender made available to DBK up to U.S.$217 million to be used for the construction and operation of a gold bearing primary ores processing complex. This loan matures on 4 June 2030. In December 2021, DBK drew down a first tranche of U.S.$56.5 million under the facility agreement. As at 31 December 2021, the aggregate principal amount outstanding under this facility agreement was U.S.$56.5 million.

On 26 April 2019, DBK signed a U.S.$800 million term facility agreement with China Development Bank for the financing of the expansion of Aktogay MPP, a mining and processing plant. The facility matures in 2034. In November 2019 and

December 2019, DBK drew down two tranches of U.S.$140 million and U.S. $60 million, respectively, in April 2020 and October 2020, DBK drew down further tranches of U.S.$80 million and U.S.$100 million, respectively, and in April 2021 and September 2021, DBK drew down further tranches of U.S.$49 million and U.S.$50 million, respectively, under the facility agreement. As at 31 December 2021, the aggregate principal amount outstanding under the facility agreement was U.S.$479.0 million.

In September 2019, DBK signed a RMB 1,500 million term framework agreement with China Development Bank for the financing of DBK's projects. As at 31 December 2021, there were no amounts outstanding under the facility agreement.

Japan Bank for International Co-operation

On 28 December 2009**,** DBK entered into a loan with the Japan Bank for International Cooperation for the amount of ¥3,441.6 million. This loan matures on 21 December 2019**.** Under the loan agreement, interest and principal is paid semi-annually. The loan contains covenants requiring DBK, *inter alia*, not to dispose of more than 10% of its assets and to maintain a net worth of not less than KZT 41.7 billion. This loan was repaid in full in December 2019.

Baiterek Development JSC Loan

On 2 November 2009, DBK entered into a loan with Baiterek Development JSC (formerly known as the Distressed Assets Fund), a state-owned company, for KZT 20,000 million. This loan matures on 24 November 2024. Under the credit agreement, interest is paid semi-annually and principal is repaid in full at maturity.

This loan was provided in order to finance the restructuring of loans of troubled borrowers under certain conditions in the manufacturing sector with the aim of reducing the burden on the real sector of the national economy as a result of the impact of the global financial crisis on Kazakhstan and the impact of the problems within the domestic financial sector. See "*The Banking Sector in Kazakhstan*". As at 31 December 2021, the principal amount outstanding under this loan was KZT 20 billion.

J.P. Morgan AG and JP Morgan Chase Bank, N.A.

On 31 December 2021, DBK entered into a term loan facility agreement with J.P. Morgan AG, as agent, JP Morgan Chase Bank, N.A., as lead manager and certain other financial institutions as original lenders, for an amount up to U.S.$120 million. This loan matures on 31 December 2031. The loan was provided in order to refinance various export supply and services contracts regarding goods and services executed by Danish exporters. The loan agreement was revised on 31 March 2022. As at 31 December 2021, no amounts have been drawn down under this loan agreement.

Loans and Deposits from Banks and Other Financial Institutions by Maturity

The following table sets forth an analysis of DBK's loans and deposits from banks and other financial institutions, by maturity, as at 31 December 2021, 2020 and 2019:

	As at 31 December		
	2021	**2020**	**2019**
		(KZT millions)	
Less than one month	73.5	74.0	83.6
One month to three months	133.5	1,729.9	148.4
Three months to one year	2,745.9	2,449.0	1,420.4
One year to five years	97,886.7	242,446.8	39,576.5
More than five years	455,830.4	393,308.2	499,066.6
Loans from banks and other financial institutions	**556,670.0**	**640,008.0**	**540,295.4**

As at 31 December 2021, 81.9% of total loans and deposits from banks and other financial institutions had over five years remaining until contractual maturity, as compared to 61.5% and 92.4% of total loans and deposits from banks and other financial institutions as at 31 December 2020 and 2019, respectively.

Samruk-Kazyna Loans

Pursuant to the DBK Law, DBK may, from time-to-time, borrow certain funds from the Government and Samruk-Kazyna in line with its role as a development bank for the purpose of on-lending funds to its corporate customers subject to the requirements, priority economic sectors and objectives set out in the Credit Policy Memorandum and the DBK Law.

DBK uses proceeds from Samruk-Kazyna loans to help to develop economic sectors by providing financing at interest rates comparable to those provided by similar development institutions. As at 31 December 2021, Samruk-Kazyna loans consisted of long-term loans at concessional rates granted by the Government as part of a Government programme to support certain industries, including, in particular, the textile, gas processing and chemicals industries. The concessional rates of interest on the Samruk-Kazyna loans range from 0.2% to 0.6%. The funds from such loans were used by DBK to provide loans to projects in priority sectors of the economy, including the petrochemical, metallurgy, agriculture, transport and logistics sectors, at below market rates in furtherance of DBK's role as a development bank.

As at 31 December 2021, loans from Samruk-Kazyna decreased by KZT 16,771.2 million, or 60.0%, to KZT 11,195.7 million from KZT 27,966.9 million as at 31 December 2020.

Loans from Parent Company

DBK provides financing under a number of Government programmes and initiatives, including the Industrialisation Programme, the Infrastructure Development Programme and the Uniform Programme of Business Development and Support, using funds borrowed from Baiterek JSC.

As at 31 December 2021, loans from Baiterek JSC increased by KZT 55,741.1 million, or 24.5%, to KZT 283,338.1 million from KZT 227,597.0 million as at 31 December 2020, having increased by KZT 52,368.0 million, or 29.9%, from KZT 175,229.0 million as at 31 December 2019.

In April 2019, DBK received a loan of KZT 10,000.0 million at an interest rate of 0.15% *per annum*, which matures on 12 April 2037, to be used for on-lending to individuals for the purchase of cars manufactured in Kazakhstan and for the provision of lease financing for motor vehicles and special purpose automotive equipment (other than agricultural equipment produced in Kazakhstan).

In June 2019, DBK received a loan of KZT 14,000.0 million at an interest rate of 0.15% *per annum*, which matures on 14 April 2027, to be used for on-lending to IDF JSC at an interest rate of 0.2% *per annum* for a period of eight years.

In July 2019, DBK received a loan of KZT 23,546.0 million at an interest rate of 0.15% *per annum*, which matures on 3 June 2029, to be used for financing the Saryarka gas main pipeline project.

In July 2019, DBK received a loan of KZT 11,259.0 million at an interest rate of 0.08% *per annum*, which matures on 21 July 2039, to be used for on-lending to IDF JSC at an interest rate of 0.1% *per annum* for a period of 20 years.

In September 2019, DBK received a loan of KZT 11,000.0 million at an interest rate of 0.15% *per annum*, which matures on 18 August 2038, to be used for financing projects under the Industrialisation Programme.

In December 2019, DBK received a loan of KZT 18,741.0 million at an interest rate of 0.08% *per annum*, which matures on 29 November 2039, to be used for financing projects under the Industrialisation Programme and to provide financing to Passazhirskiye Perevozki JSC for the renewal of its passenger car fleet.

In December 2019, DBK received a loan of KZT 6,000.0 million at an interest rate of 0.15% *per annum*, which matures on 27 November 2027, to be used for on-lending to individuals for the purchase of cars manufactured in Kazakhstan and for the provision of lease financing for motor vehicles and special purpose automotive equipment (other than agricultural equipment produced in Kazakhstan).

In April 2020, DBK received a loan of KZT 20,000.0 million at an interest rate of 0.08% *per annum*, which matures on 15 April 2040, to be used for financing projects under the Industrialisation Programme and to provide financing to Passazhirskiye Perevozki JSC for the renewal of its passenger car fleet.

In June 2020, DBK received a loan of KZT 10,000.0 million at an interest rate of 0.15% *per annum*, which matures on 1 June 2035, to be used for financing projects under the Industrialisation Programme, to provide lease financing under the bus fleet renewal programme.

In October 2020, DBK received a loan of KZT 30,000.0 million at an interest rate of 0.15% *per annum*, which matures on 17 September 2040, to be used to support export financing.

In December 2020, DBK received a loan of KZT 20,000.0 million at an interest rate of 0.08% *per annum*, which matures on 3 December 2040, to be used for financing the renewal of the passenger car fleet.

In December 2020, DBK received a loan of KZT 13,700.0 million at an interest rate of 0.15% *per annum*, which matures on 2 December 2035, to be used for financing bus purchases under finance lease agreements.

In December 2020, DBK received a loan of KZT 22,500.0 million at an interest rate of 0.15% *per annum*, which matures on 3 December 2027, to be used for financing projects under the Industrialisation Programme.

In February 2021, DBK received a loan of KZT 10,000.0 million at an interest rate of 0.15% *per annum*, which matures on 23 January 2041, to be used for financing the "Keruyen-Saray" tourist project.

In August 2021, DBK received a loan of KZT 10,000.0 million at an interest rate of 0.15% *per annum*, which matures on 20 July 2027, for on-lending to IDF JSC to provide long-term lease financing as part of the State Programme of Industrial and Innovative Development of the Republic of Kazakhstan for 2020-2025.

In August 2021, DBK received a loan of KZT 22,000.0 million at an interest rate of 0.15% *per annum*, which matures on 20 July 2036 for on-lending to IDF JSC to finance bus sales and purchases under lease arrangements.

In August 2021, DBK received a loan of KZT 16,000.0 million at an interest rate of 0.15% *per annum*, which matures on 20 July 2041, the loan was on-lent to IDF JSC for lease financing to acquire the technological equipment to support export financing of cast iron.

In September 2021, DBK received a loan of KZT 14,700.0 million at an interest rate of 0.08% *per annum*, which matures on 5 August 2041, the loan was provided to finance the renewal of the passenger car fleet.

In September 2021, DBK received a loan of KZT 40,000.0 million at an interest rate of 0.15% *per annum*, which matures on 5 August 2041, the loan was provided for the financing of production projects.

Government Grants

As at 31 December 2021, Government grants increased by KZT 39,301.6 million, or 15.0%, to KZT 301,140.6 million from KZT 261,839.0 million as at 31 December 2020, after having decreased by KZT 50,905.6 million, or 24.1%, from KZT 210,933.4 million as at 31 December 2019.

As at 31 December 2021, the amount of Government grants recorded comprises the amount of benefits received as a result of the concessional interest rate as compared to the market interest rate, which difference is recognised as income, on the loans received from Baiterek JSC, Baiterek Development JSC and Samruk-Kazyna. Government grants are required to be repaid. See "*Management's Discussion and Analysis of Results of Operation and Financial Condition—Critical Accounting Policies—Government grants*", Note 26 to the 2021 Annual Financial Statements and Note 26 to the 2020 Annual Financial Statements.

Debt Securities

As at 31 December 2021, debt securities issued increased by KZT 475,736.0 million, or 38.3%, to KZT 1,716,748.7 million from KZT 1,241,012.7 million, after having increased by KZT 189,468.4 million, or 18.0%, from KZT 1,051,544.3 million as at 31 December 2019. The increase in 2021, was primarily due to the issuance of DBK's Series 10 (as defined below) and Series 11 (as defined below) Eurobonds in May 2021. The increase in 2020 was primarily due to the KZT 230,550.0 million, or 73.8%, increase in the issue of Tenge-denominated bonds in 2020.

In October 2002, DBK established the Programme and, as at the date of this Drawdown Information Memorandum, has issued eleven series of Notes thereunder, as follows:

- U.S.$100 million 7.125% Notes due 2007 in October 2002, which were repaid in accordance with their terms on their maturity date ("**Series 1**");

- U.S.$100 million 7.375% Notes due November 2013, in November 2003, which were repaid in accordance with their terms on their maturity date ("**Series 2**");

- U.S.$100 million 6.5% Notes due 2020, in May 2005), which were repaid in accordance with their terms on their maturity date ("**Series 3**");
- U.S.$150 million 6.0% Notes due 2026, in March 2006 ("**Series 4**");
- U.S.$500 million 5.5% Notes due 2015, in December 2010, which were repaid in accordance with their terms on their maturity date ("**Series 5**");
- U.S.$277 million 5.5% Notes due 2015, in February 2011 (which were consolidated to form a single series with Series 5), which were repaid in accordance with their terms on their maturity date;
- U.S.$1 billion 4.125% Notes due 2022, in November 2012 ("**Series 6**"); and
- U.S.$425 million 4.125% Notes due 2022 (which were consolidated to form a single series with Series 6) in February 2013;
- KZT 100 billion 9.5% Notes due 2020 in December 2017, which were repaid in accordance with their terms on their maturity date ("**Series 7**");
- KZT 100 billion 8.95% Notes due 2023 in May 2018, which were repaid in accordance with their terms on their maturity date ("**Series 8**");
- KZT 62.5 billion 10.75% Notes due 2025 in February 2020, which were repaid in accordance with their terms on their maturity date ("**Series 9**");
- KZT 100 billion 10.95% Notes due 2026 in May 2021 ("**Series 10**"); and
- U.S.$500 million 2.95% Notes due 2031 in May 2021 ("**Series 11**").

The Series 1, Series 2, Series 3 and Series 4 Eurobonds were, and the Series 4 Eurobonds remain, listed on the Luxembourg Stock Exchange and on the KASE. The Series 7, Series 8 and Series 9 Eurobonds were, and the Series 5, Series 6, Series 10 and Series 11 Eurobonds remain, listed on the London Stock Exchange and on the KASE.

DBK has conducted a number of liability management exercises to repurchase and exchange Eurobonds issued under the Programme. On 26 April 2022, pursuant to an offer to purchase dated 26 April 2022 (the "**Offer to Purchase**"), DBK invited holders of the Series 6 Notes to tender their Series 6 Notes for purchase by DBK for cash up to an aggregate principal amount of U.S.$700 million (the "**Tender Offer**"), all on the terms and subject to the conditions set forth in the Offer to Purchase.

The outstanding series of Eurobonds contain covenants requiring DBK, *inter alia*, to: (i) not create, incur, assume or permit to arise or subsist any security interest (subject to certain exceptions); (ii) comply with the DBK Law and the Credit Policy Memorandum; (ii) comply with the regulations and requirements of the regulator; and (iv) not pay or cause to be paid any dividends in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise), in respect of its share capital more than once a year, in an amount exceeding 50% of DBK's profit or where an event of default or potential event of default exists under the Eurobonds.

Since 1 January 2019, DBK has issued Tenge-denominated domestic bonds in the Kazakhstan market on the following terms:

- In June 2019, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 27.5 billion, which bear interest at a rate of 10.0% *per annum* and mature on 18 June 2026;
- in July 2019, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 41.0 billion, which bear interest at a rate of 10.27% *per annum* and mature on 16 July 2024;
- in October 2019, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 20.0 billion, which bear interest at a rate of 0.15% *per annum* and mature on 7 October 2039;
- in December 2019, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 30.0 billion, which bear interest at a rate of 11.0% *per annum* and mature on 3 December 2029;

- in May 2020, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 20.0 billion, which bear interest at a rate of 0.15% *per annum* and mature on 14 May 2040;

- in June 2020, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 10.6 billion, which bear interest at a rate of 11.0% *per annum* and mature on 18 June 2030;

- in November 2020, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 50.0 billion, which bear interest at a rate of 11.8% *per annum* and mature on 11 November 2030;

- in December 2020, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 50.0 billion, which bear interest at a rate of 11.8% *per annum* and mature on 9 December 2027;

- in December 2020, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 50.0 billion, which bear interest at a rate of 11.8% *per annum* and mature on 9 December 2030;

- in March 2021, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 50.0 billion, which bear interest at a rate of 11.50% *per annum* and mature on 19 March 2031;

- in October 2021, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 32.2 billion, which bear interest at a rate of 7.10% *per annum* and mature on 27 October 2031;

- in November 2021, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 50.0 billion, which bear interest at a rate of 12.40% *per annum* and mature on 12 November 2028; and

- in December 2021, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 22.2 billion, which bear interest at a rate of 11% *per annum* and mature on 18 June 2030 (forming a single series with the bonds issued on 18 June 2020).

DBK has also conducted a number of repurchase transactions in respect of its Tenge-denominated Eurobonds.

The following table sets forth certain information regarding the estimated scheduled maturities and interest payments of DBK's debt securities as at 31 December 2021:

Due Date	**Interest Payments Due[(1)]** *(KZT billions)*	**Principal Amount Due[(1)]** *(KZT billions)*
31 December 2022	115.0	566.0
31 December 2023	86.5	100.0
31 December 2024	80.4	91.0
31 December 2025	69.7	112.5
31 December 2026	47.7	252.0
31 December 2027	32.6	50.0
31 December 2028	26.7	8.8
31 December 2029	24.1	30.0
31 December 2030	20.7	91.6
31 December 2031	8.8	263.0
31 December 2032-2062	1.5	48.8

Note:
(1) Amounts due within 12 months of the relevant reporting date.

Subordinated Debt

As at 31 December 2021, subordinated debt issued increased by KZT 7,053.8 million, or 6.3%, to KZT 118,216.8 million from KZT 111,163.0 million as at 31 December 2020, after having increased by KZT 6,628.4 million, or 6.3%, from KZT 104,534.6 million as at 31 December 2019. The increases in subordinated debt since 2019 are primarily due to discounted amortisation of subordinated debt during this period.

Current accounts and deposits from customers

DBK generally does not accept deposits except in limited circumstances for certain customers and finance institutions. Accordingly, DBK does not depend on deposits as a source of funding, and changes in current account and deposit balances are not indicative of DBK's levels of funding or ability to lend.

Current accounts and deposits for customers are also a limited source of funding, accounting for 1.0%, 0.6% and 0.8% of total liabilities as 31 December 2021, 2020 and 2019, respectively. See "—*Principal Sources of Funding*".

Total current accounts and deposits from customers increased by KZT 14,618.4 million, or 92.6%, to KZT 30,412.1 million as at 31 December 2021 from KZT 15,793.7 million as at 31 December 2020, having decreased by KZT 1,442.6 million, or 8.4%, from KZT 17,236.3 million as at 31 December 2019.

Total current accounts and deposits from customers increased in 2021 primarily due to an increase in current accounts and demand deposits from KZT 763.5 million as at 31 December 2020 to KZT 25, 607.9 million as at 31 December 2020, which was, in turn, primarily due to receipts on customer accounts.

Total current accounts and deposits from customers decreased in 2020 primarily due to the decrease in current account and demand deposits, from KZT 2,590.5 million as at 31 December 2019 to KZT 763.5 million as at 31 December 2020.

Current Accounts and Deposits from Customers by Type

The following table sets forth a breakdown of DBK's current accounts and deposits from customers, by type, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Term deposits from customers	—	—	10,225.0	64.7	10,225.0	59.3
Deposits used as collateral for loans issued to customers	162.4	0.5	2,807.2	17.8	2,604.7	15.1
Current accounts and demand deposits	25,607.9	84.2	763.5	4.8	2,590.5	15.0
Deposits pledged as collateral	4,641.9	15.3	1,998.0	12.7	1,816.1	10.5
Total current accounts and deposits from customers	**30,412.1**	**100.0**	**15,793.7**	**100.0**	**17,236.3**	**100.0**

Current Accounts and Deposits from Customers by Currency

The following table sets forth a breakdown of DBK's current accounts and deposits from customers, by currency, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Tenge	25,767.4	84.7	11,073.5	70.1	11,143.5	64.7
U.S. Dollars	4,644.7	15.3	4,720.3	29.9	4,291.8	24.9
Euros	0.0	0.0	0.0	0.0	1,801.0	10.4
Other currencies	—	—	—	—	—	—
Total current accounts and deposits from customers	**30,412.1**	**100.0**	**15,793.7**	**100.0**	**17,236.3**	**100.0**

Current Accounts and Deposits from Customers by Maturity

The following table sets forth an analysis of DBK's current accounts and deposits from customers, by maturity, as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
On demand and less than one month	25,607.9	84.2	763.5	4.8	2,590.5	15.0
Three to six months	-	-	—	—	—	—
Six months to 12 months	4,642.1	15.3	2,263.3	14.3	295.7	1.7
More than one year	162.1	0.5	12,766.9	80.8	14,350.1	83.3
Total current accounts and deposits from customers[1]	**30,412.1**	**100.0**	**15,793.7**	**100.0**	**17,236.3**	**100.0**

Note:
(1) Carrying amount.

As at 31 December 2021, 31 December 2020 and 31 December 2019, DBK's balance of current accounts and deposits from customers was principally comprised of current accounts and deposits from customers with a maturity of more than one year, which accounted for 0.5%, 80.8% and 83.3% of total current accounts and deposits from customers, respectively.

The decrease in current accounts and deposits from customers with a maturity of less than one year as at 31 December 2021, as compared to as at 31 December 2020, was primarily due to the repayment of accounts receivable of the Investment Fund of Kazakhstan JSC from a term deposit account. The decrease in current accounts and deposits from customers with a maturity of less than one year as at 31 December 2020 and 31 December 2019, as compared to as at 31 December 2018, was primarily due to movements in customer accounts.

Equity and Capital Adequacy Ratios

As at 31 December 2021, DBK had share capital of KZT 515,953.5 million, consisting of 2,109,590 ordinary shares, all of which are fully paid.

As at 31 December 2021, DBK's total equity increased by KZT 44,795.2 million, or 8.7%, to KZT 556,828.3 million, as compared to KZT 512,033.1 million as at 31 December 2020, after having increased by KZT 83,655.2 million, or 19.5%, from KZT 428,377.8 million as at 31 December 2019. The year-on-year increases in total equity were primarily due to increases in share capital during the year and increased net profit year-on-year.

As at the date of this Drawdown Information Memorandum, DBK is not subject to the regulator's rules on capital adequacy ratios. DBK's capital adequacy ratio is calculated as the ratio of DBK's consolidated equity capital to its risk-weighted assets, calculated in accordance with requirements approved by the Resolution of the Government № 250 adopted on 22 April 2015, which corresponds to Basel II principles. As at 31 December 2021, DBK had a Basel II capital adequacy ratio of 17.39%, as compared to 20.15% and 20.53% as at 31 December 2020 and 2019, respectively. DBK had a tier 1 ratio of 13.60% as at 31 December 2021, as compared to 15.88% and 16.17% as at 31 December 2020 and 2019, respectively. DBK believes that it has sufficient capital adequacy to withstand any credit losses, which may reasonably be expected to arise in the foreseeable future.

Return on Average Assets and Return on Average Equity

DBK had a positive return on average assets of 0.9% for the year ended 31 December 2021, as compared to a positive return of 0.8% for the year ended 31 December 2020 and a positive return of 0.4% for the year ended 31 December 2019. The positive return on average assets in 2021 was due to net profit of KZT 31,499.7 million in 2021. The positive return on average assets in 2020 was due to net profit in the amount of KZT 22,369.8 million. Pre-provision return levels on average assets were 2.0% for the year ended 31 December 2021, as compared to 1.9% and 1.4% for the years ended 31 December 2020 and 2019, respectively.

DBK had a positive return on average equity of 5.9% for the year ended 31 December 2021, as compared to a positive return of 4.8% for the year ended 31 December 2020 and 2.7% for the year ended 31 December 2019. The positive return on average equity for the year ended 31 December 2021 was due to net profit of KZT 31,499.7 million in 2021. The positive return on average equity for the year ended 31 December 2020 was due to net profit in the amount of KZT 22,369.8 million.

DBK calculates its return on average assets as the ratio of net profit/(loss) for the period to the average of the opening and closing asset balances for the period. DBK calculates its return on average equity as the ratio of net profit/(loss) for the period to the average of the opening and closing equity balances for the period. DBK calculates its pre-provision return levels on average assets as the ratio of net profit/(loss) for the period less recovery of/(charge for) impairment losses to the average of the opening and closing asset balances for the period.

ASSET AND LIABILITY MANAGEMENT

General

DBK's operations are subject to a variety of risks, some of which are not within its control. These include risks relating to changes in interest rates and foreign exchange rates, declines in liquidity and deterioration in the credit quality of its loan and securities portfolios. DBK monitors and manages the maturities of its loans, interest rate exposure, exchange rate exposure and credit quality in order to minimise the effect of any changes on DBK's profitability and liquidity position. See "*Risk Factors*".

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures, as well as approving significantly large exposures. The Board of Directors has established the Risk Management Committee to assist in supervising DBK's risk management systems.

The Management Board is responsible for monitoring and implementing risk mitigation measures and ensuring that DBK and its subsidiaries operate within established risk parameters. The Head of the Risk Management Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principals and methods for identifying, measuring, managing and reporting both financial and non-financial risks.

The Risk Management Department has adopted internal risk management regulations based on international standards and is responsible for ensuring that levels of risk are controlled in accordance with these regulations. The Risk Management Department is also responsible for identifying and monitoring risks on an on-going basis. The Head of the Risk Management Department reports directly to the Chairman Management Board, which, in turn, reports to the Board of Directors.

DBK has established the ALMC, the Credit Committee and the Investment Committee, which are responsible for implementing and monitoring DBK's risk policies, including in respect of liquidity, credit and market risks. The basic credit policy of DBK is set out and governed by the Credit Policy Memorandum, which provides for a multi-stage system of making decisions by collegial authorised bodies (*i.e.*, the Credit Committee, the Management Board and the Board of Directors) to grant credit facilities depending on the size of the credit instrument. DBK monitors loan status and the financial condition and solvency of its borrowers on a regular basis. See "*—Principal Committees—Credit Committee*" and *"Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures*".

DBK's risk management policies aim to identify, analyse and manage the risks faced by DBK, to set limits and controls on risks (including concentration, industry and country limits) and to monitor compliance with those limits and risk levels more generally. Risk management policies and procedures are reviewed regularly in order to reflect changes in market conditions, products and services offered by DBK, as well as to reflect best practice standards.

In particular, DBK pays special attention to the analysis and control of risks that could affect the achievement of its long-term strategic goals and key performance indicators, as approved by the Board of Directors. DBK develops risk mitigation plans as part of its risk management system with the aim of eliminating the causes of risk and to mitigate the consequences of risk events. A risk register and matrix of risks and controls of business processes are subject to a mandatory review and updating procedure on an annual basis, which is then used to develop a risk map. DBK works, on an ongoing basis, to optimise and improve its risk management system. In particular, in 2018, DBK introduced liquidity management rules and a methodology for calculating liquidity gaps. In 2018, DBK also improved its methodology of financial analysis relating to second-tier banks based on relevant financial statements and the prudential standards of the NBK. In 2019, DBK implemented further improvements to its risk management policy, Financial Risk Management Rules and rules for assessing and monitoring financial stability.

In 2021, following a decision of the Board of Directors, DBK updated its Financial Risk Management Rules. The update reflected improvements in DBK's methodology for analysis of country risk and calculating country risk limits. In addition, in 2021, the loan provisioning policy was re-evaluated as a result of updates to its methodological package for credit risk models, which includes up to date historical information including the impact of the COVID-19 pandemic. The implementation of an early warning system and the methodology for determining key risk indicators was also approved.

In 2020 and 2021, DBK updated its Risk Management Policy, approved a new version of its Operational Risk Management Rules and implemented changes to the business processes risk matrix related to regulating the procedure for conducting rolling checks of business processes and developing control procedures.

Principal Committees

Assets and Liabilities Management Committee

The overall asset and liability position of DBK is monitored and managed by the ALMC. The ALMC is a standing committee that consists of six members and reports to the Management Board. All members of the ALMC are appointed by the Management Board. The ALMC is headed by a Chairman and is comprised of representatives of the Debt and Structured Finance Department, the Risk Management Department, the Strategy, Planning and Business Processes Department and the Loan Department.

The members of the ALMC are:

	Role on the ALMC	Other Roles within DBK
Sandugash Kenzhebayeva	Chair of the ALMC	Deputy Chairman of the Management Board
Botagoz Abisheva	Member of the ALMC	Deputy Chairman of the Management Board
Rakhimzhan Satayev	Member of the ALMC	Managing Director
Dastan Akhmetov	Member of the ALMC	Managing Director
Zulfiya Zeinesheva	Member of the ALMC	Managing Director
Karlygash Akhmetzhanova	Member of the ALMC	Head of the Legal Support Department

The ALMC assists the Management Board by considering and initially approving rules and procedures relating to borrowing, transactions for the purchase and sale of financial instruments and investments and the issuance of guarantees. The ALMC also formulates policy in relation to the management and control of liquidity, market and credit risks. The ALMC co-ordinates the risk management activities of the various management divisions with the aim of optimising the ratio of risks to profitability and the management of assets and liabilities. The ALMC also participates in the process of approving new business and the development of new lending products and funding instruments. The ALMC meets on an *ad hoc* basis, although in practice, meetings are held approximately three times a month.

Credit Committee

The Credit Committee implements DBK's credit policies in accordance with the Credit Policy Memorandum and additional internal controls. All members of the Credit Committee are appointed by the Management Board, which decides upon the number of members and their terms of appointment. The Credit Committee is a standing committee that reports to the Management Board. As at 1 January 2021, the Credit Committee consisted of five members. The principal responsibilities of the Credit Committee include the organisation and supervision of DBK's lending processes based on the principles of transparency and the strict division of responsibility between departments. The Credit Committee also assists with the development of processes for the efficient use of borrowed funds through the provision of credit instruments and with the supervision of the application of DBK's lending policy, credit process and credit risk management process, as well as the use of DBK's resources, across DBK's offices. The Credit Committee monitors the quality and profitability of DBK's loan portfolio. See "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures*".

The following table sets forth the members of the Credit Committee as at 1 March 2022:

	Role on the Credit Committee	Other Roles within DBK
Marat Yelibayev	Chairman	Deputy Chairman of the Management Board
Zulfiya Zeinesheva	Member	Deputy Chairman of the Management Board
Bakhytzhan Omarov	Member	Managing Director
Zhalel Imashev	Member	Head of the Legal Department
Yerbol Suleimanov	Member	Head of the Collateral Appraisal Department

Investment Committee

The Investment Committee monitors and manages DBK's treasury portfolio within guidelines established by the ALMC. The Investment Committee is appointed by the Management Board, consists of five members and reports to the Management Board. The Investment Committee is responsible for the development of DBK's internal policy on investment portfolio management.

The members of the Investment Committee are:

	Role on the Investment Committee	Other Roles within DBK
Ruslan Iskakov	Chairman	Chairman of the Management Board
Botagoz Abisheva..	Deputy Chairman	Deputy Chairman of the Management Board
Saule Mamekova	Member	Head of Accounting Department
Karlygash Akhmetzhanova...	Member	Head of the Legal support Department
Zulfiya Zeinesheva	Member	Managing Director

Risk Management Committee

See "*Management—Board Committees—Risk Management Committee*".

Liquidity Risk

Liquidity risk is the risk that DBK will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions to ever be completely matched as 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. DBK 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. DBK's liquidity policy is reviewed and approved by the Management Board and requires: (i) projection of cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto; (ii) maintenance of a diverse range of funding sources; (iii) management of the concentration and profile of debts; (iv) maintenance of debt funding plans; (v) maintenance of a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flows; and (vi) maintenance of liquidity and funding contingency plans.

DBK's daily liquidity position is monitored and performed by the Treasury Department and reports in respect of DBK's liquidity position are presented to senior management on a weekly basis. Decisions relating to liquidity management are made by the ALMC and implemented by the Treasury Department or other relevant department.

The following table provides certain information as to DBK's liquidity as at 31 December 2021, 2020 and 2019:

		As at 31 December		
	Requirement	2021	2020	2019
			(%)	
Total debt[(1)]/equity...	Not to exceed 700.0 [(2)]	572.0	503.1	504.8
Liquid assets[(3)]/total assets.................................	—	27.8	18.2	17.4

Notes:

(1) Total debt comprises short-term debt plus long-term debt, in turn, comprised of current accounts and deposits from customers, loans from the Government and SWF Samruk-Kazyna JSC, loans from the Parent Company, loans from banks and other financial institutions, debt securities issued and subordinated debt.

(2) According to the third amendment agreement dated 15 March 2019, the debt-to-equity covenant was amended to not be more than 7 to 1 at all times. "*Selected Statistical and Other Data—Principal Sources of Funding—Debt Securities*".

(3) Liquid assets comprise cash and cash equivalents, placements with banks and other financial institutions and debt securities measured at fair value through other comprehensive income.

For further information on DBK's management of liquidity risk, see Note 32(d) to the 2021 Annual Financial Statements and Note 32(d) to the 2020 Annual Financial Statements.

In addition, DBK carries out calculations of its liquidity coverage ratio and net stable funding ratio in accordance with the requirements of Basel III. The following table sets forth information in respect of these liquidity ratios as at 31 December 2021, 2020 and 2019:

	As at 31 December		
	2021	2020	2019
		(%)	
Liquidity coverage ratio[(1)]	166.1	101.5	117.4
Net stable funding ratio[(2)]	100.5	118.6	117.1

Notes:
(1) Calculated as the ratio of highly-liquid assets to net cash outflow less the projected cash inflows over a 30-day stress period.
(2) Calculated as the ratio of longer-term, stable sources of funding employed by DBK to the required amount of stable funding.

Maturities

The following tables set forth a breakdown of DBK's assets and liabilities by remaining contractual maturity as at 31 December 2021, 2020 and 2019:

	As at 31 December 2021								
	On demand	Less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No Maturity	Overdue	Total
					(KZT millions)				
Total assets	299,687.2	180,567.2	33,909.5	231,373.1	1,039,543.9	1,906,366.6	43,563.9	6,818.1	3,741,829.4
Total liabilities	107,940.2	45,829.4	11,692.7	598,161.3	761,361.0	1,660,008.3	—	8.3	3,185,001.1
Net position	**191,747.0**	**134,737.8**	**22,216.8**	**(366,788.2)**	**278,182.9**	**246,358.3**	**43,563.9**	**6,809.8**	**556,828.3**

	As at 31 December 2020								
	On demand	Less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No Maturity	Overdue	Total
					(KZT millions)				
Total assets	218,927.6	153,588.1	82,480.1	169,160.2	739,466.9	1,690,995.3	22,276.5	11,085.2	3,087,979.9
Total liabilities	22,117.5	2,830.2	16,643.6	39,776.8	1,178,812.3	1,315,766.4	—	—	2,575,946.8
Net position	**196,810.1**	**150,757.9**	**65,836.5**	**129,383.4**	**(439,345.4)**	**375,228.9**	**22,276.5**	**11,085.2**	**512,033.1**

	As at 31 December 2019								
	On demand	Less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No Maturity	Overdue	Total
					(KZT millions)				
Total assets	137,678.6	96,944.9	20,645.6	233,654.1	415,377.6	1,656,436.3	26,955.0	3,123.4	2,590,815.5
Total liabilities	5,008.4	5,779.8	6,180.5	166,020.5	787,375.7	1,192,072.0	0.8	—	2,162,437.7
Net position	**132,670.2**	**91,165.1**	**14,465.1**	**67,633.6**	**(371,998.1)**	**464,364.3**	**26,954.2**	**3,123.4**	**428,377.8**

For further information on DBK's management of maturity gaps, see Note 32(e) to the 2021 Annual Financial Statements and Note 32(e) to the 2020 Annual Financial Statements.

Credit Risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to DBK. DBK has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of the Credit Committee to actively monitor DBK's credit risk. Loans to customers, finance lease receivables, placements with banks and other financial institutions, amounts receivable under reverse repurchase agreements, debt securities at fair value through other comprehensive income and accounts receivable are all considered financial assets subject to credit risk. DBK's credit policy establishes: (i) procedures for review and approval of loan credit applications; (ii) a methodology for the credit assessment of borrowers; (iii) a methodology for the credit assessment of counterparties, issuers and insurance companies; (iv) credit documentation requirements; and (v) procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis, focusing on the customer's business and financial performance. The loan credit application and report are then independently reviewed by the Risk Department and a second opinion is given accompanied by a verification that credit policy requirements have been met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax Departments, depending on the specific risks and pending final approval of the Credit Committee.

DBK continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by DBK.

Apart from individual customer analysis, the credit portfolio is also assessed by the departments responsible for risk management with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. During the loan approval process, the projected effect on DBK's financial performance is assessed in order to avoid negative impact. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Market risk

DBK manages market risk, which is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect DBK's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and equity risk and arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices. The objective of DBK's market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on such risk. DBK manages such risk by setting open position limits in relation to financial instruments, interest rate, maturity, currency positions and stop-loss limits, all of which are monitored on a regular basis. DBK's management of interest rate risks, by monitoring of the interest rate gap, is supplemented by monitoring the sensitivity of the net interest margin to various standard and non-standard interest rate scenarios. See "—*Interest Rate Risk*", Note 32(b)(i) to the 2021 Annual Financial Statements and Note 32(b)(i) to the 2020 Annual Financial Statements.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. DBK 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. DBK adopts certain measures to minimise these risks by trying to link its borrowing and lending rates. Interest rate risk is managed principally through monitoring interest rate gaps.

The principal objective of DBK's interest rate management activities is to enhance profitability by limiting the effect of adverse interest rate movements on interest income through managing interest rate exposure. In this respect, DBK undertakes cash flow interest rate sensitivity analysis of its net profit or loss and equity (net of taxes) to changes in interest rates, as well as fair value interest rate sensitivity analysis of equity as the result of changes in the fair value of its debt securities measured at fair value through other comprehensive income as a result of changes in interest rates.

The following table sets forth an analysis of the sensitivity of DBK's net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point ("**bp**") symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
KZT'000000	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	2,738.5	2,738.5	2,551.6	2,551.6	1,391.8	1,391.8
100 bp parallel decrease................	(2,738.5)	(2,738.5)	(2,551.6)	(2,551.6)	(1,391.8)	(1,391.8)

The following table sets forth an analysis of the sensitivity of DBK's net profit or loss and equity to changes in the fair value of debt securities measured at fair value through other comprehensive income as at 31 December 2021, 2020 and 2019:

	As at 31 December					
	2021		2020		2019	
KZT'000000	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	—	(29,335.3)	—	(10,259.9)	—	(11,828.1)
100 bp parallel decrease................	—	31,502.4	—	10,982.2	—	12,833.7

For further information on DBK's management of interest rate risk, see Note 32(b)(i) to the 2021 Annual Financial Statements and Note 35(b)(i) to the 2020 Annual Financial Statements.

Foreign Currency Risk

DBK is exposed to foreign currency risk as a result of fluctuations in foreign exchange rates and mismatches between its assets and liabilities, as well as through its off-balance sheet activities involving exposures to instruments denominated in different currencies. The Risk Management Department monitors DBK's net currency position and advises on strategy accordingly. In order to effectively manage currency risk, the Board of Directors has approved the Rules of Currency Risk Management, which provide guidelines for the identification, assessment and control and monitoring of foreign currency risk. DBK has established a limit on open foreign currency positions, the VaR on each foreign currency, the weekly monitoring of foreign currency positions and the market situation and regular stress-testing of foreign currency positions, as well as back-testing of the effectiveness of methods used for the calculations of VaR. See "*Risk Factors—Factors that may affect DBK's ability to fulfil its obligations under, or in connection with, the Notes—B. Financial Risks relating to DBK and its Business—Foreign Currency Risk*".

For further information on DBK's management of foreign currency risk, see Note 32(b)(ii) to the 2021 Annual Financial Statements and Note 32(b)(ii) to the 2020 Annual Financial Statements.

The following table sets forth a breakdown of DBK's assets and liabilities, by currency, as at 31 December 2021, 2020 and 2019:

	As at 31 December		
	2021	**2020**	**2019**
Assets		*(KZT millions)*	
Foreign currency-denominated assets			
U.S. Dollars	1,380,557.4	1,154,431.1	1,025,395.1
Euros	6,454.9	144.6	16,005.9
Other currencies	505.6	441.5	456.2
Tenge-denominated assets	2,354,311.5	1,922,141.9	1,539,474.0
Liabilities			
Foreign currency-denominated liabilities			
U.S. Dollars	1,436,192.0	1,193,657.3	1,057,640.3
Euros	6,397.7	59.8	12,535.7
Other currencies	12,423.8	13,771.8	15,959.1
Tenge-denominated liabilities	1,729,987.7	1,369,300.3	1,076,565.3

As at the date of this Drawdown Information Memorandum, DBK is within its open position limits for convertible and non-convertible currencies it has set for the purposes of managing foreign currency risk.

The following table shows the net foreign currency position of DBK as at 31 December 2021, 2020 and 2019:

	As at 31 December		
	2021	**2020**	**2019**
Net long (short) currency position (*KZT millions*)	(67,495.5)	(31,426.1)	(25,148.3)
Net currency position as a percentage of total equity (*%*)	(12.1)	(6.1)	(5.9)
Net currency position as a percentage of foreign currency liabilities (*%*)	(4.6)	(2.6)	(2.3)

DBK enters into forward and swap transactions to hedge some of its foreign currency risk. Management revises its assumptions applied to currency swap valuations on a regular basis in line with changes in the base market terms.

Operational Risk

Operational risk is the risk of losses resulting from inadequacies or failures of internal processes, people and systems or external events.

DBK applies the basic indicative approach set out in Basel II for the calculation of operational risk. DBK employs operational risk identification, assessment, reporting and control processes, as well as the periodic monitoring of the control system, to manage operational risk. Such processes are carried out on a constant basis and in accordance with internally-approved methodology.

Legal Risk

Legal risk arises from the probability of losses resulting from the infringement of any contractual obligations, the mistaken application of normative legal acts, constitutional documents, policies, actions of governmental or state-owned bodies and amendments to legislation. DBK has generated a methodological approach to legal risk management and has a Compliance Controller, which reports to the Board of Directors. See "*Management—Corporate Governance*".

Anti-Money Laundering, Countering the Financing of Terrorism, Anti-Corruption and Anti-Bribery Policies and Procedures

In addition to mandatory statutory requirements, DBK has developed internal know-your-customer, anti-money laundering and countering terrorism financing policies, including DBK's procedures in relation to: (i) verifying information provided by customers in order to permit identification of customers, including ultimate owners and beneficiaries (both prior to establishing business relations with DBK and at the time of entering into transactions) and to identify, among others, whether the customer is connected with the financing of terrorism or is a politically-exposed person or a relative of a politically-exposed person; (ii) evaluating of a client's business to determine whether a customer may be involved in money-laundering or terrorism financing; (iii) implementing additional monitoring and due diligence requirements in respect of activities identified as potentially high risk; (iv) identifying any suspicious transactions and further assessing these against anti-money laundering and counter-terrorism financing safeguards; (iv) notifying authorised bodies in regard to any suspicious transactions; and (v) refusing to proceed with transactions or suspending transactions in the event that a customer fails to provide supporting documentation or provides false or inaccurate documentation or DBK otherwise believes the transaction is suspicious. These policies include the "Rules of Internal Control in order to Counter the Laundering of Proceeds from Crime and the Financing of Terrorism in the Development Bank of Kazakhstan JSC", which were adopted on 25 April 2019, as well as the "Instructions on the Implementation of Internal Control Programmes to Counter the Laundering of Proceeds from Crime and the Financing of Terrorism in the Development Bank of Kazakhstan JSC", which were adopted on 22 May 2019. On 30 June 2020, the Management Board approved regulations regarding sanctions compliance, which establishes the procedures for identifying sanctioned persons and measures to be taken by DBK in order to prevent and minimise sanctions risks. In order to implement these policies to the highest standard, DBK provides on-going anti-money laundering training to all relevant employees.

In addition to mandatory statutory requirements in respect of anti-corruption and anti-bribery as set out in Law № 410-V dated 18 November 2015, on 25 July 2017, the Management Board approved DBK's anti-corruption policy. In 2021, the Bank carried out activities to develop and implement its anti-corruption management system in accordance with the international standard ISO 37001.

DBK's Compliance Controller is responsible for the management of compliance risks, including functions related to the prevention and counteraction to money laundering and financing of terrorism, as well as the identification and prevention of corruption, effective settlement of conflicts of interest and control over compliance by DBK's employees with professional ethics requirements. The Board of Directors approves the work plan of the Compliance Controller on an annual basis and reviews reports regarding the Compliance Controller over the year. On 31 March 2022, DBK's Board of Directors resolved to create a Compliance Service. See "*Management—Corporate Governance*".

BUSINESS

Overview

DBK was incorporated on 31 May 2001 and is organised under the Decree of the President of the Republic of Kazakhstan № 531 dated 28 December 2000, the Law of the Republic of Kazakhstan № 178-II dated 25 April 2001 and the Resolution of the Government of the Republic of Kazakhstan № 659 dated 18 May 2001, for an unlimited duration as Closed Joint Stock Company “Development Bank of Kazakhstan”. On 18 August 2003, DBK was re-registered as Joint Stock Company “Development Bank of Kazakhstan” in line with the requirements of the amended JSC Law. A re-registration certificate (№ 4686-1900-AO) was issued in respect of DBK by the Registration Service and Legal Assistance Committee of the Ministry of Justice on 18 August 2003. DBK is a national development bank that is authorised to implement State investment policies and State support of the production sector of the Kazakhstan economy.

DBK operates under business identification number 010540001007 and its registered office is n-r. pr. 15, building 55A Mangilik Yel Avenue, Yesil district, Nur-Sultan, Republic of Kazakhstan and its telephone number is +7 7172 792 679. DBK’s sole shareholder is Baiterek JSC, which is, in turn, wholly-owned by the Government. Accordingly, the ultimate controlling party of DBK is the Government, represented by the Ministry of Industry and Infrastructural Development.

In accordance with the DBK Law, DBK’s objectives are:

- to improve and increase the efficiency and effectiveness of governmental investment activity;
- to develop industrial infrastructure and the manufacturing industry in Kazakhstan; and
- to promote foreign and domestic investment in Kazakhstan.

As a part of its role under Kazakhstan’s industrial development programme and in furtherance of such purposes, and in accordance with the Credit Policy Memorandum, DBK provides medium and long-term financing for investment projects (other than food or beverage projects and public private partnership projects) of KZT 7 billion or more, food or beverage investment projects and public private partnership projects of KZT 3 billion or more and export transactions of KZT 1 billion or more. See “*—Participation in Government Programmes*” and “*—Lending*”. In 2020, DBK introduced a new rating system, which is designed to assess and compare the impact that potential projects are expected to have on the economy, sustainable development and environment of a particular region of or the Republic of Kazakhstan as a whole. In addition to the impact that each potential project could have, DBK also assesses whether each project has the potential to increase the output capacity, improve labour productivity and increase export revenues, and analyses the shareholding structure of each project. A project that is assessed as being likely to have a high social and economic effect is assigned a high development score. In determining which projects or transactions to finance, DBK gives priority to private investor projects, projects that have high development scores and those that are designed to establish new or develop existing energy, communication, transport infrastructure, agricultural and production facilities, as well as commercial service industries including tourism, healthcare, recreation, sports and hotels. As of 1 March 2022, approximately 33% of the projects financed by DBK are greenfield projects. DBK’s lending activities are primarily funded through the issuance and placement of domestic and international debt securities and through borrowings from Baiterek JSC, Samruk-Kazyna and international financial institutions.

IDF JSC, DBK’s wholly-owned subsidiary, offers short- and long-term (up to 20 years) lease financing in various forms, including for industrial equipment, leasing of industrial buildings and certain combined services, and credit and leasing. IDF JSC invests only in large-scale projects valued at over KZT 500 million or more. IDF JSC provides financial leasing for investment projects in priority sectors of the economy in an amount of U.S.$448,776 or more under Government support programmes (see “*—IDF JSC*”), and KZT 50 million or more for investment projects in the consumer goods industry. In July 2017, DBK established its wholly-owned subsidiary, DBK CSF, a closed private limited liability company established in the Netherlands. DBK CSF was established for the purpose of participating in a direct investment fund in the Netherlands. In November 2017, DBK CSF and KCM established DBK Equity Fund, a direct investment fund, for purposes of investing in domestic and foreign projects, which promote the interests of the Kazakhstan economy and in which DBK is not permitted to invest directly as a result of the restrictions imposed on it under the Credit Policy Memorandum. DBK Equity Fund is 97% owned by DBK CSF. See “*—DBK CSF*”.

For the year ended 31 December 2021, DBK's profit for the year was KZT 31,499.7 million, as compared to a profit of KZT 22,369.8 million for the year ended 31 December 2020 and KZT 10,958.5 million for the year ended 31 December 2019. As at 31 December 2021, DBK had total assets of KZT 3,741.8 billion, as compared to total assets of KZT 3,088.0 billion as at 31 December 2020 and KZT 2,590.8 billion as at 31 December 2019.

Impact of COVID-19 and Recent Developments

The ongoing COVID-19 pandemic has had in 2020 and 2021 and is, in certain sectors, continuing to have an adverse impact on the world economy, including the Kazakhstan economy, as well as on DBK's customers and, in turn, DBK's business. The pandemic has affected investment sentiment and resulted in sporadic volatility in the global capital and financial markets. According to a report published by the IMF, in 2021, Kazakhstan's real GDP grew by 4.0% (as compared to a decrease of 2.5% in 2020), as a result of the decreasing impact of the COVID-19 pandemic. The IMF forecasts real GDP in Kazakhstan to grow by 3.8% in 2022.

In 2020 and 2021, the Government implemented measures, including periods of lockdown and quarantines in an effort to combat the spread of the virus in Kazakhstan and alleviate the negative effects of the pandemic. A state of emergency was declared in Kazakhstan between 16 March 2020 and 12 May 2020. Regional authorities have introduced stringent measures at times of high infection rates, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities. Some regional and local governments continue to periodically impose restrictions in response to local increases in infection rates.

The protests in Kazakhstan in January 2022 have led to increased political risk in the country, as well as a slowdown in economic growth. In addition, sustained conflict and disruption in the region is likely due to the ongoing armed conflict commenced by Russian in Ukraine in February 2022, which is also expected to have a negative impact on Kazakhstan's economic growth rate. Due, in part, to economic and political sanctions against the Russian Federation imposed by the United States, European Union, United Kingdom, Japan and other countries since February 2022, the U.S. Dollar has strengthened against the Tenge, resulting in a depreciation of the Tenge by 18.2% over a three-week period from 23 February 2022 to 16 March 2022. Consequently, the NBK increased the base rate from 10.25% to 13.5% in February 2022. This, in turn, has increased DBK's cost of funding and exposure to foreign exchange risk. When managing currency risks, DBK adheres to the principle of maintaining a neutral currency position, which allows it to minimise losses from currency revaluations. In addition, in order to assess DBK's current and future exposure to market risks, a stress test was carried out under three scenarios: (i) a U.S. Dollar/Tenge exchange rates of KZT 520, KZT 540 and KZT 600 per U.S.$1.00, respectively; (ii) an increase in market rates; and (iii) a deterioration in the performance of loan portfolio projects due to the imposition of sanctions. DBK has concluded that the results of these stress tests are within acceptable limits; it has no expectation of credit quality decreases that could lead to devaluation, and in addition, the projects have tools and mechanisms to reduce the currency risk. It believes that possible negative consequences (such as an increase in the amount of provisions necessary) are expressed through currency revaluation. In addition, DBK aims to reduce the impact of future negative effects of the sanctions resulting from the conflict in Ukraine by, *inter alia*: recapitalising in 2022 (with respect to which it is currently subject to ongoing discussions with Baiterek JSC). Based on current analyst forecasts published by Bloomberg, the U.S. Dollar/Tenge exchange rate is not expected to exceed KZT 496 per U.S.$1.00 in 2022.

DBK reports to the independent directors of its parent company, Baiterek JSC, on a quarterly basis with respect to the results of stress tests and the potential negative impact of external factors, including the ongoing impact of the COVID-19 pandemic and volatile oil prices, on DBK's financial and risk indicators (namely, credit risk indicators and expected credit losses for both the credit and interbank lending portfolios). DBK has monitored its credit risk indicators, in particular any expected credit losses on both the credit and interbank portfolios, and has conducted regular stress tests based on the Tenge/U.S. Dollar exchange rate, any decrease in credit ratings and any further extended periods of lockdown measures due to COVID-19, the cancellation of subsidies and export and logistical restrictions due to sanctions imposed on Russia and Russian entities and individuals. These stress tests have helped DBK formulate its crisis plan. As part of this plan, DBK has increased loan provisions and lowered the internal credit ratings assigned to its customers in, *inter alia*, tourism and railways, as a result of operational interruptions, volatility in metal prices and restrictions on movement during the lockdown.

As part of DBK's crisis plan, on a monthly basis, roadmaps for all of DBK's investment projects have been submitted to its Credit Committee for consideration, together with the results of the stress testing described above. DBK has taken a number of actions to reduce and subsidise lending rates for its customers that have been significantly adversely affected by the COVID-19 pandemic and restrictions imposed during the state of emergency. For example, DBK has offered concessional rate loans and payment deferrals as a support measure to customers in the tourism and construction industry. DBK has also granted grace periods for repayment of principal and interest under loans to certain customers who have been facing reduced demand for services or who provide products or services that are at risk of interruption due to supply chain disruption during state of emergency and lockdown periods. Those customers whose products are particularly sensitive to exchange rate fluctuations (such as, the prices of metals) have been offered additional support through, *inter alia,* the monitoring of tariffs, restructuring options and refinancing offered by DBK. DBK has also offered support in optimising expenses to those customers who have faced difficulties due to restrictions on the movement of goods and on border crossing in connection with the COVID-19 pandemic and state of emergency restrictions. Between 1 January 2021 and 31 December 2021, five restructurings of loans were conducted, of which three were due to the impact of the COVID-19 pandemic.

The industries in which the effects of the COVID-19 pandemic have been felt most severely, both worldwide and in Kazakhstan, are the transport and hospitality sectors. DBK currently has two loans to borrowers in the hospitality sector (hotel and entertainment projects) that are ranked as "Stage 2" loans. DBK is continuing to work with the customer's shareholders to ensure that shareholder and guarantee support are granted to the customer. Pursuant to the projects concerned, the risk of default has been transferred to the customer's shareholders or guarantors. See "*Asset and Liability Management—Credit Risk*".

DBK benefitted from support from its shareholder in 2020, in the form of a KZT 58 billion capital contribution, of which KZT 50 billion was allocated for the purpose of increasing the competitiveness and ensuring the stability of the Kazakhstan economy in light of the COVID-19 pandemic, and in 2021, through capital injections totalling KZT 12.3 billion, which was allocated to IDF JSC to finance investment projects. In 2021, the authorised capital of Baiterek JSC was increased by KZT 12.3 billion (with a subsequent increase in the authorised capital of DBK) to ensure the competitiveness and sustainability of the national economy. DBK is also in discussions with its shareholder regarding the payment of dividends in respect of 2021 in light of expected capitalisation transactions in 2022.

Impairment losses on debt financial assets decreased from KZT 37.2 billion in 2020 to KZT 33.4 billion in 2021, reflecting the decreasing impact of the COVID-19 pandemic on DBK's key financial stability indices. For example, as at 31 December 2021, DBK's capital adequacy ratio was 17.4%, as compared to 20.2% as at 31 December 2020. In addition, DBK's NPLs increased to 2.7% of gross loans to customers as at 31 December 2021, as compared to 1.5% as at 31 December 2020. DBK also recognised a net profit of KZT 31.5 billion in 2021, as compared to net profit of KZT 22.4 billion in 2020.

More generally, the pandemic and its impact on the Kazakhstan economy, and the armed conflict commenced by Russia in Ukraine and its expected impact on the Kazakhstan economy in 2022 has prompted DBK to review its long-term development strategy and review its current business processes in order to maintain its position as the country's largest financial institution and a leading operator in the assessment and structuring of major infrastructure and industrial projects. As part of this reform, as well as in response to its domestic policy shift, in 2022, DBK plans to be more focused on financing large-scale and capital-intensive investment projects with long payback periods that are of strategic and economic importance for Kazakhstan. DBK will continue to increase the transparency of its activities, the optimisation and digitalisation of its business processes and expansion of access to its services. See "*—Strategy*".

Authority of DBK

The DBK Law specifies certain activities in furtherance of DBK's purposes that DBK is authorised to engage in, whether in Tenge or foreign currencies, without the need to obtain a banking licence. These activities include, *inter alia*:

- providing loans to entities;
- issuing guarantees;
- issuing and confirming letters of credit;
- opening and maintaining correspondent accounts with and for other financial institutions;
- accepting deposits and opening and managing bank accounts for certain of DBK's borrowers and certain other entities;
- accepting certain deposits in order to provide liquidity to DBK;

- issuing securities; and
- participating in certain foreign currency exchange transactions.

DBK is not permitted to solicit deposits from, open accounts for, or provide settlement and cash services to, individuals. In addition, there are legal restrictions on DBK's ability to provide financing to, or give bank guarantees in respect of the obligations of, individuals, credit co-operatives, pension fund management companies, investment funds and insurance companies, or to make certain unsecured loans.

Pursuant to the Law of the Republic of Kazakhstan "On Banks and Banking Activities" № 2444 dated 31 August 1995, DBK is not considered to be a second-tier bank due to its special status as set forth in the DBK Law. As such, it is authorised to conduct certain banking activities without a banking licence from the regulator in respect of such activities.

While DBK is regulated by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (and, prior to 1 January 2020, was regulated by the NBK), DBK is not subject to the same regulation imposed on the rest of the banking sector. For example, DBK is exempt from regulation relating to prudential requirements, provisioning, composition of management, loan classification, collateral classification and risk management and internal control systems, which are applicable to commercial banks in Kazakhstan.

Strengths

DBK believes it benefits from the following strengths:

- **Shareholder Support**

  DBK is wholly owned by Baiterek JSC, which is, in turn, wholly owned by the Government. The Chairman of the Board of Directors of Baiterek JSC is the Prime Minister of Kazakhstan. Accordingly, DBK plays a significant role in various Government programmes, including the Industrialisation Programme, the Government Programme for Infrastructure Development (as defined below) and other Government programmes. Pursuant to the Industrialisation Programme, DBK is the major source of low-cost and long-term funding for manufacturing and infrastructural projects. In close co-ordination with the Government, DBK has developed action plans to enhance its focus on industrialisation and financing of certain non-resource producers, as well as supporting the growth of Kazakhstan's non-resource exports, in line with Government priorities announced after the January 2022 protests. See "*—Strategy*".

- **Special Status and Mandate in the Banking Sector**

  Under the DBK Law, DBK enjoys a special legal status, which gives it special rights and responsibilities not applicable to other participants in the Kazakhstan banking sector. In addition, pursuant to amendments to the DBK law in 2011, DBK has been exempted from the reporting requirements of the regulator in respect of loan classification, as well as certain prudential regulation and minimum reserve requirements, which are applicable for commercial banks. Moreover, although Baiterek JSC sets certain key performance targets for DBK, as a development institution, DBK is not required to, and does not, have profitability as one of its priority objectives. Also, as a development bank, which is indirectly wholly-owned by the Government, DBK has access to subsidised funding from the State budget and the National Fund of the Republic of Kazakhstan (the "**National Fund**"). All of these give DBK greater flexibility in conducting its operations to meet its strategic objectives.

  The DBK Law also grants DBK the status of a financial agency. Pursuant to the tax code, debt securities, such as the Notes, issued by a financial agency, as well as gains realised on the disposal, sale, exchange or transfer of such securities are exempt from Kazakhstan income tax.

- **High Capitalisation**

  DBK is relatively well-capitalised with a capital adequacy ratio of 17.4% as at 31 December 2021, as compared to 20.2% as at 31 December 2020 and 20.5% as at 31 December 2019. DBK's capital adequacy ratio is calculated as the ratio of DBK's consolidated equity capital to its risk-weighted assets, which is in line with Basel II principles. Baiterek JSC has also indicated that it would provide further support to DBK should it be required in order to meet applicable capital adequacy ratios. This support has permitted DBK to maintain an active role in the lending market. During the year ended 31 December 2021, DBK received KZT 12.3 billion of capital injections, which was allocated to IDF JSC for purposes of export financing. During the years ended 31 December 2021, 2020 and 2019, DBK received KZT 12.3 billion, KZT 58 billion and KZT 37 billion of capital injections, respectively. The capital injections must be used by DBK for the purpose of funding investments in five different sectors of the economy, which, in turn, leads to further diversification of DBK's loan portfolio.

- **Strong Liquidity Position**

  As at 31 December 2021, DBK had KZT 812.3 billion in liquid assets (which comprise debt securities measured at fair value through other comprehensive income, cash and cash equivalents, placements with banks and other financial institutions and amounts receivable under reverse repurchase agreements). DBK has set a limit on liquidity coverage ratio of at least 100%. As at 31 December 2021, DBK had a liquidity coverage ratio of 166.1%, as compared to 101.5% as at 31 December 2020 and 117.4% as at 31 December 2019. See "*Asset and Liability Management—Liquidity Risk*".

- **Growth of the Lending Business**

  DBK's lending business has generally been growing in recent years. Total loans to customers and banks increased by KZT 42,815.7 million, or 2.2%, to KZT 2,013,542.6 million as at 31 December 2021 from KZT 1,970,726.9 million as at 31 December 2020 and KZT 1,729,150.3 million as at 31 December 2019. DBK expects its lending business to continue to grow in line with its strategy and pipeline of investment projects. See "*Selected Statistical and Other Data—Loans to Customers*".

- **Access to Funding is more likely given DBK's Credit Ratings**

  DBK has one of the highest credit ratings among corporate entities in Kazakhstan, matching the sovereign ratings of Kazakhstan published by S&P (DBK assigned a rating of BBB-, in line with the sovereign rating), Fitch (DBK assigned a rating of BBB, in line with the sovereign rating), and Moody's (both assigned a rating of Baa2, with a stable outlook).

Strategy

DBK's development strategies have been, and are continuing to be, developed with the aim of maintaining DBK as a high-profile development bank, playing a key role in the diversification and development of Kazakhstan's economy, whilst remaining a stable and commercial organisation. Following Baiterek JSC's adoption of its development strategy for 2014-2023, DBK adopted its Development Strategy, which is in line with the strategy DBK has pursued for a number of years, updated to reflect DBK's important role in Government programmes (such as, the Industrialisation Programme (as defined below) and the Infrastructure Development Programme (as defined below)). The Development Strategy was approved by the Board of Directors on 14 July 2014, was first updated in September 2017, and was most recently updated in November 2021.

The most recent update of the Development Strategy was made following an update to Baiterek JSC's strategy and the President's 2021 Message regarding the situation in Kazakhstan and the main directions of domestic and foreign policy, changes made to the state planning system and other changes in the internal and external environment that could have an impact on DBK's business. The updated Development Strategy takes into account world events, including the impact of the COVID-19 pandemic.

The Development Strategy outlines DBK's mission, vision and principles of business, as well as identifies strategic directions, goals and tasks. DBK's mission is to promote the sustainable development of the Republic's economy by financing non-resource economic sectors. DBK's vision is to be a development institute, which: (i) increases the number of competitive products with high added values; (ii) expands the range of exported goods, through supporting domestic exporters; and (iii) creates the necessary infrastructure to support the stable economic growth of the Republic.

Pursuant to the Development Strategy, DBK intends to continue to increase its lending volumes and attract increased amounts of private capital to its projects, as well as to syndicate certain loans, offering structured and project products and providing consultation services in connection with the raising of capital. In accordance with its development bank mandate, DBK's dividend policy will be determined in compliance with the laws of Kazakhstan and Baiterek JSC's development strategy.

At a meeting of the Government held in February 2022, it was announced that as part of the reforms signalled by the President in January 2022, DBK would be more focused on financing large-scale and capital-intensive investment projects with long payback periods, as well as continuing its work on improving transparency of operations, optimising and digitalising business processes and expanding access to DBK's services. In addition, the announced changes to strategy include reducing support provided to state-owned companies, as well as an increased focus on privately-owned borrowers and longer-term projects.

The principal components of the Development Strategy are: (i) fostering national economic growth in partnership with business; (ii) managing financial resources to meet business needs; and (iii) improving operations.

- **Fostering National Economic Growth in Partnership with Business**

  The Development Strategy sets out the strategic goal for DBK to invest approximately KZT 4.4 trillion between 2014 and 2023, of which, as at 31 December 2021, DBK had invested approximately 77.5%.

  In order to achieve this strategic goal, DBK plans to continue to focus on the following areas: (i) supporting the development of the manufacturing industry with a focus on increasing projects aimed at the production of goods for mid-and upstream processing; (ii) increasing financing of infrastructure projects; (iii) supporting domestic exporters with an emphasis on the diversification of exported products; (iv) increasing leasing financing and lending to the manufacturing industry through IDF; (v) continuing provision of direct financing; and (vi) managing the economic impact of the COVID-19 pandemic; (vii) improving the lending model of DBK with an emphasis on increasing the participation of the private sector in project financing; (viii) providing assistance to the business community with the identification of promising industry and product niches for investment; (ix) providing assistance to the business community with the identification of promising industry and product niches for investment; (x) stimulating the growth in the value of borrowing companies; and (xi) implementing and adhering to sustainable development principles.

  Under the Development Strategy, IDF JSC, as the main operator for the provision of lease financing under Government programmes, including the Roadmap 2025 Programme, will focus on updating the fixed assets of manufacturing enterprises, implementing import substitution projects, and developing the transport infrastructure of the regions. The IDF will also consider the possibility of lending to breakthrough manufacturing enterprises at preferential rates of remuneration. IDF will continue to work with central and local government bodies and institutions to implement investment projects to update and modernise fixed assets.

  In line with the lending goals set out in the Development Strategy, in July 2017, DBK established DBK CSF and, in November 2017, DBK CSF and KCM established DBK Equity Fund. See "*—DBK CSF*". Equity financing is intended to be provided by DBK through DBK CSF to support new and existing clients with high debt leverage or a lack of collateral.

  In 2020, DBK developed and proposed an initiative aimed at consolidating legislation regarding syndicated financing. This initiative was subsequently supplemented and supported by regulatory bodies and market participants, including the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market, government agencies, the Association of Financiers of Kazakhstan and second-tier banks. On 2 January 2021, the President signed the Law "On Amendments and Additions to certain Legislative Acts of the Republic of Kazakhstan on the restoration of economic growth", which reflects the norms and procedures to legally regulate syndicated financing instruments.

- **Managing Financial Resources**

  Under the Development Strategy, DBK targets becoming the chief provider of long-term domestic financing in Kazakhstan, with the most favourable domestic currency credit conditions. In line with this aim, and taking into account any potential future risk of a decrease in Government funding, DBK plans to focus on diversifying its funding sources by attracting funds from alternative non-Governmental sources, while also maintaining its focus on cost control. In particular, DBK aims to maintain the high quality of its loan portfolio, effectively manage the treasury portfolio, work on maintaining a high credit rating for DBK, as well as diversify and search for attractive market funding sources.

  DBK has also taken, and plans to continue to take, certain additional steps to attract non-Government funding, including: (i) issuing debt securities in the domestic and international capital markets, with DBK's continuing focus to be listing bonds on KASE or AIX and, if market conditions permit, continuing to issue Eurobonds (including those denominated in Tenge); (ii) issuing medium-term securities to permit financing of longer-term projects; (iii) minimising foreign exchange risk by financing projects in foreign currencies that sell their products for export and have sources of income in the relevant currency; (iv) using an asset securitisation tool by allocating a pool of attractive investment projects and their implementation to interested investors in the domestic and foreign stock markets; and (v) considering the future issuance of green bonds and attracting green loans. The Development Strategy targets non-state sources of borrowings to account for at least 80% by the end of 2023. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings*" and "*Selected Statistical and Other Data—Principal Sources of Funding—Debt Securities*".

- **Improving Operations**

  The Development Strategy specifies eight key areas on which DBK intends to focus in order to improve its operations:(i) effectively managing and developing human capital; (ii) improving business processes; (iii) improving IT infrastructure; (iv) increasing the level of information security; (v) improving the risk management and internal control system; (vi) raising awareness of DBK's activities; (vii) implementing sustainable development principles in DBK's operations; and (viii) improving the corporate governance approach. In 2022, DBK plans to focus on improving and optimising its underlying lending processes.

  Examples of measures taken to date to fulfil this strategic aim include:

  - in 2022 (to date), a number of improvements in IT infrastructure, including, *inter alia*: (A) introducing contract and agreement monitoring functionality, a documentation module and a financial and technical consultant module, in DBK's client relationship management ("**CRM**") system; (B) introducing outsourcing, credit file, business process management, information services change management, documentation, maintenance of directories and co-ordination with authorised bodies modules in DBK's Business Process Management ("**BPM**"); (C) introducing a print service; (D) modernising DBK's server computing platform for the effective allocation of hardware resources; (E) introducing an internet banking module for legal entities; and (F) putting into operation DBK's corporate IP telephony system, combining telephony, audio and video conferencing facilities.

  - in 2021: (A) expanding the functions of its BPM and CRM systems, allowing clients to submit applications for remote financing and to track the status of their applications; and (B) introducing a function to control the execution of instructions of authorised bodies of DBK, as well as the processes of documenting credit transactions, maintaining an electronic credit file, managing business processes and managing changes in information systems have been automated;

  - in 2020: (A) the completion of the first stage of implementation of DBK's BPM system, as well as online services for its customers, including remote attendance and electronic voting at Board of Directors, Management Board and committee meetings, as well as BPM initiatives for DBK's internal processes for investment projects, export operations, calculation of provisions for portfolios, interbank lending, financing of subsidiaries and human resource management, and compliance; (B) the update of DBK's Code of Business Ethics (see "—*Employees*"); and (C) the approval, in December 2020, of a new organisational structure, with the aim of increasing DBK's effectiveness (which included, *inter alia*, the consolidation and renaming of certain divisions and departments and the creation of a cyber security service, see "—*Structure of DBK*"); and

  - in 2019: (A) the introduction of new evaluation criteria for the recruitment of staff, which are published on DBK's corporate website; (B) the implementation of amendments to DBK's internal regulations aimed at improving staff motivation initiatives, including the introduction of (i) rules for remuneration and bonuses for administrative employees; (ii) rules for assessing the effectiveness of administrative employees; and (iii) rules for the evaluation of positions within DBK; (C) the revision of DBK's classification of business processes based on the international American Productivity & Quarterly Center (APQC) standard; and (D) the launching of a project to describe and optimise all existing business processes of DBK.

In addition, DBK published a transparency report in respect of 2019 and 2020, each of which was approved by the Board of Directors. The transparency report in respect of 2021 is expected to be published in the first half of 2022.

Following the January 2022 protests, at a meeting of the Government held in February 2022, it was announced that as part of the reforms signalled by the President, DBK would be more focused on financing large-scale and capital-intensive investment projects with long payback periods, as well as continuing its work on improving transparency of operations, optimising and digitalising business processes (including the planned launch of a digital platform for accepting and reviewing loan applications) and expanding access to DBK's services. In addition, the announced changes to strategy include reducing support provided to state-owned companies, as well as an increased focus on privately-owned borrowers and longer-term projects. As a result of this, DBK's Development Strategy has been further updated to reflect: (i) the inclusion of a phased reduction in interbank lending operations (conditional financing through second-tier banks); and (iii) a reduction of DBK's participation in the financing of the tourism, sports and recreation, hospitality, communications and telecommunications sectors.

Participation in Government Programmes

DBK, as agent for the Government, provides financing allocated from the State budget in connection with a number of Government programmes and initiatives, including, most notably:

- the Programme for Industrial and Innovation Development of Kazakhstan, which initially covered the 2015-2019 period and, pursuant to Governmental Decree № 1050 dated 31 December 2019, was approved and extended to cover the years 2020-2025 (the "**Industrialisation Programme**");

- the "Business Road Map" 2020 programme, which initially covered the 2015-2019 period and, pursuant to Governmental Decree № 968 dated 24 December 2019, was extended to cover the years 2020-2024 (the "**Business Road Map**" programme);

- the infrastructure development programme for 2015-2019 "Nurly Zhol", which initially covered the 2015-2019 period (the "**Infrastructure Development Programme**"), although the Infrastructure Development Programme has been extended to cover the 2020-2025 period, DBK is not providing financing for the extension of this programme; and

- interbank lending programmes.

Industrialisation Programme

The Industrialisation Programme was approved by the then-President in August 2014. On 31 December 2019, the Government approved the Industrialisation Programme to cover the years 2020-2025. The Industrialisation Programme replaced the previous programme in place for the years 2015 to 2019. The Industrialisation Programme aims to stimulate the diversification, and improve the competitiveness, of secondary industry in Kazakhstan, focused on, among other things, increasing production of value-added export products and ensuring conditions for modernisation and efficient industrial development. The Industrialisation Programme provides that DBK will continue to be one of the primary lending vehicles for the long-term financing of infrastructure and other strategic investments. All of DBK's investment projects meet the requirements of the Industrialisation Programme and DBK is participating in the financing of 27 projects. DBK was allocated funds out of the State budget to finance projects under the Industrialisation Programme up to an amount of KZT 75 billion in 2016, KZT 80 billion in 2017, KZT 12 billion in 2018 and KZT 11 billion in 2019.

The provision of these funds is conditional upon the funds being mixed equally with market funds. As a result, the lending rate available for borrowers is dependent on market costs but will be no more than 9% or 11% *per annum* (depending on the borrower). The mixing of budget funds and market funds allows for the additional financing of projects under the Industrialisation Programme in a total amount of KZT 581 billion (where the full cost of such projects are KZT 2,998 billion). As at 31 December 2021, DBK had allocated KZT 580.6 billion to various projects under the Industrialisation Programme, of which KZT 546.3 billion had been disbursed.

"Business Road Map" Programme

The "Business Road Map" 2020 programme was originally approved by Resolution № 301 of the Government on 13 April 2010 and restated in March 2015 and August 2018. On 24 December 2019, the Government approved the "Business Road Map" 2025 programme, which continues the programme for the years 2020-2024. This programme aims to: (i) ensure sustainable and balanced growth of regional businesses in the non-energy sectors of the Kazakhstan economy; and (ii) preserve existing, and create new, permanent jobs. Projects under the "Business Road Map 2020" programme are financed by DBK at subsidised rates, for which DBK is compensated out of the State budget up to its standard rates. In 2016, IDF JSC began financing manufacturing projects aimed at creating new and modernising existing production facilities. DBK was involved in financing two projects under the "Business Road Map" 2020 Programme in the year ended 31 December 2019 and 11 projects in 2018. As at 31 December 2021, DBK was involved in financing two projects under the "Business Road Map" 2025 Programme.

Government Programme for Infrastructure Development

In April 2015, the Government Programme for Infrastructure Development "Nurly Zhol" for 2015–2019 was approved by the President. The Infrastructure Development Programme was restated in July 2018. On 31 December 2019, the Government extended the Infrastructure Development Programme to cover the period from 2020 until 2025. The Infrastructure Development Programme focuses on infrastructure, including improving domestic transport infrastructure; implementing export policies through the development of an efficient transit, export and logistics infrastructure; improving the technological, scientific, methodological and resource provision of infrastructure, as well as economic efficiency and competitiveness of carriers and companies engaged in transport infrastructure operations; and improving the operational and environmental safety of transport infrastructure. As at the date of this Drawdown Information Memorandum, the lending rate available for borrowers under the Infrastructure Development Programme is no more than 8% *per annum.* Pursuant to Government resolution № 271 dated 23 April 2015, as amended, funds in an amount of KZT 100 billion were allocated to DBK for the provision of financing to domestic producers and exporters pursuant to the Infrastructure Development Programme, of which: (i) KZT 30 billion is to be allocated to support domestic car manufacturers (KZT 26 billion to be used for interbank lending and KZT 4 billion to be provided to IDF JSC for the provision of leasing financing); (ii) KZT 5 billion is to be allocated to support passenger railcar manufacturing; and (iii) KZT 65 billion is to be allocated to support exporters.

As at 31 December 2021, six agent banks (*i.e.,* commercial banks participating in the Infrastructure Development Programme, which provide preferential loans for the purchase of domestic cars) had granted 15,382 loans to individuals for the purchase of domestically manufactured motor vehicles for a total amount of KZT 71.6 billion and IDF JSC had entered into 991 leases for assets valued at KZT 12.2 billion. As at 31 December 2021, DBK, had approved 20 export operations for financing up to a total amount of KZT 676.9 billion.

Under the Infrastructure Development Programme, DBK also provides funds to second-tier banks for on-lending, and, as at 31 December 2021, 107 projects had been financed in a total amount of KZT 180.8 billion (including 80.8 billion secondary utilisations of funds and the issuance of a KZT 5.0 billion loan to support the production of passenger wagons).

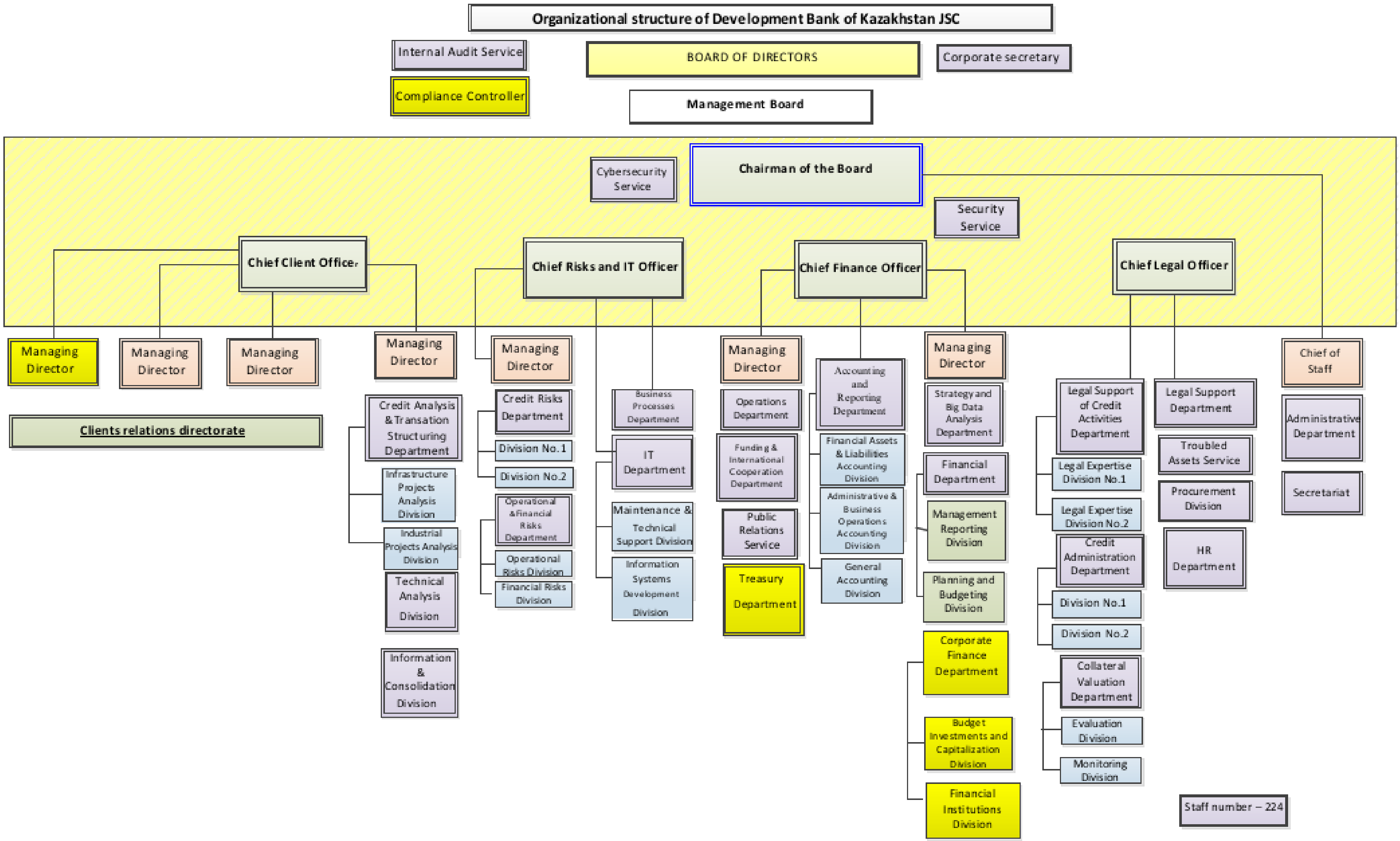
In December 2019, the Government Programme for Infrastructure Development "Nurly Zhol" for 2020–2025 was approved by Government Decree № 1055 dated 31 December 2019. Among other priorities, the Programme aims to develop transport infrastructure, support local car manufacturers, solicit intercontinental transit and implement export policy through the development of efficient transit, export and logistics infrastructure.

Interbank Lending Programmes

Within the framework of the joint action plan of the Government and the NBK for financing business entities in the processing industry approved by Government decrees № 1276 dated 5 December 2014 ("**Decree 1276**") and № 124 dated 11 March 2015 ("**Decree 124**"), KZT 100 billion was allocated as funding for second-tier banks for on-lending to such entities. Such funds are received by DBK through its shareholder, Baiterek JSC, for on-lending to second-tier banks, which, in turn, on-lend to the ultimate borrowers. As of 31 December 2021, 69 projects for a total of KZT 94.6 billion (including secondary utilisations of funds) have been financed under Decree 1276, and 88 projects for a total of KZT 107.8 billion (including secondary utilisation of funds) have been financed under Decree 124. In addition, within the framework of these interbank lending programmes, KZT 82.0 billion was allocated for preferential car loan programmes. As of 31 December 2021, second-tier banks had issued 29,650 loans to purchase vehicles of domestic automakers for a total of KZT 154.8 billion.

Structure of DBK

DBK's head office is in Nur-Sultan. The chart below sets forth the organisational structure of DBK.



Lending

DBK is a development financial institution that provides medium and long-term financing for investment projects and trade financing for export transactions in priority sectors of the economy of Kazakhstan, as set out in the Credit Policy Memorandum.

As defined in the Credit Policy Memorandum, DBK's priorities are to finance investment projects and leasing transactions (through its subsidiary, IDF JSC), which are focused on the creation and development of:

- infrastructure (power engineering, transport, telecommunications and tourist infrastructure);
- non-extractive industrial production, including the excavation, purchase and transportation of raw materials and the processing and sales of finished products;
- agricultural production, including the cultivation, purchase and transportation of crops and the processing and sales of finished products;
- commercial service industries, including tourism, healthcare, recreation, sports and hotels; and
- exports.

DBK is also permitted to finance the following types of projects implemented outside Kazakhstan:

- projects, which are linked to facilities located in Kazakhstan and involved in the processing of extracted raw materials where those projects aid the development of such facilities;
- infrastructure projects, which enhance the transportation network in Kazakhstan and promote exports of Kazakhstan's goods; and
- projects by non-residents, which are recommended by the Government and guaranteed by the government of the borrower's country.

DBK's core investment activity abroad is in projects that facilitate the development of infrastructure in Kazakhstan and the export of goods and services produced in Kazakhstan. DBK's short-term lending strategy is to focus on providing direct financing to projects under the Industrialisation Programme, as well as export operations under the Infrastructure Development Programme, primarily involving other State-owned companies.

Much of DBK's lending is co-financed by other banks or lending institutions, predominantly financial institutions such as the China Export-Import Bank, China Development Bank, HSBC, Bank of Tokyo–Mitsubishi UFC and others.

As at 31 December 2021, DBK had 71 investment projects and 20 export-related projects ongoing with a value of KZT 7.9 trillion (U.S.$18.4 billion), of which DBK's participation was KZT 3.8 trillion (U.S.$8.9 billion). As at 31 December 2021, DBK's investment project portfolio included projects in the manufacturing, carbon and petrochemical (oil refinery) manufacturing, information and telecommunication, energy and electricity distribution, chemical, machinery-producing, construction materials, transportation and warehousing, food processing, mortgage and agriculture sectors. As at 31 December 2021, DBK had approved project costs for funding in an amount of approximately U.S.$10.6 billion since commencing operations in 2001.

Investment Projects

DBK offers medium-term and long-term loan financing, including co-financing and refinancing of investment projects in priority areas, including metallurgy, transportation and logistics, electrical power, gas, steam and water sector, petrochemicals (oil refinery) and chemicals, construction and other manufacturing industries. The minimum level of funding granted for investment project loans is KZT 7 billion (other than food or beverage projects and public private partnership projects) and KZT 3 billion (for food or beverage projects and public private partnership projects). As at 31 December 2021, the total amount of investment project loans in which DBK participated was U.S.$18,056 million (of which DBK's participation was U.S.$8,555 million), with investments in the petrochemicals (oil refinery), metallurgy, power energy and transport and logistics sectors comprising the largest proportion of such investment projects (32%, 31%, 11% and 9%, respectively). Details of the principal sectors in which DBK is participating, as at 31 December 2021, are set out below.

- **Transport and Logistics Sector**

  As at 31 December 2021, DBK was participating in 12 investment projects in the transport and logistics sector, totalling approximately U.S.$1,602 million, of which DBK's participation was approximately U.S.$753 million.

  As at 31 December 2021, DBK was participating in 12 major projects in this sector, including the construction of the passenger terminal and modernisation of the runway at Nur-Sultan and Aktau airports, modernisation of the gas distribution system of the South Kazakhstan region, expansion of the Aktau International Sea Trade Port, construction of the main Saryarka gas pipeline, gasification projects in five settlements in the Kyzylorda region and modernisation of the gas distribution networks in the Aktobe region, modernisation of the gas distribution network in Taraz, the acquisition of passenger railway carriages, the modernisation of transport and logistics centres in Shymkent and Nur-Sultan and construction of the reserve line of the "Uzen-Aktau" main gas pipeline in the "Uzen-Zhetybai" section of the pipeline.

- **Electric Power Sector**

  As at 31 December 2021, DBK was participating in 12 investment projects in the electric power, gas, steam and water sector, totalling approximately U.S.$1,150 million, of which DBK's participation was approximately U.S.$945 million.

  As at 31 December 2021, DBK was participating in 12 major projects in this sector, including: the construction of a gas turbine power plant at the Akshabulak field; the construction of the Moinak hydro power plant on the Charyn River; the expansion of the Karaganda heat power stations; the construction of the Turgusun hydro power plant in East Kazakhstan; modernisation of Eurasian Energy Corporation JSC; construction of the Zhylga photovoltaic power station; construction of the first and second phases of a new 50 MW complex wind farm for Astana EXPO-2017; construction of a 100MW solar power plant in the Kapshagai region and construction of a 50 MW solar power plant in the Almaty region.

- **Tourism Sector**

  As at 31 December 2021, DBK was participating in five investment projects in the tourism sector, totalling approximately U.S.$760 million, of which DBK's participation was approximately U.S.$330 million.

  As at 31 December 2021, DBK was participating in five major projects in the tourism sector: the construction of a "St Regis" hotel complex with residential apartments in Nur-Sultan; the construction of a Hilton hotel complex in Nur-Sultan on the EXPO-17 site; and the construction of a resort hotel, multifunctional hotel and tourist complex in Aktau and a multifunctional tourist complex in Keruyen-Saray, as well as the second stage of construction of the multifunctional hotel and tourist complex and theme park located in the Warm Beach area of Aktau in the Mangystau region.

- **Metallurgy Sector**

  As at 31 December 2021, DBK was participating in 12 investment projects in the metallurgy sector, totalling approximately U.S.$6,387 million, of which DBK's participation was approximately U.S.$2,633 million.

  As at 31 December 2021, DBK was participating in 12 major projects in the metallurgy sector, including two projects for the construction of the Aktogay mining and processing plant in the East Kazakhstan region; construction of a plant for the production of primary aluminium in the Pavlodar region; the construction of a rail and beam plant in Aktobe with a design capacity of 430,000 tonnes of rolled metal per year; expansion and modernisation of production of Ust-Kamenogorsk Titanium-Magnesium Plant JSC; construction of a plant for the production of titanium ingots and slabs; the construction of a ferrosilicon plant in the city of Karaganda with a production volume of 96,000 tonnes per year; construction of a mining and processing plant for the processing of polymetallic ores in the village of Zhairem, Karaganda region, with a capacity of 5.0 million tonnes per year; construction of a processing plant in Karaganda; the modernisation and reconstruction of zinc production facilities; construction of an enrichment plant at the Sarvarkinsky ferroalloy plant with a sinter plant and modernisation of existing production facilities; construction and operation of a complex for processing gold-bearing primary ores with a capacity of 5.0 million tonnes per year; and construction of a ferroalloy plant in Ekibastuz in the Pavlodar region.

- **Construction Sector (Production of Construction Material)**

  As at 31 December 2021, DBK was participating in two major projects in the construction sector, totalling approximately U.S.$116 million, of which DBK's participation was approximately U.S.$86 million.

As at 31 December 2021, DBK was participating in two major projects in the construction sector: production of reinforced concrete and concrete structures in Nur-Sultan and the construction of a manufacturing plant in Nur-Sultan with a capacity of 15,000 blocks per year.

In 2018, the project regarding construction of a cement plant in East Kazakhstan with a capacity of 1.0 million tonnes of cement per year was recognised as a problem asset. As part of enforcement measures to collect debts, Kazakhcement LLP and DBK ensured the return of debt in the amount of KZT 7.1 billion. Further measures are currently being taken to collect the debt as part of the bankruptcy proceedings of Kazakhcement LLP and other debtors.

- **Petrochemical (Oil Refinery) Industry**

  As at 31 December 2021, DBK was participating in seven investment projects in the oil refinery sector, totalling approximately U.S.$5,840 million, of which DBK's participation was approximately U.S.$2,730 million.

  As at 31 December 2021, DBK was participating in seven major projects in these sectors, including modernisation and reconstruction of the Shymkent oil refinery plant, construction of a deep oil refining complex at Atyrau oil refinery, construction of a complex for the production of aromatic hydrocarbons at the Atyrau oil refinery, modernisation of the Pavlodar petrochemical plant; two projects for the production of motor fuels; and construction of a methyl tert-butyl ether production plant in Shymkent.

- **Chemicals Sector**

  As at 31 December 2021, DBK was participating in three investment projects in the chemicals sector, totalling approximately U.S.$306 million, of which DBK's participation was approximately U.S.$199 million.

  As at 31 December 2021, DBK was participating in three major projects in these sectors, including construction of a sodium cyanide plant with a capacity of 15,000 tonnes in the city of Karatau for Talas Investment Company LLP; construction and organisation of production by JSC "Caustic" of chlorine and caustic soda using the membrane method with a capacity of 30,000 tonnes per year; and modernisation of the KazAzot JSC plant for the production of mineral fertilisers with an increase in the design capacity for the production of finished products.

- **Agricultural Sector**

  As at 31 December 2021, DBK was participating in five investment projects in the food production sector, totalling approximately U.S.$196 million, of which DBK's participation was approximately U.S.$127 million.

  As at 31 December 2021, DBK was participating in five major projects in this sector, including the construction of the first and second stages of a poultry factory for broiler farming in Akmola with a capacity of 60,000 tonnes per year in live weight.

- **Miscellaneous (Machine building industry)**

  As at 31 December 2021, DBK was also participating in seven investment projects in the miscellaneous sector, totalling approximately U.S.$419 million, of which DBK's participation was approximately U.S.$260 million.

  As at 31 December 2021, DBK was participating in seven major projects in this sector: expansion and modernisation of AgromashHolding JSC's service centres for the sale and maintenance of agricultural equipment; construction of a plant for the production of 110kV and 220 kV power transformers in Shymkent; development of AtyrauNefteMash LLP's oil engineering plant; recovery and stabilisation of the financial and economic condition of the automotive sector of JSC "Group of Companies Allure"; creation of Prommashkomplekt LLP; and the Hyundai passenger car production project in Kazakhstan; construction of a rail and beam plant in Aktobe with a design capacity of 430,000 m^2.

- **Information and Communication Sector**

  As at 31 December 2021, DBK was participating in five investment projects in the information and communication sector, totalling approximately U.S.$496 million, of which DBK's participation was approximately U.S.$237 million.

  As at 31 December 2021, DBK was participating in five major projects in this sector: two projects for providing broadband access to rural settlements of Kazakhstan using fibre-optic communication lines technology; two projects for the introduction of LTE / GSM / UMTS networks in Kazakhstan and construction of a hardware and software complex for a communication platform along railway lines.

Export Financing

DBK provides export financing for operations worth more than U.S.$2.2 million to both producers of Kazakhstan goods and to foreign buyers of exported goods. The provision of financing of exports of Kazakhstan commodity producers promotes the development of Kazakhstan's export potential. As at 31 December 2021, DBK's portfolio of export-related transactions included 20 export-related transactions, of which DBK's participation was U.S.$326 million.

Industrial Development Fund JSC

IDF JSC was established as a joint stock company initially under the name DBK-Leasing JSC under the laws of Kazakhstan on 6 September 2005 and was re-registered with the Ministry of Justice under certificate № 20246-1901-AO in February 2006. Pursuant to Decree № 521 of the Government dated 18 August 2020 "On Establishment of the Industrial Development Fund," the Board of Directors of DBK changed the brand name DBK-Leasing JSC to Industrial Development Fund JSC in September 2020. IDF JSC is based in Nur-Sultan. As at 31 December 2021, IDF JSC had share capital of 1,161,430 ordinary shares, all of which were fully paid and directly owned by DBK. IDF JSC has the same development priorities as DBK and supports DBK's role as a development bank. IDF JSC operates under business identification number 050940001237.

IDF JSC, which is wholly-owned by DBK, conducts all of DBK's lease financing activities. It offers short- and long-term (up to 20 years) lease financing in various forms, including for industrial equipment, leasing of industrial buildings and certain combined services, such as leasing and consulting, equity participation and leasing and credit and leasing pursuant to various Government programmes (see "*—Participation in Government Programmes*"). IDF JSC invests only in large-scale projects worth KZT 500 million or more. IDF JSC provides financial leasing for investment projects in priority sectors of the economy in an amount of KZT 80 million or more, and KZT 50 million or more for investment projects in the consumer goods industry. IDF JSC also provides leasing under the "Business Road Map 2020" Programme and under the Government Programme for Infrastructure Development "Nurly Zhol" to develop Kazakhstan's transport infrastructure and support local car manufacturers. As at 31 December 2021, IDF JSC had a total leasing portfolio of approximately U.S.$193.8 million and has, since its establishment, participated in 1,694 transactions in an aggregate amount, of approximately KZT 956,122,43 million. The main sectors in which IDF JSC has approved financing are the manufacturing and transportation and warehousing sectors. See "*Selected Statistical and Other Data—Finance Lease Receivables*".

DBK funds 100% of IDF JSC's activities for on-lending under finance lease arrangements. IDF JSC was established as a separate legal entity in order to permit IDF JSC's customers to take advantage of tax benefits and certain VAT exemptions in respect of certain financed imported equipment. These tax advantages are intended to stimulate businesses to invest in the modernisation of industrial and manufacturing equipment. Customers may also prefer leasing, which, unlike loans from DBK, does not require 100% collateral, since IDF JSC retains title to the equipment. As a result, only a 15% to 30% down payment is required and there is a smaller collateral requirement than is required for all other forms of finance requested of customers.

The Chairman of the management board of IDF JSC is Baibazarov Nurlan Serikovich. See "*Selected Statistical and Other Data—Finance Lease Receivables*".

DBK CSF

In July 2017, DBK established its wholly-owned subsidiary, DBK CSF, a closed private limited liability company established in the Netherlands. DBK CSF was established for the purpose of participating in a direct investment fund in the Netherlands. In November 2017, DBK CSF and KCM established DBK Equity Fund, a direct investment fund, for purposes of investing in domestic and foreign projects, which promote the interests of the Kazakhstan economy.

DBK Equity Fund's investment activities focus on investments: (i) that may require unsecured convertible or subordinated debt, in addition, or as an alternative, to existing debt, which would, in turn, be expected to generate a higher rate of return on investment; (ii) that have a stable growth potential and efficient management, as well as a target internal rate of return of at least 8%; (iii) whose shareholders are interested in seeking additional equity investment from an outside investor for a three to five year period (with such outside investor to be appointed to the Board of Directors and granted appropriate veto powers or consent rights in respect of key decisions); and (iv) whose shareholders are looking to seek an exit from their investment in a period of between three and five years through, for example, an initial public offering.

DBK Equity Fund is majority-owned by DBK CSF (97%), with KCM holding the remaining ownership interest. DBK Equity Fund is managed by KCM. DBK Equity Fund is controlled by Baiterek Holding. Equity investments of DBK Equity Fund may not be made to projects where the proposed investment from DBK Equity Fund will exceed 30% of a loan amount that the project has obtained, or will obtain, from DBK. Such projects must also be linked to financing provided by DBK or IDF JSC.

On 3 November 2017, a limited partnership agreement was signed among DBK CSF and KCM and, on 29 December 2017, a share premium contribution agreement was signed between DBK and DBK CSF for a share premium contribution in an amount equivalent to U.S.$97.0 million.

In March 2018, the Advisory Board of DBK Equity Fund agreed to amend the conditions applicable to investments by DBK Equity Fund so that any acquired share in the target company shall be less than the shareholding of a major shareholder of this company and shall not exceed 49% of the equity of the target company.

In December 2018, DBK Equity Fund acquired a 12.2% stake in Freight International Holding B.V. The investment was provided for the purpose of financing the purchase of railcars and working capital

In December 2018, DBK Equity Fund acquired (through AOM Metal B.V.) a 23.55% stake in CAPEC Green Energy LLP. The investment was aimed at financing the construction of a start-up complex.

In October 2019, DBK Equity Fund contributed additional funds in the amount of KZT 1,115 million to the share capital of CAPEC Green Energy LLP This contribution was aimed at financing the construction of a second start-up wind power complex. As a result of this transaction, DBK Equity Fund's equity holding in CAPEC Green Energy LLP decreased from 23.55% to 19.39% due to disproportionate share capital contributions in the transaction.

In November 2019, DBK Equity Fund provided a loan to Turgusun-1 LLP in an amount of KZT 1,000 million for the purpose of financing the construction of a hydro power station.

In December 2019, DBK Equity Fund participated in an investment project in poultry farming in the amount of KZT 7.8 billion (Aitas LUX S.a.r.l.).

In February 2020, DBK Equity Fund acquired a KZT 4,000 million stake in Continental Logistics LLP with the aim of modernising a transport and logistics centre in Nur-Sultan.

In March 2021, DBK Equity Fund provided a loan to Turkistan Turism City Ltd in an amount of KZT 13,500 million for the purpose of financing the construction of a multifunctional tourist complex.

Agency Services

Prior to 1 January 2016, DBK acted as an agent of the Government in relation to state and regional budget investment projects, as well as loans secured by state guarantees and sureties. Pursuant to amendments made to the DBK Law on 29 October 2015, on 1 January 2016, DBK transferred all its rights and obligations to service (as agent) nine projects financed by loans secured by state guarantees to Assets Rehabilitation and Management Company JSC.

Accordingly, DBK is only permitted to act as an agent in relation to State programmes financed from the State budget, which contemplate financing to be provided to second-tier banks for on-lending to support manufacturers.

Investment Banking Services

Pursuant to the DBK Law, DBK is permitted to provide investment banking services together with direct financing. As at the date of this Drawdown Information Memorandum, however, DBK does not intend to provide investment banking services.

International Banking

DBK co-operates with international development organisations and financial institutions, such as the IMF, the Islamic Development Bank, the European Bank for Reconstruction and Development (the **"EBRD"**), the Asian Development Bank, the Export-Import Bank of Turkey, the Export-Import Bank of Korea, the Development Bank of China, the Export-Import Bank of China, the European Investment Bank, Sinosure, the Eurasian Development Bank and other international financial institutions. DBK is a founding member of the InterBank Consortium of the Shanghai Co-operation Organisation, established in 2005, and held the Interbank Consortium chairmanship for the second time for the 2010 to 2011 period (having previously held this position in 2007 to 2008). In 2021, the InterBank Consortium of the Shanghai Co-operation Organisation Development Strategy (2022-2026) was approved.

DBK focuses much attention on the development of co-operation with international financial organisations and learning from the experiences of other development institutions through its participation in various associations, interactions with international institutions and training programmes.

DBK also attracts investment from foreign investors, which is, in turn, beneficial to the promotion of Kazakhstan and assists economic diversification efforts. Since its establishment, DBK has signed a number of memoranda and agreements with organisations including, among others, the World Bank, HSBC, Merrill Lynch, European Bank for Reconstruction and Development, Bank of Tokyo Mitsubishi UFJ, EULER HERMES A.G., SACE, Japan Bank for International Cooperation, Commerzbank, Deutsche Bank, CESCE, and COFIDES.

In the coming years, DBK intends to expand its co-operation with multilateral development institutions, such as the EBRD, the Asian Development Bank, the World Bank and the European Investment Bank, principally through the involvement of such institutions in strategic investment projects, whether through co-financing or in an advisory capacity.

DBK maintains correspondent banking relationships with a number of banks, including (among others) Societe Generale, The Bank of New York Mellon, Citibank New York, Industrial and Commercial Bank of China and JPMorgan Chase & Co.

Competition

DBK's activities are governed by the DBK Law. Pursuant to the DBK Law, DBK's primary lending activities include both medium-term (for five or more years) and long-term (from 10 to 20 years) financings, whereas Kazakhstan's commercial banks generally provide short- to medium-term financing for up to three years. In addition, DBK does not participate in retail banking activities and does not accept deposits from customers who are not borrowers of DBK or customers of DBK under an agency agreement. As a result of all these factors, DBK does not consider itself to be a competitor of the commercial banks in Kazakhstan.

DBK co-operates with a number of international development organisations and financial organisations. See "—*International Banking*". In addition, DBK co-operates with domestic development institutions in matters relating to NPLs, the promotion of export activities and the implementation of Government programmes and initiatives. DBK does not consider itself to be a competitor to such institutions.

Employees

As at 31 December 2021, DBK had 224 full-time employees, as compared to 227 full-time employees as at 31 December 2020 and 2019, respectively. One of DBK's key human resources-related objectives is to build personnel management models. DBK uses full-scale automation of business processes, including for its personnel administration. The Bank's employees are professional and qualified, with many holding academic degrees. In particular, 54 employees of the Bank have achieved international certifications in their chosen fields, while 37 specialists hold masters' degrees and one holds a doctorate.

Protecting employee health and promoting healthy lifestyle choices are among DBK's employee-related priorities. In 2021, a remote work schedule was applied for 80% of DBK's employees, emphasising the importance of maintaining employees' health. In addition, DBK has continued to pay full wages to employees who had a temporary disability certificate due to COVID-19.

While DBK does not have any union, collective bargaining or other labour agreement governing its overall relationships with its employees, employees are entitled (by statute) to elect employee representatives who are responsible for the overall representation and protection of the rights and interests of DBK's employees and participate in the settlement of any employee disputes. DBK's employees elected the current representatives on 27 October 2021. On 25 November 2019, DBK entered into an agreement with employee representatives in respect of the regulation of individual labour disputes in accordance with the Labour Code of the Republic of Kazakhstan. Pursuant to this agreement, a conciliation commission comprised of two DBK-representatives and two employee-representatives was established.

DBK's policy on labour compensation and employee motivation governs the procedures for the granting of employee incentives and rewards. In addition to salaries, which DBK believes, based on its own market research, are competitive within the Kazakhstan banking sector, the statute provides for bonus packages to be awarded based on DBK's reported financial results in certain circumstances, as well as certain other employee incentives. In addition, although DBK is not required to make social benefits available, employees are provided with certain levels of social support, including financial aid on the occurrence of certain events, including child birth, marriage or death of any employee and for health improvement, which is paid for annual leave; and health and life insurance. DBK conducts annual salary surveys for comparison of its employee remuneration with market conditions.

DBK provides systematic training and staff development opportunities to its employees. The Bank conducts comprehensive training activities in various fields of activity, and in various formats designed to address market trends and business requirements. In general, a 70% on-the-job training, 20% internal training and 10% external training split is followed for the training programme. DBK expects to shift the focus of training and development towards motivating employees to selfdevelopment and learning through practical experience. Employees from DBK regularly attend a wide range of specialised training seminars organised by multinational financial institutions. In addition to the arrangement of specialist seminars and training courses, DBK's employees also participate in internships with banks and other financial institutions. The average training hours per employee in 2021 was 20.2 hours. In 2021, 33 external training programmes, five internal training programmes, five certification programmes and five memberships in international certification programmes were organised.

DBK is committed to continuing to upgrade the level of the professional skills and knowledge of its personnel with a view to ensuring the availability of sufficiently trained personnel to implement its strategic objectives as set out in the DBK Law and the Credit Policy Memorandum. For this purpose, DBK has budgeted KZT 59.5 million for training expenses in each of 2022 and 2023. During 2021, 100% of DBK's employees received training at various seminars and courses at a total cost of approximately KZT 56 million.

Technology

DBK has developed its own internal documentation and information network protection system to assist efficient communication and data management and protection. Management believes that DBK is in compliance with applicable standards relating to automation and has installed a monitoring and analysis automated information system. The use of these communications systems enables DBK to have protected interactive access to SWIFT, the Kazakh Centre of Interbank Settlements for Tenge payments and the Reuters and Bloomberg information services. DBK is committed to further upgrading and maintaining these systems, as well as its data storage capacity and security.

On 19 December 2018, the Management Board approved the Information Technology Development Strategy for 2019-2021, which includes implementation of the following main information technology initiatives: (i) implementation of a business process management system; (ii) implementation of an electronic records archive; (iii) modernisation of information technology infrastructure; (iv) modernisation of the Colvir banking system; (v) implementation of an enterprise data warehouse and ETL; (vi) implementation of a business analytics system; (vii) increasing the efficiency of the information technology management model; and (viii) improving security and levels of business continuity.

Certain of these initiatives have already been implemented (including the business process management system, Colvir upgrade, the enterprise data warehouse, EDL and business analytics system).

Since 2017, DBK has invested more than KZT 280.3 million in the development of IT systems and has strengthened its internal procedures to ensure that the most critical information is backed-up on an hourly basis, other important information is backed-up on a daily basis and stored within DBK, while other information is backed-up on a weekly basis. The systems are periodically improved and implemented based on the core banking system and electronic document management system ("**EDMS**").

Only information technology and information security personnel have access to DBK's servers and back-up information. DBK has also developed a disaster recovery plan, and actively uses the capacities of the remote data processing centre, which store back-up copies of all information systems, as well as DBK's EDMS virtual server. In order to ensure information security, DBK has installed a security information and event management information system, as well as a data loss prevention information system.

DBK invested KZT 248 million in 2020 in the acquisition of a business process management class information system that is expected to enable DBK to accept and process applications for financing through customers' personal accounts. This is intended to: (i) increase the transparency of relations with customers; (ii) automate internal business processes, which, in turn, are expected to improve the speed and quality of services provided by DBK to its customers; and (iii) permit Management to use analytical tools to make effective decisions. Currently, 41% of the total number of DBK's processes are implemented in this system.

In 2021, DBK invested KZT 58.9 million, and in 2022, plans on investing approximately KZT 60.0 million, in further developing its existing information systems and information security, as well as acquiring specialised software designed to calculate models and provisions.

In 2019, an external consultant reviewed DBK's cyber security practices. While penetration tests conducted did not reveal any material deficiencies, the external consultant and DBK developed a roadmap with DBK to address those deficiencies identified. The measures identified in the roadmap have subsequently all been implemented. In 2020, one of DBK's interim servers was hacked. No secure data was held on this server and the attack was discovered and blocked and the server subsequently restructured. In late 2020, DBK established a dedicated cyber security team.

As part of the development of information security:

- in 2021, the DBK's internal Cybersecurity Service implemented measures to increase the level of security of information systems and resources;
- DBK is connected to the Information Security Monitoring Center (Security Operation Center), which provides for continuous and professional monitoring of information security events relating to DBK's information systems;
- DBK's information systems published on the internet are connected to the BugBounty programme, which is designed to identify information security vulnerabilities in information systems by independent researchers;
- DBK has also implemented software for detecting network anomalies and attacks, which facilitates deep analysis of network traffic to detect attacks on the perimeter and within DBK's network;
- a next-generation firewall was installed to protect DBK's data center; and
- an assessment of information security risks in the critical information systems of DBK was carried out in 2021. Based on the results of the information security risk assessment, together with the Department of Information Technology, an action plan for the treatment of information security risks was developed.

In addition to the above, measures are also taken to raise the awareness of DBK's employees and customers in the field of information security.

See "*Risk Factors—Factors that may affect DBK's ability to fulfil its obligations under, or in connection with the Notes—A. Operational Risks relating to DBK and its Business—DBK is subject to Information Systems Risk*".

Credit ratings

DBK is rated by S&P, Moody's and Fitch and its credit ratings are as follows:

Rating Agency	Tenor	Rating	Outlook
S&P	Foreign Long Term Rating	BBB-	Stable
	Foreign Short Term Rating	A-3	—
	Local Long Term Rating	BBB-	Stable
	Local Short Term Rating	A-3	—
Moody's	Foreign Long Term Issuer Rating	Baa2	Stable
	Local Long Term Issuer Rating	Baa2	Stable
Fitch	Long Term Issuer Default Rating	BBB	Stable
	Short Term Issuer Default Rating	F2	—
	Local Currency Long Term Issuer Default Rating	BBB	Stable
	Local Currency Short Term Issuer Default Rating	F2	—
	Support Rating	WD (Withdrawn)	—
	Support Rating Floor	WD (Withdrawn)	—

In September 2021, S&P upgraded the long- and short-term foreign- and local-currency issuer credit ratings assigned to DBK to BBB-/A-3. S&P also affirmed the stable outlook on the long-term ratings.

In May 2021, Moody's announced the completion of a periodic review of DBK's ratings. In August 2021, Moody's upgraded the long-term ratings assigned to DBK from Baa3 to Baa2 and changed the outlook on DBK's long-term ratings to stable. In January 2022, Moody's placed the Baa2 long-term local- and foreign-currency issuer ratings of DBK on review for possible downgrade, changing the issuer outlook from stable to ratings under review, citing uncertainty regarding external support probability for DBK from the Government through Baiterek JSC following the announcement by the President of Kazakhstan, which drew attention to the fact that DBK provided services to large enterprises that enjoyed special privileges thus stifling competition and preventing implementation of reform. In April 2022, Moody's confirmed DBK's long-term ratings and changed the outlook to stable, reflecting Moody's assessment that the "*operating environment* *and credit profiles of rated financial institutions will remain resilient to the increased social and political risks in [Kazakhstan], which is highlighted by the widespread social unrest and related state of emergency in January 2022*” and “*the confirmation of DBK's ratings reflects the reduced uncertainty regarding external support probability for DBK…[reflecting] changes implemented by DBK…including changes in the senior management of the company, as well as a reorientation of future lending growth towards private sector companies and industrialisation projects*”.

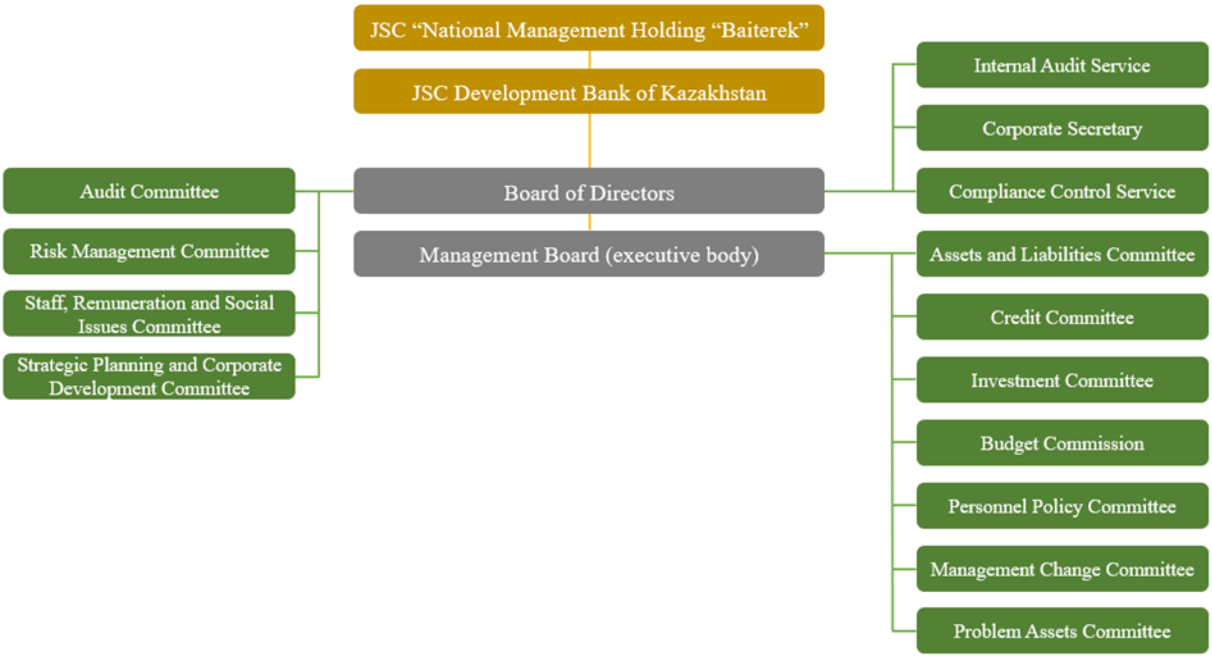
In response to these developments, DBK in close coordination with the Government has developed a plan of action ensuring DBK's enhanced focus on industrialisation, financing of producers of non-resource goods of upper and medium processing, as well as supporting the growth of non-resource exports of Kazakhstan. See “—*Strategy*”.

In March 2022, Fitch affirmed the long-term issuer default rating of DBK at BBB with a stable outlook in line with the sovereign, as well as the other ratings listed in the table above, except that the support rating was withdrawn.

A credit rating is not a recommendation by the rating organisation or any other person to buy, sell or hold securities and may be subject to revisions or withdrawal at any time by the assigning rating organisation and each should be evaluated independently from the other. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

MANAGEMENT

The following organisation chart sets forth the management reporting lines and principal business units of DBK as at the date of this Drawdown Information Memorandum:



General

The DBK Charter provides for the following corporate governing bodies:

- the sole shareholder, Baiterek JSC, which represents the highest corporate governing authority of DBK. Baiterek JSC was established pursuant to the Decree of the President of the Republic of Kazakhstan № 571 dated 22 May 2013, which provided for, among other things, the transfer of the entire issued share capital of DBK from Samruk-Kazyna to Baiterek JSC. Among other matters, Baiterek JSC, as shareholder, sets DBK's dividend policy. See "*Share Capital, Sole Shareholder and Related Party Transactions—Share Capital—Dividend Policy*";

- the Board of Directors, which is responsible for the general management of DBK and the approval of its strategic and operational plans;

- the Management Board, which is responsible for the day-to-day management and administration of DBK;

- the Credit Committee, which is responsible for making decisions with respect to DBK's internal credit policy (other than matters that fall within the exclusive competence of other bodies or officials of DBK);

- the Investment Committee, which is responsible for making decisions with respect to DBK's portfolio management (other than matters that fall within the exclusive competence of other bodies or officials of DBK); and

- the Internal Audit Service, which is responsible for DBK's internal control processes and reports to the Board of Directors.

Board of Directors

The Board of Directors must consist of not less than three members and not less 30% of all members must be independent directors. As at the date of this Drawdown Information Memorandum, the Board of Directors consists of six members, including two representatives of Baiterek JSC, as sole shareholder of DBK, the Chairman of the Management Board of

DBK and three independent directors. The Board of Directors is tasked with ensuring the protection of rights of DBK's sole shareholder, the effective implementation of DBK's objectives, the approval of DBK's long-term strategy and mid-term development plans, the efficient operation of DBK's strategy and risk management system and controlling DBK's financial and economic activities.

The activities of the Board of Directors are governed by the Provision of the Board of Directors, dated 12 December 2018 (the "**Provision**"). The Provision sets forth information regarding the role of the Board of Directors and the rights, duties and responsibilities of members of the Board of Directors. The Board of Directors also carries out its activities in accordance with the JSC Law and other applicable legislation.

The business address of the members of the Board of Directors is the registered office of DBK, namely, n-r. pr. 15, building 55A Mangilik Yel Avenue, Yesil district, Nur-Sultan, Republic of Kazakhstan. The members of DBK's Board of Directors are:

Name	Other Positions	Date Appointed	Age	Date of Birth
Kanat Sharlapayev	Chairman of the Management Board of Baiterek JSC	9 February 2022	40	9 July 1981
Adil Mukhamejanov	Representative of Baiterek JSC.	16 June 2021	40	4 August 1981
Ruslan Iskakov	Chairman of the Management Board of DBK.	16 February 2022	41	23 December 1980
Marcia Favale (independent director)	Chair of the Audit Committee and Strategic Planning and Corporate Development Committee, member of the Risk Management Committee and the Staff, Remuneration and Social Issues Committee	26 January 2015	52	17 October 1969
Gani Uzbekov (independent director)	Chairman of the Risk Management Committee, member of the Audit Committee, Strategic Planning and Corporate Development Committee and Staff, Remuneration and Social Issues Committee	3 March 2021	47	21 June 1974
Anvar Saidenov (independent director)	Chairman of the Staff, Remuneration and Social Issues Committee, member of the Risk Management, Audit and Strategic Planning and Corporate Development Committees	24 October 2018	61	19 September 1960

Information regarding the members of the Board of Directors is set out below:

Kanat Sharlapayev graduated from Saratov Socio-Economic University in Russia and Cranfield School of Management in the UK. Mr. Sharlapayev began his career in banking in 2003. Between 2006 and 2008, he worked at various departments at Citi Investment Bank both in the UK and Czech Republic, including the Finance Department of the regional office, the Project Management Department, the Operations and Technology Department and the Sales Department. Between 2008 and 2014, Mr. Sharlapayev worked at Citi Investment Bank in London where he held a number of positions, including Senior Analyst, Assistant Vice President, and Vice President of the Regional Department of the Equity Market Activities, and, in 2014, he became the Vice President of the Regional Strategic Planning and Analysis Group for Europe, the Middle East and Africa. Between 2015 and 2017, Mr. Sharlapayev held a number of positions at Citibank Kazakhstan, including Chief Financial Officer, Senior Vice President and Deputy Chairman of the Board. Between 2017 and 2020, he also served as Chief Financial Officer covering Russia, Ukraine and Kazakhstan regions and was a Senior Vice President at Citibank Russia. Mr. Sharlapayev has been the Regional Director for Strategy, Planning and Analysis in the Emerging Markets of Africa, the Middle East and Eastern Europe at Citi Investment Bank (UAE) since 2020. On February 2022, he was appointed Chairman of the Management Board of NMH Baiterek JSC. He was elected as a member of the Board of Directors of DBK on 9 February 2022.

Adil Mukhamejanov graduated from T. Ryskulov Kazakh Economic University in 2002 and from University of Nottingham in 2004. Mr. Mukhamejanov also graduated from Chicago Booth Business School in 2018. He began his career in 2003 as a Specialist in the Project Management Department at KazTransOil CJSC. Between 2004 and 2016, Mr. Mukhamejanov held a number of positions at Aral Petroleum Capital CJSC, including Financial Manager, Vice President. He also served as a member of the Board of Directors of Aral Petroleum Capital CJSC. Between 2010 and 2011, Mr. Mukhamejanov served as Chairman of the Management Board of Open Accumulative Pension Fund "Otan" JSC. Between 2008 and 2016, he served as a member of the Board of Directors of Asia Credit Bank JSC. Mr. Mukhamejanov also served as Chairman of the Management Board of Kazakhstan Housing Company between September 2016 and May 2021. He was appointed as Deputy Chairman of the Management Board of NMH Baiterek JSC on May 2021. On 16 June 2021, Mr. Mukhamejanov was elected as a member of the Board of Directors of DBK.

Ruslan Iskakov graduated from the Shakarim State University and qualified as an Economist-Manager. Mr. Iskakov began his career in 2004 as an employee of Kaskommertsbank JSC working in the Risk Management Department and was appointed Head of the Project Risk Analysis Department in 2006. In 2010, he joined SB Sberbank of Russia JSC as Head of the Corporate Clients Department and was appointed Deputy Director of the Major Clients Department in 2011. Between 2014 and 2015, Mr. Iskakov served as Deputy Chairman of the Management Board of IC KazExportGarant JSC. From 2016, he served as Chairman of the Management Board and a member of the Board of Directors of EIC KazakhExport JSC. Mr. Iskako currently serves as a member of the Board of Directors of QazTrade Trade Policy Development Center JSC, a member of the Board of Directors of Baiterek Venture Fund JSC and the First Vice President of the Kazakhstan Chess Federation. On 16 February 2022, he was elected as Chairman of the Management Board of DBK and a member of the Board of Directors.

Marcia Favale graduated from Said Business School, University of Oxford with a Master of Science in Major Programme Management, a Master of Business Administration and a Post-Graduate Diploma in Financial Strategy. She graduated with a B.A. in Political Science from New York University in 1992. Prior to founding her own company, Ms. Favale was Managing Director, Head of LATAM and CEEMEA Credit Research at UBS (between 1998 and 2005), a senior member of UBS's global credit fixed income research group, as well as a member of UBS's Emerging Market Credit Committee and a member of UBS's Emerging Market Steering Committee. Ms. Favale worked at Banker's Trust between 1992 and 1993 and at Merrill Lynch in the High Yield Department between 1993 and 1998. She worked as a Portfolio Manager at Brevan Howard and Advent Capital between 2006 and 2007 and has participated in and contributed to the E15 initiative meetings at the World Economic Forum. Ms. Favale teaches part-time at the Major Programme Management Graduate Programme and guest lectures on Private Equity at Said Business School, University of Oxford. She was Senior Advisor to the Prime Minister of Kazakhstan from 2009 to 2013. She is currently an Independent Board Member on the Kazakh Investment Committee Board of Directors and the Chair of the Board of the African Development Organisation. She has served as an Independent Director and a member of the Board of Directors of DBK since January 2015. Ms. Favale is Chair of the Audit and Strategy Committees and a member of the Risk Management Committee and the Staff, Remuneration and Social Issues Committee of DBK.

Gani Uzbekov graduated from the London School of Economics in 2000 and Harvard University's Kennedy School of Government in 2003. Mr. Uzbekov was selected for the World Bank's Young Professionals Program (2003) and World Economic Forum's Global Leadership Program (2005). Mr. Uzbekov has previously served as Deputy Minister of Finance of Kazakhstan. Between 2006 and 2008, Mr. Uzbekov served as Deputy Chairman of Kazakhstan's Kazakh Agency on Regulation and Supervision of the Financial Market and Financial Organizations (FSA). He has also served as Deputy Chairman of Kazyna, the Kazakh Sovereign Wealth Fund. During his term as the Deputy Minister of Finance, he served as Kazakhstan's Alternate Governor on the Board of Governors of the World Bank, IMF, EBRD, Asian Development Bank and Islamic Development Bank. Mr. Uzbekov is Chief Executive Officer of Capital Bank Kazakhstan. Prior to assuming this role, Mr. Uzbekov served as Deputy Chief Executive Officer at KazInvestBank and as Deputy Chief Executive Officer and Chief Risk Officer at HSBC Bank Kazakhstan. Mr. Uzbekov was appointed as an Independent Director and a member of the Board of Directors of DBK in March 2021. He is the Chair of the Risk Management Committee and a member of the Audit Committee, Strategic Planning and Corporate Development Committee and Staff Remuneration and Social Issues Committee of DBK.

Anvar Saidenov graduated with a Ph.D. in Economics from the Faculty of Economics of Lomonosov Moscow State University in 1982. In 1994, Mr. Saidenov graduated from the school of Oriental and African Studies University of London with a Master of Science degree in Financial Economics. Between 1987 and 1993, he taught economic theory at the Dzhambul Irrigation and Construction Institute. From August 1993 to August 1996, Mr. Saidenov worked as an Intern, Consultant and Junior Banker at the European Bank for Reconstruction and Development in London. Since August 1996, he has been working in the financial sector in Kazakhstan, where he has held senior positions at the NBK, the State Investment Committee, the Investment Agency and the Ministry of Finance, Halyk Savings Bank and BTA Bank. Between January 2004 to January 2009, Mr. Saidenov was Chairman of the NBK. Since April 2016, he has been an Independent Director of the Board of Directors of Halyk Bank JSC and, since February 2018, he has been an Independent Director of the Board of Directors of Bank Home Credit SB JSC. On 24 October 2018, Mr. Saidenov was appointed as an Independent Director and member of the Board of Directors of DBK. On 29 November 2018, he was elected as an Ombudsman of DBK. DBK's Ombudsman function was established to strengthen DBK's internal control system and monitor compliance with DBK's Code of Ethics. In addition to collecting information regarding violation of the Code of Ethics, the Ombudsman is tasked with initiating the settlement of disputes regarding such violations.

Management Board

In February 2009, a number of changes were made to the DBK Law, including the creation of a new management structure which abolished the previous offices of the President and his Vice Presidents and replaced them with the Management

Board. The Management Board is an executive board consisting of not less than five members. As at the date of this Drawdown Information Memorandum, the Management Board consists of five members. The Management Board generally manages the day-to-day activities of DBK. Members of the Management Board are appointed by the Board of Directors, after consultation with the Staff, Remuneration and Social Issues Committee. The term of the members of the Management Board is determined by the Board of Directors.

The members of the Management Board are:

Name	Positions	Date Appointed	Age	Date of Birth
Ruslan Iskakov	Chairman	16 February 2022	41	23 December 1980
Sandugash Kenzhebayeva	Deputy Chairman, Risk Management and Digital Technology Development	10 April 2019	47	1 April 1975
Botagoz Abisheva	Deputy Chairman, Financial Management	25 February 2022	45	2 September 1976
Marat Yelibayev	Deputy Chairman, Lending	25 February 2022	37	2 June 1984
Asset Sharipov	Deputy Chairman, Legal Affairs	16 March 2020	39	16 September 1982

Ruslan Iskakov See *"—Board of Directors"*.

Sandugash Kenzhebayeva graduated from the Kazakh State Academy of Management with a specialty in Banking Operations Management in 1996. Ms. Kenzhebayeva began her career as a Manager and Senior Manager at the Agency of Statistics of the Republic of Kazakhstan between 1998 and 2005. Between 2005 and 2007, she was a Senior Manager and then Head of the Department responsible for working with financial institutions in the CIS and Baltic countries at JSC Nurbank, in Almaty. In August 2007, Ms. Kenzhebayeva was appointed as Senior Manager and Credit Analyst of Corporate Business at JSC Nurbank, in Nur-Sultan. Between September 2007 and January 2008, she was Senior Manager of the Underwriting Department of JSC Astana-Finance. In January 2008, Ms. Kenzhebayeva began working as a Front-Manager of the Project Directorate of DBK, before being promoted in December 2011, to the position of Senior Front-Manager of the Project Directorate. In February 2015, she was appointed as Head of the Project Directorate and, between January 2016 and August 2016, she was Senior Banker of the Client Relations Department. Since August 2016, Ms. Kenzhebayeva has been Executive Director of the Department of Manufacturing Industry at Eurasian Development Bank. She has served as a Managing Director of DBK since December 2017 and was appointed as Deputy Chairman of the Management Board on 10 April 2019.

Botagoz Abisheva graduated from Kazakhstan Institute of Law and International Relations in 1997 with a degree in International Law. In 2014, she graduated from the Kazakh University of Economics, Finance and International Trade, specialising in Finance, and, in 2018, she received a Master's degree in Economics from the same university. In 2022, Ms. Abisheva graduated from Renmin University of China with a Master's degree. She began her career in 1998 in the International Department of Bank TuranAlem. Between 2003 and 2007, Ms. Abisheva held numerous positions at Bank of TuranAlem in Beijing, China, including Banking Director, Deputy Head of Representative Office and Head of Representative Office. From 2007 to 2010, she worked as Head of the Financial Institutions Department at ICICI Bank Eurasia in Moscow. Ms. Abisheva has been working at DBK since 15 February 2010 and has held a number of positions, including Deputy Director of the Department of Funding and International Cooperation and Managing Director. She was appointed Deputy Chairman of the Management Board of DBK on 25 February 2022.

Marat Yelibayev graduated from T. Ryskulov Kazakh Economic University in 2005 with a degree in Finance and Accounting. In 2004, he graduated from the International Academy of Business, specialising in management. Mr. Yelibayev has a Master's degree in Corporate Finance from the London Business School as part of the Bolashak International Programme. He also graduated from the Republican Specialized Physics and Mathematics Boarding School. Mr. Yelibayev began his career in 2004 at Deloitte as an Auditor and Senior Auditor and worked on projects in the metallurgy, mining, oil and gas, transport and logistics sectors, as well as state-owned companies. Between 2007 and 2010, he was a Manager in the Mergers and Acquisitions Department at PricewaterhouseCoopers. Between 2010 and 2014, Mr. Yelibayev held the position of Investment Director and Vice President at CITIC Kazyna Investment Fund I LP. Since 2014, he has held the position of Chief Banker in the Eurasia, Middle East and Africa Energy Department of the European Bank for Reconstruction and Development. Mr. Yelibayev was appointed to the position of Deputy Chairman of the Board of DBK on 25 February 2022.

Asset Sharipov graduated from the Kazakh Humanitarian Legal University with a degree in Law. He has a Master's degree from Kazakh Humanitarian Legal University, specialising in Labor Law and Social Security law. Mr. Sharipov began his career in 2003 as a Specialist at the OPSF Otan JSC of ATFBank. From 2004 to 2010, he held the positions of Lawyer, Chief Specialist, Head of Department and Senior Lecturer at International Bank "Alma-Ata" JSC, ABK-V LLP, ATF Bank JSC and RSE Kostanay State University named after A. Baitursynov. Between 2010 and 2014, Mr. Sharipov worked as Deputy Director of the Legal Support Department of DBK. From 2014 to 2016, he was a Deputy Director of the Legal

Support Department of RSE National Bank of Kazakhstan. From 2016 to 2017, Mr. Sharipov was a Director of the Legal Support Department of DBK. Between July 2017 and March 2019, he held the position of Deputy Chairman of the Board of Damu Entrepreneurship Fund JSC. In March 2020, Mr. Sharipov was appointed to the position of Managing Director and member of the Management Board of DBK.

The business address of the members of the Management Board is the registered office of DBK, namely, n-r. pr. 15, building 55A Mangilik Yel Avenue, Yesil district, Nur-Sultan, Republic of Kazakhstan.

Corporate Governance DBK's Code of Corporate Governance, the most recent amendments to which were approved on 9 January 2020, is constructed upon the following principles:

- protection of the rights and interests of the sole shareholder;
- efficient management of DBK by the Board of Directors and the Management Board (as the executive body);
- division of powers;
- sustainable development;
- transparency and fair disclosure of information;
- risk management, compliance control and internal audit; and
- regulation of corporate conflicts and conflicts of interest.

Three members of the Board of Directors are independent directors, which exceeds the minimum share of independent directors required by the JSC Law. These directors are appointed by Baiterek JSC, the sole shareholder of DBK.

In addition to establishing committees of the Board of Directors, as described below, DBK also has a Corporate Secretary of the Board of Directors and a Compliance Controller to assist the Board of Directors in ensuring DBK's compliance with corporate rules and management policy. The Corporate Secretary works to assist the Board of Directors in fulfilling its duties and protecting the rights and interests of the sole shareholder. The Compliance Controller works to ensure effective management of compliance risks and has the exclusive right to exercise internal control over DBK's compliance with the legislation of Kazakhstan, including NBK regulations and DBK's internal regulations and procedures.

See "*Asset and Liability Management – Anti Money Laundering, Countering the Financing of Terrorism, Anti-Corruption and Anti-Bribery Policies and Procedures*."

Board Committees

The Board of Directors has established the following committees:

Audit Committee

The Audit Committee was established to facilitate the monitoring of DBK's financial and economic activities and to ensure that there is an adequate system of internal control and risk management in operation. The Audit Committee is responsible for the promotion and strengthening of DBK's internal and external audit functions.

As at the date of this Drawdown Information Memorandum, the members of the Audit Committee are Ms. Favale (Chair), Mr. Saidenov, Mr. Uzbekov and Mr. Mukhamedzhanov.

Risk Management Committee

The role of the Risk Management Committee is to assist the Board of Directors in risk monitoring, risk control and risk analysis. As at the date of this Drawdown Information Memorandum, the members of the Risk Management Committee are Mr. Uzbekov (Chair), Mr. Saidenov, Ms. Favale and Mr. Mukhamedzhanov. See also "*Asset and Liability Management*".

Staff, Remuneration and Social Issues Committee

The Staff, Remuneration and Social Issues Committee is an advisory body of the Board of Directors, created in order to improve the efficiency of DBK's development management by preparing recommendations to the Board of Directors in respect of staff and motivation policy and addressing issues of appointment and remuneration falling under competence of the Board of Directors.

As at the date of this Drawdown Information Memorandum, the members of the Staff, Remuneration and Social Issues Committee are Mr. Saidenov (Chair), Ms. Favale, Mr. Uzbekov and Mr. Mukhamedzhanov.

Strategic Planning and Corporate Development Committee

The role of the Strategic Planning and Corporate Development Committee is to make recommendations to the Board of Directors in relation to the development of the priority sectors and strategic aims of DBK. As at the date of this Drawdown Information Memorandum, the members of the Strategic Planning Committee are Ms. Favale (Chair), Mr. Saidenov, Mr. Uzbekov and Mr. Mukhamedzhanov.

Other Committees and Support Bodies

The Management Board is also assisted by the Budget Commission, the Investment Committee, the ALMC, the Credit Committee, the Change Management Committee, the Personnel Policy Committee and the Problem Assets Committee.

The Budget Commission assists with the timely development and execution of the budget for each financial year and the Personnel Policy Committee carries out management and development of human resources of DBK.

See "*Asset and Liability Management—Principal Committees*" for a description of the Investment Committee, the Credit Committee and the ALMC.

Internal Audit Service

The work of the Internal Audit Service aims to provide independent and objective advisory services to improve DBK's activities. The main objective of the Internal Audit Service is to implement control over DBK's financial and economic activities, also providing to the Board of Directors independent advice on improving DBK's activities and increasing efficiency of DBK's management, including risk management systems, internal controls and corporate governance.

The Internal Audit Service is tasked with ensuring the organisation and implementation of DBK's internal audits and developing an annual audit plan based on the recommendations of the Audit Committee, as well as a map of DBK's audit risks, based on DBK's matrix of business processes, risks and controls, and risk its register. The Internal Audit Service is accountable to the Board of Directors and supervised by the Audit Committee. The Internal Audit Service carries out its activities in compliance with the legislation of the Republic of Kazakhstan, the International Professional Practices Framework promulgated by the Institute of Internal Auditors and internal regulations of DBK. The Internal Audit Service conducts its activities in line with specially developed methodologies approved by the Board of Directors and the annual audit plan. An external audit of the Internal Audit Service is generally performed every five years, with the last such audit completed in 2018. According to information received from Baiterek JSC, the next external audit of DBK's Internal Audit Service is scheduled for 2022.

The head and other members of the Internal Audit Service are appointed by the Board of Directors. The Board of Directors approves the annual plan for the Internal Audit Service and key performance indicators applicable to the Internal Audit Service and the Head of the Internal Audit Service. The activity report of the Internal Audit Service is submitted to the Audit Committee and the Board of Directors on a quarterly basis.

Management Remuneration

Determination of the amounts and terms of remuneration for the Board of Directors is the responsibility of Baiterek JSC, as sole shareholder. The current policy of Baiterek JSC does not provide for the payment of remuneration to members of the Board of Directors who are representatives of Baiterek JSC. According to DBK's internal regulations, remuneration is paid to independent members of the Board of Directors in the form of annual fixed remuneration and additional remuneration for attendance at meetings of committees of the Board of Directors. Remuneration of executive management is based on DBK's financial results and is determined by the Board of Directors. As at 31 December 2021, there were no outstanding loans or guarantees granted by DBK to any member of the Board of Directors or the Management Board or to any parties related to them. See "*Share Capital, Sole Shareholder and Related Party Transactions—Related Party Transactions—Transactions with the Board of Directors and Management Board*".

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the Board of Directors and the Management Board of DBK towards DBK and their private interests or other duties.

DBK has instituted and maintains a policy regarding the settlement of corporate conflicts and conflicts of interest of interest involving officials and employees of DBK, which is aimed at ensuring the prevention and settlement of any actual or potential conflicts of interest.

SHARE CAPITAL, SOLE SHAREHOLDER AND RELATED PARTY TRANSACTIONS

Share Capital

As at 31 December 2021, DBK's outstanding share capital consisted of: 2,109,590 ordinary shares, as follows:

- 1,819,519 ordinary shares with a nominal value of KZT 50,000 per share;
- 250,000 ordinary shares with a nominal value of KZT 668,000 per share;
- 30,000 ordinary shares with a nominal value of KZT 1,000,000 per share;
- 5,000 ordinary shares with a nominal value of KZT 5,000,000 per share;
- 1,250 ordinary shares with a nominal value of KZT 40,000,000 per share;
- 1,000 ordinary shares with a nominal value of KZT 40,000,000 per share;
- 625 ordinary shares with a nominal value of KZT 40,000,000 per share;
- 500 ordinary shares with a nominal value of KZT 40,000,000 per share;
- 375 ordinary shares with a nominal value of KZT 40,000,000 per share;
- 320 ordinary shares with a nominal value of KZT 38,393,750 per share;
- 300 ordinary shares with a nominal value of KZT 40,000,000 per share;
- 250 ordinary shares with a nominal value of KZT 40,000,000 per share;
- 250 ordinary shares with a nominal value of KZT 40,000,000 per share;
- 200 ordinary shares with a nominal value of KZT 40,000,000 per share; and
- one ordinary share with a nominal value of KZT 691,560,619,

all of which were issued and fully paid. Each ordinary share carries one vote. Baiterek JSC is the sole shareholder of DBK's outstanding ordinary shares. See "*Selected Statistical and other Data—Equity and Capital Adequacy Ratios*".

Baiterek JSC

As at 31 December 2012, the sole shareholder of DBK was Samruk Kazyna. In accordance with the Decree of the President of the Republic of Kazakhstan № 136 dated 10 August 2011, the entire issued share capital of DBK was transferred under trust management to the Ministry of Industry and Infrastructural Development.

Baiterek JSC was established pursuant to the Decree of the President of the Republic of Kazakhstan № 571 dated 22 May 2013 and the entire issued share capital of DBK was subsequently transferred to Baiterek JSC (and the trust management arrangement was terminated).

Baiterek JSC's objectives are to promote sustainable economic development in Kazakhstan in accordance with the Government's strategy for 2050. In line with this objective, Baiterek JSC's main activities consist of: (i) supporting the sustainable development of the non-oil sectors of the economy of Kazakhstan through the provision of financial support to priority sectors of the economy; (ii) supporting entrepreneurship and small and medium-sized business in the private sector of the economy; (iii) supporting urbanisation of the economy; (iv) supporting export activities of non-oil Kazakhstan companies; and (iv) supporting innovation.

Baiterek JSC's board of directors is appointed by the Government, as sole shareholder, and its members include, among others, the Prime Minister of Kazakhstan, the Minister of Finance of Kazakhstan, the Deputy Prime Minister of Kazakhstan, the Deputy Head of the Administration of the President, the Minister of Industry and Infrastructural Development of Kazakhstan and the Minister of the National Economy of Kazakhstan, as well as independent directors.

In March 2021, JSC "KazAgro" National Management Holding merged with Baiterek JSC, DBK's parent company. The merger has not impacted DBK's credit rating, nor did it disrupt the provision of financial and non-financial services for agricultural producers in Kazakhstan under the framework of state-funded programmes. Baiterek JSC is consolidating different development institutions operating in Kazakhstan and is the legal successor to the merged entities.

Related Party Transactions

Transactions with the Board of Directors and Management Board

For the year ended 31 December 2021, the total remuneration of members of the Board of Directors and the Management Board, Managing Directors included in payroll and related taxes, was KZT 586.7 million, as compared to KZT 632.8 million for the year ended 31 December 2020 and KZT 824.9 million for the year ended 31 December 2019. Such amounts include cash benefits granted to members of the Board of Directors and the Management Board, Managing Directors, as the case may be.

During the years ended 31 December 2021 and 2020, there were no reversals of accrued bonuses to the Management Board.

Transactions with other Related Parties

DBK also enters into certain transactions with Baiterek JSC and other State and national companies and organisations, which are deemed to be related parties to DBK. See Note 36(c) to the 2021 Annual Financial Statements.

Loans from Baiterek JSC, Samruk-Kazyna and Government grants comprise significant sources of DBK's funding. See "*Selected Statistical and Other Data—Principal Sources of Funding*". In addition, DBK extends financing to state-owned companies, subsidiaries of Samruk-Kazyna and other organisations (other than Samruk-Kazyna). As at 31 December 2021, loans to companies with state participation of more than 50% (net of reserves) were KZT 341.2 billion at a weighted average interest rate of 9.57%.

The JSC Law provides that in the event that a member of the Board of Directors has a conflict of interest in relation to an investment project or other transaction, such member must inform the Board of Directors of the conflict and shall not participate in the vote to approve such transactions. Any vote shall then be passed by a majority of the remaining non-conflicted members. Only if there are insufficient non-conflicted members of the Board of Directors to pass a vote, shall a decision to approve a transaction be taken by DBK's sole shareholder.

Dividend Policy

Dividends are paid in accordance with Baiterek JSC's procedure for determining the amount of dividends payable by its subsidiaries, which are based on the following main principles:

- the need for making payments and expenses by Baiterek JSC on behalf of itself or the Government;
- the principle of needing to ensure financing of the activities of the sole shareholder, including the financing of new activities and investment projects implemented at the expense of the sole shareholder; and
- the principle of needing to finance development costs, including investment activities, by subsidiaries of Baiterek JSC.

In line with the above procedure, Baiterek JSC has established a target dividend size of 50% of total consolidated net income to be paid by DBK (an increase from 30% prior to the outbreak of the COVID-19 pandemic) and a maximum dividend size of 100% of total consolidated net income. On 31 March 2021 and in light of the ongoing impact of the COVID-19 pandemic in Kazakhstan, the Board of Directors of DBK passed a decision recommending to Baiterek JSC that no payment of dividends should be made in respect of 2020 in order to permit DBK to retain its liquidity levels and increase the coverage of its lending to the Kazakhstan economy without requiring additional funding.

During the year ended 31 December 2021, no dividends were declared, as compared to declared and paid dividends of KZT 3,287.5 million in 2020 and KZT 973.1 million in 2019. The increase in dividends in 2020 was due to an increase in the net profit available for distribution (there was no change to the targeted dividend amount in respect of amounts paid in 2020, as compared to 2019).

THE BANKING SECTOR IN KAZAKHSTAN

Set forth below is certain information regarding Kazakhstan's banking sector. Unless specifically mentioned therein, this information does not apply to DBK due to its special status as a development bank. In particular, pursuant to the DBK Law, DBK is not subject to the prudential requirements of the banking regulator, which only apply to commercial banks in Kazakhstan.

Introduction

Kazakhstan has a two-tier banking system with the NBK, comprising the first tier and the commercial banks comprising the second tier (with the exception of DBK, which has a special status and belongs to neither tier). Generally, all credit institutions in Kazakhstan are required to be licensed and regulated by the regulator, which is currently the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (the "**Agency**"). From 2004 until April 2011, these functions were carried out by Financial Market Supervision Agency (the "**FMSA**") and, prior to 2004, and from April 2011 until 1 January 2020, these functions were carried out by the Financial Market Supervision Committee (the "**FMSC**") of the NBK. In May 2019, the NBK proposed changes to legislation providing for the establishment of a new independent regulatory body which would take charge of financial markets control and development, while the NBK will concentrate on monetary policy and inflation control. With effect from 1 January 2020, the Agency was established. The Agency is responsible for the licensing and supervision of financial institutions, supervision and development of the financial market, as well as consumer rights protection, while the NBK focuses on monetary and currency control policies as well as inflation control.

The Government, the NBK, the FMSA, the FMSC and subsequently, the Agency, have undertaken significant structural reforms in the banking sector, aimed at promoting consolidation in the banking sector and improving the overall stability of the system.

Global financial instability, market dislocation and, most recently, the COVID-19 pandemic have adversely affected the Kazakhstan banking sector, resulting in asset quality deterioration and reduced funding sources for Kazakhstan banks. Statistics published by the NBK show the considerable asset quality deterioration in 2009, with NPLs in the banking sector increasing to 21.2% as at 1 January 2010 from 8.2%, as at 1 January 2009. In 2009, the banking sector showed a net loss of KZT 2,834 billion, as compared to a profit of KZT 10.7 billion in 2008, and banking sector assets also declined during that period. According to statistics published by the FMSC and the NBK, NPLs in the banking sector further increased to 30.6% as at 1 January 2012, although this reflected a slight decrease from 31.0% as at 1 December 2011. As at 1 January 2012, the banking sector registered a net loss of KZT 35.4 billion, as well as a general decline in assets. As at 1 January 2013, NPLs in the banking sector slightly decreased to nearly 30% (including JSC BTA Bank's NPLs), and 19.5% (excluding JSC BTA Bank's NPLs) and the banking sector registered a net income of KZT 214.6 billion. As at 1 January 2014, NPLs in the banking sector accounted for 31.2% and the banking sector registered a net income of KZT 261.2 billion.

In 2014, the NBK took several systemic steps to promote the recovery of the Kazakhstan banking sector and ensure its further growth and development by introducing the 2014 Concept. The 2014 Concept provided for the increase of own capital requirements and sought to limit consumer loans and reduce NPLs at Kazakhstan banks.

In 2015, JSC Kazkommertsbank acquired JSC BTA Bank and converted JSC BTA Bank into a distressed asset management company. Alliance Bank, JSC Temirbank and JSC ForteBank merged in 2015. This reduced the total number of Kazakhstan banks to 35 and led to a decrease in NPLs in the first half 2015, to 9.98%. However, NPLs continued to adversely affect Kazakhstan banking sector and economy. A reduction in loans, as well as exchange-rate volatility and low commodity prices, resulted, among other things, in an increase in NPLs in 2016. According to a report published by Fitch in 2016, the rapid reduction of the total NPLs from 24% to 10% by early 2016 occurred only "on paper" due to the conversion of JSC BTA Bank into a distressed asset management company and the corresponding write-off of NPLs.

The NBK reported NPLs at 7.4% of all loans as at 1 January 2019. According to statistics published by the NBK, as at 1 December 2019 NPLs amounted to 8.2% of all loans. As at 1 December 2019, the NBK reported a net income of Kazakhstan banking sector of KZT 746.4 billion.

The Government has also taken a number of other steps to support the Kazakhstan banking sector, including significant capital injections. According to Fitch, in 2016, quasi-sovereign institutions were the main source of funding for Kazakhstan banks and accounted for almost one third of all liabilities of Kazakhstan banks. The key creditors are: (i) the Samruk-Kazyna group of companies (accounting for an 11.4% share of Kazakhstan banking sector's liabilities in 2016), the Integrated Pension Fund (with a 9.4% share), Baiterek JSC (with a 4.7% share), JSC "KazAgro" National Management Holding (with a 2.8% share), Non-performing Loans Fund (with a 1.1% share) and the NBK (with a 1.0% share).

In November 2016 and February 2017, then-President Nazarbayev expressed support for the consolidation of Kazakhstan banks. In January 2017, two major Kazakhstan banks, JSC Kazkommertsbank ("**KKB**") and JSC Halyk Bank ("**Halyk Bank**"), announced a potential merger. The proposed merger was supported by the NBK, aimed at addressing a significant portion of KKB's NPLs. In particular, nearly half of KKB's assets totalling U.S.$15.7 billion were tied up in a single loan to JSC BTA Bank. The authorities injected KZT 1 trillion into the Non-performing Loans Fund, increasing the Government's 2017 budget by 24%. On 2 March 2017, then-President Nazarbayev signed a decree on the allocation of money from the National Fund in an amount of KZT 1 trillion. The transfer enabled the Non-performing Loans Fund to purchase the NPLs held by JSC Kazkommertsbank through JSC BTA Bank, which accounts for a majority of the NPLs in the Kazakhstan banking system.

On 5 July 2018, Halyk Bank reported the completion of the takeover of KKB and the injection of KZT 185 billion into the capital of KKB. Halyk Bank also reported that KKB had merged into Halyk Bank with all of KKB's assets, rights and obligations transferred to Halyk Bank.

In order to promote consolidation of Kazakhstan banks, on 30 June 2017, the NBK announced the adoption of a new programme aimed at improving the banking sector's financial health, targeting banks with an equity of not less than KZT 45 billion (the "**2017 Programme**"). On 18 October 2017, the NBK reported that JSC ATF Bank, JSC Eurasian Bank, JSC Tsesnabank and JC Bank Centercredit were approved as eligible participants of the 2017 Programme. Other banks in the process of consolidating, include JSC Tengri Bank and JSC Capital Bank, JSC Bank RBK and JSC Qazaq Banki. The regulator revoked the license of Delta Bank (in November 2017), as well as the licenses of JSC Qazaq Banki (in August 2018), Eximbank (in August 2018), and Astana Bank (in September 2018).

In December 2018, ForteBank announced its plans to acquire 100% shares in Bank Kassa Nova. The transaction was completed in May 2019 and Bank Kassa Nova is currently operating as a wholly-owned subsidiary of ForteBank.

In early 2019, First Heartland Jusan Bank JSC (originally named JSC Tsesnabank) was sold to JSC First Heartland Securities, a group controlled by the autonomous organisation of education "Nazarbayev University", after the authorities agreed to remove KZT 604 billion of NPLs from its balance sheet. The NBK reported that the state support was necessary because agricultural companies, which were among the bank's biggest borrowers, were unable to repay dollar-denominated loans.

In May 2019, the shareholders of Tengri Bank, AsiaCredit Bank and Capital Bank Kazakhstan announced a potential merger of these banks. However, in February 2020, Tengri Bank withdrew from the merger with Capital Bank Kazakhstan and AsiaCredit Bank. The Agency revoked the banking license of Tengri Bank in September 2020. In February 2021 the banking license of AsiaCredit Bank was also revoked.

As at 1 March 2022, the total number of Kazakhstan banks had decreased to 22, as compared to 25 as at 1 March 2021, due to the continuing consolidation of the Kazakhstan banking sector. In November 2020, First Heartland Jusan Bank JSC reported that the bank and shareholder of ATF Bank, Mr. Yessenov, had reached a preliminary agreement on the purchase of 99.76% of the shares in ATF Bank by First Heartland Jusan Bank JSC, which transaction was completed in 2021, and ATF Bank was merged into First Heartland Jusan Bank JSC. Between 1 March 2021 and 1 March 2022, there followed the: (i) revocation by the Agency of the banking licenses of Capital Bank Kazakhstan; and (ii) voluntary liquidation of the National Bank of Pakistan. In addition, as at the date of this Drawdown Information Memorandum, due to the economic sanctions imposed, subsidiaries of certain Russian banks including Sberbank, Alfa-Bank and VTB are reconsidering their activities within the Republic. For example, on 21 April 2022, it was announced that Alfa-Bank Kazakhstan, a Kazakhstan-based subsidiary of Alfa-Bank, is set to be taken over by Bank CenterCredit JSC. Under the agreement announced, Bank CenterCredit will acquire a 100% stake in Alfa-Bank Kazakhstan and rebrand it. In addition, on 22 April 2022, the Minister of Foreign Affairs of Kazakhstan, Mukhtar Tileuberdi, reported that Halyk Bank reached an agreement on the buyout of the credit portfolio of Sberbank Kazakhstan.

COVID-19 Pandemic

In response to the outbreak of the COVID-19 pandemic, the Government encouraged Kazakhstan banks to introduce "repayment holidays" to citizens and SMEs affected by lockdowns for a period of 90 days from 16 March to 15 June 2020. According to the Agency, banks had deferred loan payments for 41.5% of SMEs and 34% of individual borrowers as of June 2020. This measure was reintroduced for SMEs for an additional 60 days from 3 August 2020 to 1 October 2020. Credit repayment holidays were accompanied by regulatory relaxations for Kazakhstan banks introduced for a six-month period to 1 October 2020. The Agency introduced a number of regulatory measures to the increase the liquidity of and reduce the pressure on the capital of banks. The Agency relaxed certain capital, liquidity, loan classification, and provisioning requirements. The Agency reported that these measures released more than 10% of regulatory capital, more than 16% of liquid assets, and helped banks re-focus their lending into the economy. In September 2020, the Agency extended the majority of these measures until July 2021. The Agency then extended certain prudential measures (*e.g.*, a lower risk weighting for loans and guarantees issued to SMEs and for syndicated loans, the discouraging of the making of additional provisions for loans granted a deferral of payments due to the introduction of restrictive lockdown measures, *etc*.) until the end of 2021 to provide additional support to businesses.

The IMF reported that during the COVID-19 pandemic, banks' profitability, liquidity and capitalisation have remained strong. The Agency reported an increase in the net income of the Kazakhstan banking sector from KZT 150.3 billion as at 1 March 2020 to KZT 194.3 billion as at 1 March 2021. In 2022, the Agency reported a further increase in the net income of the Kazakhstan banking sector to KZT 242 billion. According to the Agency, the liquid assets of Kazakhstan banks accounted for 39.3% of total assets as at 1 March 2021, as compared to 34.9% as at 1 March 2020. As at 1 March 2022, the liquid assets of Kazakhstan banks declined to 29.3%, although the Agency noted that the portion of liquid assets is significant and does allow banks to fulfil their obligations. According to the Agency, NPLs have, in fact, decreased from 8.4% as at 1 March 2020 to 6.9% as at 1 March 2021 and 3.5% as at 1 March 2022, reflecting the write-off of significant amounts of corporate sector NPLs.

In November 2020, Fitch revised its outlooks on the credit ratings assigned to Halyk Bank, Halyk Finance, Alfa Bank and ForteBank to stable from negative. The long-term issuer default ratings were affirmed by Fitch at BB+ for Halyk Bank and Halyk Finance, BB- for Alfa Bank, and B for ForteBank. Fitch also affirmed the ratings assigned to Subsidiary Bank Sberbank of Russia at BBB- with a stable outlook.

The revision of the outlooks and affirmation of ratings on Halyk Bank, Alfa Bank and ForteBank were due to Fitch's view that "the banks' strong pre-impairment profitability and substantial capital buffers will be sufficient to mitigate the ongoing pressure on their asset quality, stemming from the economic recession, lower oil prices, and negative implications from the spread of COVID-19 on the broader economy".

The Agency

The Agency is the state authority performing regulation, control and supervision of financial market and financial organisation in Kazakhstan. Although it is an independent institution, it is subordinate to the President of Kazakhstan. The President of Kazakhstan has the power, among other things, to appoint and remove the Chairman of the Agency, to appoint and remove the NBK's Deputy Chairman upon the proposal of the Chairman. Ms. Madyna Abylkassymova was appointed as Chairman of the Agency in December 2019. The principal governing body of the Agency is the Executive Board. The Executive Board consists of four members, including the Chairman.

The Agency is responsible for most of the supervisory and regulatory functions in the financial sector. These functions were performed by the FSMA from 2004 until April 2011, and, prior to 2004, and from April 2011 until 1 January 2020, by the FSMC, which is a sub-division of the NBK.

The Agency for Protection and Development of Competition of the Republic of Kazakhstan (the "**Competition Agency**") administers anti-monopoly legislation in Kazakhstan with respect to the banking sector. However, certain issues of anti-monopoly regulation are under the jurisdiction of both the Competition Agency and the Agency. For example, economic concentrations involving a value exceeding certain thresholds require the prior consent of the Competition Agency. Such thresholds for the purposes of regulated financial organisations are established jointly by the Competition Agency and the Agency.

Banking Supervision

Capital Adequacy

The regulator refined its capital adequacy and credit exposure standards in September 2005, when it set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions.

In November 2005, the regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represented a substantial step towards the implementation of the Basel Accord. In particular, these regulations introduced the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks and included rules for calculating risk with respect to derivatives.

The regulator plans to implement Basel III, which was adopted in December 2010. The implementation of Basel III has been postponed on several occasions in line with the extended implementation of the Third Basel Accord. On 13 September 2017, the NBK adopted Resolution № 170 setting forth amended and restated prudential requirements, which became effective on 25 September 2017. In line with Basel III, Resolution № 170 sets forth different requirements for banks that fall within the definition of systematically-important banks and those bank which do not have such status and introduced two additional capital buffers: a "capital conservation buffer" and a "systematic buffer". Systematically-important banks are required to maintain k1 of 9.5%, k1-2 of 10.5% and k2 of 12% taking into account the "capital conservation buffer" and "systematic buffer". Those banks which are not considered systematically-important are required to maintain k1 of 7.5%, k1-2 of 8.5% and k2 of 10% taking into account the "capital conservation buffer" and "systematic buffer".

Currently the regulator continues implementing Basel III standards. The net stable funding ratio was set at 100% on 1 January 2019. In March 2020, the regulator reported its plans to implement the second component of the Basel III standard, which implies the establishment of capital adequacy requirements taking into account a bank's individual risk profile, risk management and internal control systems.

Risk –Focused Supervision

In 2018 and 2019, the then-regulator, the NBK, continued strengthening the financial system of Kazakhstan. On 1 January 2019, the regulator introduced risk-focused supervision of the banking sector. During the risk-focused supervisory process, the regulator reviews and analyses the activities of a financial institution and considers whether such activities are compliant with statutory requirements, as well as analyses the business model of the financial institution. The regulator further assesses corporate governance, capital adequacy and levels of liquidity of financial institutions. Risk-focused supervision also includes the concept of reasoned judgment. The regulator is now authorised, among other things, to identify, based on its reasoned judgment: (i) top managers of banks of other persons that have "special relations" with such banks; and (ii) loans and other financing that was provided by a bank on favourable terms. The regulator is further authorised, based on its reasoned judgment, to: (x) assess sufficiency of reserves; (y) identify and assess risks that a bank is exposed to; and (z) identify violations of statutory requirements committed by a bank.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme was established and, as at 1 March 2022, 20 banks were covered by the scheme. The insurance coverage is presently limited to personal deposits in any currency and current accounts up to a maximum amount per customer of KZT 20 million for Tenge-denominated saving deposits, KZT 10 million for Tenge-denominated deposits (other than saving) and KZT 5 million for deposits denominated in foreign currencies. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

Commercial Banks

According to data published by the Agency, as at 1 March 2022, there were 22 commercial banks in Kazakhstan, excluding DBK and the NBK. Since 1 July 2011, the minimum capital requirements are KZT 10 billion for banks, including newly established banks, and KZT 4 billion for residential construction savings banks.

As at 1 March 2022, the total capital of commercial banks was KZT 4,664 billion, as compared to KZT 4,078 billion, KZT 4,633 billion and KZT 3,761.8 billion as at March 2021, March 2020 and 1 March 2019, respectively. During such period, the total assets (including reserves) of such banks increased to KZT 38,200 billion as at 1 March 2022 from KZT 31,995.4 billion as at 1 March 2021, which, in turn, increased from KZT 26,730.5 billion as at 1 March 2020. Aggregate liabilities were approximately KZT 33,536 billion as at 1 March 2022, as compared to KZT 27,917 billion and KZT 22,941.7 billion as at 1 March 2021 and 1 March 2020, respectively. The aggregate net income of commercial banks amounted to KZT 242 billion as at 1 March 2022, as compared to KZT 194.3 billion and KZT 150.4 billion as at 1 March 2021 and 1 March 2020, respectively.

In 2015, the NBK introduced a so-called "base rate" of the NBK which constitutes the main tool of monetary policy of the NBK, and is used to regulate nominal interbank interest rates. By determining the level of the base rate, the NBK determines the target rate of the interbank short-term loans interest rate to ensure price stability in the medium term. The NBK raised the base rate by 50 bps to 10.25% on 24 January 2022. On 24 February 2022, the NBK further raised the base rate by 325 bps to 13.50%. On 9 March 2022, the base rate was re-confirmed at 13.50%.

Foreign Capital in the Banking Sector

The liberalisation of the economy in Kazakhstan prior to the global financial crisis, which began in 2008, resulted in a number of foreign companies, including banks, establishing operations in Kazakhstan through direct investment or by participating in the banking and financial services sector. Foreign banks are prohibited from opening branches in Kazakhstan. Accordingly, foreign banks must establish a Kazakhstan subsidiary or joint venture in order to provide banking services in Kazakhstan.

A number of foreign banks have opened representative offices in Kazakhstan, including Bank of Tokyo-Mitsubishi UFJ Ltd, Commerzbank AG, Deutsche Bank AG, ING Bank N.V., JP Morgan Chase Bank, N.A., Landesbank Berlin AG, Société Générale, Standard Chartered Bank and UBS AG.

However, the slowdown in Kazakhstan's economy in recent years has resulted in the withdrawal of a number of foreign investors from the Kazakhstan banking sector, including ABN Amro, Royal Bank of Scotland, HSBC and Uni Credit.

In December 2020, Kazakhstan law was amended to widen access to the local financial market for foreign banks. Foreign banks are now able to provide a full range of banking services in Kazakhstan through their Kazakhstan branch offices by submitting simplified applications. Previously, foreign banks were required to set up a local entity (*i.e.*, a Kazakhstan joint stock company) and obtain a regular local banking license to operate in Kazakhstan.

The scope of the license to be issued by the Agency to a branch office of a foreign bank under the simplified applications must correspond to the scope of the license that the foreign bank holds in its home jurisdictions. Branch offices of foreign banks are subject to Kazakhstan regulatory requirements including, *inter alia*, the relevant local capital requirements and other requirements related to risk management, internal controls system and corporate governance.

The Regulator's Powers under the DBK Law

Under the DBK Law, the regulator may apply a number of compulsory restrictive measures to DBK if it finds DBK to be in breach of Kazakhstan laws relating to its operations, accounting practices and financial reporting requirements (including in respect of the application of IFRS). In this respect, Article 28 of the DBK Law allows the regulator:

- to give recommendations to DBK;
- to apply compulsory measures to improve its financial condition or minimize risks to DBK; and
- to apply compulsory supervisory measures to DBK.

TERMS AND CONDITIONS OF SERIES 12 NOTES

The terms and conditions of the Notes shall comprise the "*Terms and Conditions of the Notes*" (the "**Conditions**") set out on pages 113 to 135 (inclusive) herein, as modified and completed by the issue terms of the Notes set out in the "*Issue Terms of Series 12 Notes*" section of this Drawdown Information Memorandum (the "**Issue Terms of Series 12 Notes**" and, together with the Conditions, the "**Series 12 Terms and Conditions**").

All references in this Drawdown Information Memorandum to "**Conditions**" or to a numbered "**Condition**" shall be to the Conditions or the relevant numbered Condition, respectively, as modified and completed by the Series 12 Terms and Conditions. References in the Conditions in this Drawdown Information Memorandum to "**Final Terms**" shall be to the Issue Terms of Series 12 Notes.

ISSUE TERMS OF SERIES 12 NOTES

PART A — CONTRACTUAL TERMS	
1. Issuer:	JSC Development Bank of Kazakhstan
2. Series Number:	12
3. Specified Currency or Currencies:	U.S. Dollars (“**U.S.$**”)
4. Aggregate Nominal Amount of Notes:	U.S.$500,000,000
5. Issue Price:	99.458% of the Aggregate Nominal Amount
6. (i) Specified Denomination(s):	U.S.$200,000 and integral multiples of U.S.$1,000, in excess thereof
(ii) Calculation Amount:	U.S.$1,000
7. (i) Issue Date:	12 May 2022
(ii) Interest Commencement Date:	12 May 2022
8. Maturity Date:	12 May 2025
9. Interest Basis:	5.75% Fixed Rate (further particulars specified below at paragraph 14)
10. Redemption/Payment Basis:	Redemption at par
11. Put/Call Options:	Not Applicable
12. Status of the Notes:	Senior
13. Date of Board approval for issuance of Notes obtained:	31 March 2022 and 15 April 2022
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE	
14. Fixed Rate Note Provisions:	Applicable
(i) Rate of Interest:	5.75% *per annum* payable semi-annually in arrear
(ii) Interest Payment Date(s):	12 May and 12 November in each year commencing on 12 November 2022
(iii) Fixed Coupon Amount:	U.S.$28.75 per Calculation Amount
(iv) Broken Amount(s):	Not Applicable
(v) Day Count Fraction:	30/360
(vi) Determination Date(s):	Not Applicable
15. Floating Rate Note Provisions:	Not Applicable
16. Zero Coupon Note Provisions:	Not Applicable
PROVISIONS RELATING TO REDEMPTION	
17. Call Option:	Not Applicable (except as specified in Condition 10.2)
18. Put Options:	Not Applicable (except as specified in Condition 10.6)

19. Final Redemption Amount of each Note:	U.S.$1,000 per Calculation Amount
20. Early Redemption Amount:	
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	U.S.$1,000 per Calculation Amount
GENERAL PROVISIONS APPLICABLE TO THE NOTES	
21. Form of the Notes:	Registered Global Notes exchangeable for Definitive Notes in the limited circumstances specified in the relevant Global Note.
22. Principal Financial Centre(s):	Not Applicable

PART B — OTHER INFORMATION	
1. LISTING	
(i) Admission to trading:	Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to (i) the Vienna MTF of the Vienna Stock Exchange and (ii) to the "Bonds" category of the "Debt Securities" sector of the "Main" platform of the Kazakhstan Stock Exchange with effect from 12 May 2022.
(ii) Estimate of total expenses related to admission to trading:	Approximately €2,000 for admission to trading on the Vienna MTF of the Vienna Stock Exchange and approximately KZT 9.5 million for admission to trading on the "Bonds" category of the "Debt securities" sector of the "Main" platform of the Kazakhstan Stock Exchange.
2. RATINGS	
Ratings:	The Notes to be issued have been rated: Moody's: Baa2 Fitch: BBB Moody's defines obligations with a rating of Baa as "medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics". The numerical modifier of 2 indicates a ranking in the lower end of that generic rating category. Fitch defines obligations with a rating of BBB as those with "good credit quality" which indicate that "expectations of credit risk are currently low". Each of Moody's and Fitch is established in the United Kingdom and is registered under the UK CRA Regulation.
3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFER *Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.*	
4. YIELD	
Indication of yield:	5.95% The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
5. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS	
Reasons for the offer:	See "*General Information*".
Estimated net proceeds:	U.S.$495,000,000
6. OPERATIONAL INFORMATION	
ISIN Code (Regulation S Notes): ISIN Code (Rule 144A Notes):	XS2472852610 US48129VAA44
Common Code (Regulation S Notes): Common Code (Rule 144A Notes):	247285261 247663517

CFI (Regulation S Notes): CFI (Rule 144A Notes):	DTFXFR DBXUGR
FISN (Regulation S Notes): FISN (Rule 144A Notes):	JSC DEV.BK.KAZ/5.75 MTN 20250512 JSC DEV BK OF K/NT 2025 S 12 UNSEC
CUSIP (Rule 144A Notes):	48129VAA4
Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking SA or DTC and the relevant identification number(s):	Not Applicable
Names and addresses of additional Paying Agent(s) (if any):	Not Applicable
Managers:	Citigroup Global Markets Limited, JSC Halyk Finance, J.P. Morgan Securities plc and MUFG Securities EMEA plc
Stabilisation Manager:	J.P. Morgan Securities plc
Development Finance Structuring Agent:	J.P. Morgan Securities plc

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, save for the wording in italics, as supplemented, amended or replaced by the relevant Final Terms, will be endorsed on each Definitive Note and attached to or incorporated by reference into each Global Note. The relevant Final Terms (or relevant provisions thereof) will be endorsed upon or attached to each Global Note and Definitive Note. The Terms and Conditions of the Notes applicable to Global Notes will differ from those which would apply to a Definitive Note to the extent described under "Form of Notes".

Notwithstanding that the Conditions allow for the issue of Notes linked to LIBOR, DBK does not intend to issue any such Notes under the Programme.

1. INTRODUCTION

JSC Development Bank of Kazakhstan (the "**Issuer**") has established a Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$3,000,000,000 in aggregate principal amount of notes (the "**Notes**") outstanding. The Notes are constituted by an amended and restated trust deed (as amended or supplemented or restated from time to time, the "**Trust Deed**") dated 13 November 2012 between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). The Notes are the subject of an amended and restated agency agreement dated 13 November 2012 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Trustee, Deutsche Bank AG, London Branch as Principal Paying and Transfer Agent (the "**Principal Paying and Transfer Agent**", which expression includes any successor Principal Paying and Transfer Agent appointed from time to time in connection with the Notes), Deutsche Bank Trust Company Americas as U.S. Paying and Transfer Agent and U.S. Registrar (the "**U.S. Registrar**") and Deutsche Bank Luxembourg S.A. as Luxembourg Registrar (the "**Luxembourg Registrar**").

Notes issued under the Programme are issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each, a "**Tranche**") of Notes. Each Tranche is the subject of Final Terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended or replaced by Part A of the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Principal Paying and Transfer Agent, the initial Specified Office of which is set out below.

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Trustee and the Paying Agents, the initial Specified Offices of which are set out below.

2. INTERPRETATION

2.1. In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Business Day**" means:

(a) in the case of Euros, a TARGET Settlement Day;

(b) in the case of a Specified Currency other than Euros, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency; or

(c) in the case of a Specified Currency or one or more Business Centre(s) specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres so specified;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of Months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Principal Paying and Transfer Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and such other amount(s) as may be specified in the relevant Final Terms;

"**Clearstream, Luxembourg**" means Clearstream Banking *société anonyme*;

"**Day Count Fraction**" means (subject as provided in Condition 7), in respect of the calculation of an amount of interest for any Interest Period:

(a) if "Actual/365" or "Actual/Actual (ISDA)" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non leap year divided by 365);

(b) if "Actual/365" (Fixed) is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365;

(c) if "Actual/360" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 360;

(d) if "30/360", "360/360" or "Bond Basis" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30 day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)); and

(e) if "30E/360" or "Eurobond Basis" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month);

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"**Euroclear**" means Euroclear Bank SA/NV;

"**Euro Exchange Date**" means the date on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Trustee and the Noteholders that replacement Notes denominated in Euros are available for exchange;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Indebtedness**" means any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

"**Indebtedness for Borrowed Money**" means, any Indebtedness of any Person for or in respect of (i) moneys borrowed, (ii) amounts raised by acceptance under any acceptance credit facility, (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (iv) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases, (v) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service and (vi) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing;

"**Indebtedness Guarantee**" means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (i) any obligation to purchase such Indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness and (iv) any other agreement to be responsible for repayment of such Indebtedness;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2000 ISDA Definitions (as supplemented by the Annex to the 2000 ISDA Definitions and as further amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms)) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Margin**" has the meaning given in the relevant Final Terms;

"**Material Subsidiary**" means, at any given time, any Subsidiary of the Issuer whose gross assets or gross revenues represent at least 5.0%, of the consolidated gross assets, or, as the case may be, consolidated gross revenues of the Issuer and its consolidated Subsidiaries (in each case, determined by reference to the Issuer's most recent consolidated financial statements prepared in accordance with International Financial Reporting Standards ("**IFRS**") as published at the time by the International Accounting Standards Board or its successor) or any other Subsidiary to which is transferred either (a) all or substantially all of the assets of another Subsidiary which immediately prior to the transfer was a Material Subsidiary or (b) sufficient assets of the Issuer that such Subsidiary would have been a Material Subsidiary had the transfer occurred on or before either (i) the date of the said most recent audited financial statements of the Issuer or (ii) if management accounts or other unaudited financial statements of the Issuer prepared in accordance with IFRS are available for any period subsequent to the said most recent audited financial statements, such accounts or financial statements and, for these purposes:

(a) the gross assets and gross revenues of a Subsidiary shall be determined by reference to its then most recent audited financial statements prepared in accordance with IFRS (or, if none, its then most recent management accounts or other financial statements prepared in accordance with IFRS); and

(b) the consolidated gross assets and consolidated gross revenues of the Issuer and its consolidated Subsidiaries shall be determined by reference to its then most recent audited consolidated financial statements prepared in accordance with IFRS (or, if none, its then most recent consolidated management accounts or other unaudited consolidated financial statements prepared in accordance with IFRS);

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms or, following the occurrence of a Put Event, the sixtieth day after notice thereof is given by the Issuer pursuant to Condition 10.6;

"**Participating Member State**" means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

(a) if the currency of payment is Euros, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not Euros, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre and which, if the currency of payment is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively;

"**Permitted Security Interest**" means any Security Interest:

(a) granted in favour of the Issuer by any Subsidiary to secure Indebtedness for Borrowed Money owed by such entity to the Issuer;

(b) which arises pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

(c) being liens or rights of set off arising by operation of law and in the ordinary course of business, including, without limitation, any rights of set off with respect to demand or time deposits maintained with financial institutions and bankers' liens with respect to property of the Issuer held by financial institutions;

(d) arising in the ordinary course of the Issuer's or a Subsidiary's business and (i) which are necessary in order to enable the Issuer or such Subsidiary to comply with any mandatory or customary requirement imposed on it by a banking or other regulatory authority in connection with the Issuer's or such Subsidiary's business or (ii) limited to deposits made in the name of the Issuer or such Subsidiary to secure obligations of the Issuer's or such Subsidiary's customers;

(e) on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease;

(f) arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Issuer or any Subsidiary), in connection with (i) contracts entered into substantially simultaneously for sales and purchases at market prices of securities, (ii) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities or precious metals or (iii) the Issuer's foreign exchange dealings or other proprietary trading activities including, without limitation in the case of (i), (ii) and (iii), Repos;

(g) granted upon or with regard to any property hereafter acquired by the Issuer or any Subsidiary to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

(h) any netting or set-off arrangement entered into by the Issuer in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(i) on the property, income or assets of the Issuer or any Subsidiary securing Indebtedness, provided that the aggregate amount of Indebtedness so secured pursuant to this clause (i) at any one time shall not exceed an amount in any currency or currencies equivalent to 15% of the Issuer's total assets, determined by reference to the Issuer's most recent audited consolidated IFRS financial statements; and

(j) arising out of the refinancing, extension, renewal or refunding of any Indebtedness for Borrowed Money secured by a Security Interest either existing on or before the Issue Date of the Notes or permitted by any of the above exceptions, provided that the Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness for Borrowed Money and such Security Interest is not extended to cover any property not previously subject to such Security Interest;

"**Permitted Shareholder**" has the meaning given in Condition 10.6;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(a) in relation to Euros, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Put Event**" has the meaning given in Condition 10.6;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage *per annum*) of interest payable in respect of the Notes specified in relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and the relevant Final Terms;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Reference Rate**" means one of the following benchmark rates (as specified in the relevant Final Terms);

(a) LIBOR; or

(b) EURIBOR;

"**Registrar**" means the U.S. Registrar or the Luxembourg Registrar, as the case may be;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying and Transfer Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, the Reuters Markets 3000 Money Rates Service and Telerate) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for purposes of this definition, the term "securities" means any capital stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any private or public company, any government or agency or instrumentality thereof or any supernational, international or multilateral organisation;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person;

"**Specified Currency**" has the meaning given in the relevant Final Terms; "**Specified Denomination(s)**" has the meaning given in the relevant Final Terms; "**Specified Interest Payment Date**" has the meaning given in the relevant Final Terms; "**Specified Office**" has the meaning given in the Trust Deed; "**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at a given time, any other Person (the "**second Person**") (i) whose affairs and policies the first Person directly or indirectly controls or (ii) as to whom the first Person owns directly or indirectly more than 50.0%, of the capital, voting stock or other right of ownership and

"**Control**," as used in this definition, means the power by the first Person to direct the management and the policies of the second Person, whether through the ownership of share capital, by contract or otherwise;

"**TARGET System**" means the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) System 2 or any successor thereto;

"**TARGET Settlement Day**" means any day on which the TARGET System is open; and

"**Treaty**" means the Treaty establishing the European Communities, as amended; and "**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

2.2. Terms defined in the Trust Deed or the Agency Agreement shall, unless otherwise defined herein or the context requires otherwise, bear the same meanings herein.

2.3. In these Conditions:

(a) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 9, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(b) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 9 and any other amount in the nature of interest payable pursuant to these Conditions;

(c) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed; and

(d) if an expression is stated in Condition 2.1 to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes.

3. FORM, DENOMINATION AND TITLE

The Notes are issued in registered form in the Specified Denomination(s) shown in the relevant Final Terms or integral multiples thereof, without interest coupons, provided that:

(a) the Specified Denomination(s) shall not be less than € 100,000 or its equivalent in another currency,

(b) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.$200,000 or its equivalent in other currencies.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholde**r" means the person in whose name a Note is registered, "**holder**" shall be read accordingly and capitalised terms have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

4. TRANSFERS OF NOTES

4.1. One or more Notes may be transferred, in whole or in part in the authorised denominations set out in the applicable Final Terms and subject to the minimum transfer amounts specified therein, upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Note or Notes, together with the form of transfer endorsed on such Note or Notes (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the Transfer Agent may reasonably require, including for the purposes of establishing title to the relevant Note, and the identity of the person making the request. In the case of a transfer of part only of a holding of a Note, a new Note shall be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

4.2. In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Notes, a new Note shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Notes shall be issued in respect of those Notes of that holding that have the same terms. New Notes shall only be issued against surrender of the existing Notes to the Registrar or any Transfer Agent. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Note representing the enlarged holding shall only be issued against surrender of the Note representing the existing holding.

4.3. Each new Note to be issued pursuant to Conditions 4.1 or 4.2 shall be available for delivery within five business days of receipt of the form of transfer or Put Option Notice and surrender of the Note for exchange. Delivery of the new Note(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Put Option Notice or Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Option Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and such insurance as it may specify. In this Condition 4.3, "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

4.4. Transfer of Notes on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and security as the Registrar or the relevant Transfer Agent may require).

4.5. No Noteholder may require the transfer of a Note to be registered:

(a) during the period of 15 days ending on the due date for redemption of, or payment of interest amount in respect of, that Note;

(b) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 10.3; or

(c) after any such Note has been called for redemption, including partial redemption.

4.6. As specified in the Agency Agreement, if, at any time, the Issuer determines that any beneficial owner of Notes, or any account for which such owner purchased Notes, who is required to be a QIB and a QP is not a QIB and a QP, the Issuer may (i) require such beneficial owner to sell its Notes, or may sell such Notes on behalf of such beneficial owner, to a non U.S. person who purchases in an offshore transaction pursuant to Regulation S or to a person who is a QIB who is also a QP and who is otherwise qualified to purchase such Notes in a transaction exempt from registration under the Securities Act or (ii) require the beneficial owner to sell such Notes, or may sell such Notes on behalf of such beneficial owner at a price equal to the lesser of the purchase price paid by the beneficial owner for such Notes, 100% of the principal amount thereof and (z) the fair market value thereof. The Issuer also has the right to refuse to honour a transfer of an interest in a Note to a U.S. person who is not a QIB and a QP.

5. STATUS

The Notes constitute direct, general and unconditional obligations of the Issuer, which will at all times rank *pari passu* among themselves and *pari passu* in right of payment with all other present and future unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

6. **NEGATIVE PLEDGE AND COVENANTS**

6.1. So long as any Note remains outstanding the Issuer shall not, and shall not permit any Material Subsidiary to create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of such Indebtedness for Borrowed Money unless, at the same time or prior thereto, the Issuer's obligations under the Trust Deed and the Notes are secured equally and rateably therewith (to the satisfaction of the Trustee) or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders or as the Trustee in its discretion shall deem to be not materially less beneficial to the Noteholders.

6.2. So long as any Note remains outstanding, the Issuer shall ensure that it is fully in compliance with the Law on Development Bank of Kazakhstan of 25 April 2001, as amended (the "**DBK Law**"), and the Memorandum on Credit Policy of the Issuer referred to in the DBK Law, as amended from time-to-time, (the "**Credit Policy Memorandum**").

6.3. So long as any Note remains outstanding, the Issuer shall, and shall ensure that each of its Subsidiaries shall, at all times comply with all regulations and requirements of the National Bank of Kazakhstan and applicable to it in any jurisdiction where the Issuer or the relevant Subsidiary does business, including any prudential ratios and any regulations and requirements in relation to its equity capital or capital adequacy.

6.4. So long as any Note remains outstanding, the Issuer shall:

(a) send to the Trustee and to the Principal Paying and Transfer Agent one copy of:

(i) the consolidated annual financial statements of the Issuer as soon as practicable after their date of publication and in any event not more than 120 days after the end of each financial year of the Issuer;

(ii) the consolidated interim condensed financial statements of the Issuer as soon as practicable after their date of publication and in any event not more than 90 days after the end of the first half of each financial year of the Issuer; and

(iii) every balance sheet, profit and loss account, report or other notice, statement or circular issued (or which under any legal or contractual obligation should be issued) to the members or holders of debentures or creditors (or any of them as a class) of the Issuer, as the case may be, in their capacity as such at the time of the actual (or legally or contractually required) issue or publication thereof,

and procure that the same are made available for inspection by Noteholders at the specified offices of the Principal Paying and Transfer Agent as soon as practicable thereafter;

(b) ensure that:

(i) each set of annual financial statements delivered by it pursuant to Condition 6.4(a)(i) is accompanied by an audit report of the Auditors;

(ii) each set of half yearly interim financial statements delivered by it pursuant to Condition 6.4(a)(ii) is accompanied by a review report of the Auditors;

(iii) each set of financial statements delivered pursuant to Condition 6.4(a)(i) or (ii) is prepared in accordance with IFRS, consistently applied, and certified for and on behalf of the Issuer as presenting fairly, in all material respects, its financial condition as at the end of the period to which those financial statements relate and its results of operations for such period; and

(iv) all information sent to the Trustee and to the Principal Paying and Transfer Agent and made available on the Issuer's website pursuant to Condition 6.4 is in the English language or accompanied by a certified translation thereof;

(c) send to the Trustee, together with each set of audited financial statements delivered by it pursuant to Condition 6.4(a)(i), a separate opinion satisfactory to the Trustee from the Auditors as to the adequacy of the Issuer's financial procedures, accounting systems and management information and cost control systems; and

(d) promptly upon sending any information to the Trustee and to the Principal Paying and Transfer Agent pursuant to Condition 6.4(a), and in any event within five Business Days of sending such information, make such information available on the Issuer's website.

6.5. So long as any Notes are outstanding and are "**restricted securities**" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish upon the request of a Noteholder or a beneficial owner of an interest therein to such Noteholder or the beneficial owner or to a prospective purchaser of Notes designated by such Noteholder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A under the Securities Act, if at the time of such request the Issuer is not a reporting company under Section 13 or Section 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

7. FIXED RATE NOTE PROVISIONS

7.1. This Condition 7 is applicable to the Notes only if the relevant Final Terms specifies the Fixed Rate Note Provisions as being applicable.

7.2. The Notes bear interest on the outstanding principal amount from the Interest Commencement Date at the rate(s) *per annum* equal to Rate(s) of Interest payable in arrear on each Interest Payment Date in each year and on the Maturity Date if that does not fall on Interest Payment Date, subject as provided in Condition 11. Unless otherwise specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount(s) so specified.

7.3. If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest subunit of the Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. In these Conditions "**sub unit**" means, with respect of any currency other than the Euro, the lowest amount of such currency that is available as legal tender in the country of such currency, and with respect to Euros means one cent.

7.4. For the purposes of these Conditions, "**Day Count Fraction**" means:

(a) if "Actual/Actual (ICMA)" is specified in the relevant Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; or

For the purposes of Condition 7.4(a), "Determination Period" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the relevant Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30 day months) divided by 360.

8. FLOATING RATE NOTE PROVISIONS

8.1. This Condition 8 is applicable to the Notes only if the relevant Final Terms specifies the Floating Rate Note Provisions.

8.2. The Notes bear interest on the outstanding principal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(a) the Specified Interest Payment Date(s) (each, an "Interest Payment Date") in each year specified in the relevant Final Terms; or

(b) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "Interest Payment Date") which falls in the number of months or other period specified as the Specified Period in the relevant Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall in these Conditions, mean the period from (and including) an Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

8.3. The Rate of Interest payable from time to time in respect of the Notes shall be determined in the manner specified in the relevant Final Terms.

(a) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be either:

(i) the offered quotation; or

(ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate *per annum*) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 am (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(b) Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

8.4. If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

8.5. The Calculation Agent will, as soon as reasonably practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, determine the Rate of Interest for the relevant Interest Period and calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.

8.6. If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as reasonably practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

8.7. The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and quotation system (if any) by which the Notes have than been admitted to listing, trading and quotation as soon as reasonably practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 19. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

8.8. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non exercise by it of its powers, duties and discretions for such purposes.

9. ZERO COUPON NOTE PROVISIONS

9.1. This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

9.2. If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(a) the Reference Price; and

(b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying and Transfer Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **REDEMPTION AND PURCHASE**

10.1. Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11.

10.2. The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if neither the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable); or

(b) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 19 (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(i) the Issuer satisfies the Trustee immediately before the giving of notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 12 as a result of any change in, or amendment to, the laws or regulations of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than:

(A) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

(B) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 10.2.

10.3. If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

10.4. If the Notes are to be redeemed in part only on any date in accordance with Condition 10.3, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying and Transfer Agent in its sole discretion approves and in such manner as the Trustee in its sole discretion considers appropriate, subject to compliance with the requirements, as certified to the Trustee and Principal Paying and Transfer Agent by the Issuer, of applicable law and the rules of each listing authority, stock exchange and quotation system (if any) on which the Notes have then been admitted to listing, trading and quotation, and the notice to Noteholders referred to in Condition 10.3 on which the Notes are then listed, and the notice to Noteholders referred to in Condition 10.3 shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified. Neither the Trustee nor the Principal Paying Agent shall be liable for any selection made by it under this Condition 10.4.

10.5. If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10.5, the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10.5, may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10.5, the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

10.6. Whether or not the Put Option is specified under Condition 10.5, the Issuer shall, at the option of the holder of any Note, exercisable as set out in Condition 10.5, redeem such Note on the applicable Optional Redemption Date (Put) at 101% of its principal amount together with interest (if any) accrued to but excluding such date, if:

(a) the Republic of Kazakhstan or its regional authorities cease to own, whether directly or indirectly, through JSC Sovereign Wealth Fund "Samruk-Kazyna" or another entity wholly owned by the Republic of Kazakhstan or its regional authorities (each, a "**Permitted Shareholder**"), 100.0% of the paid up share capital of the Issuer; or

(b) the Issuer ceases to be a "financial agency" as defined in Kazakhstan's Law "On Securities Market" or loses its status as a "financial agency" by virtue of the resolution of the Management Board of the National Bank of Kazakhstan "On Prudential Requirements for the Financial Agency and the Procedure for the Loss of the Status of the Financial Agency",

(each of the foregoing a "**Put Event**");

provided, however, that if any of the foregoing events results from any Permitted Shareholder selling, transferring or otherwise disposing of part of its shareholding to one or more supranational entities established by treaty, each having a credit rating assigned by at least one statistical rating organisation generally recognised by banks, securities houses and investors in the European financial markets of AAA or its equivalent (at the time of such sale, transfer or disposal), such event shall not constitute a Put Event under this Condition 10.6.

Notwithstanding any other provision of this Condition 10.6 to the contrary, if at any time the Republic of Kazakhstan ceases, whether directly or indirectly through a Permitted Shareholder owned by it, to own 51.0% or more of the paid up share capital of the Issuer, such circumstance shall constitute a Put Event under this Condition 10.6. Upon the occurrence of a Put Event, the Issuer shall promptly give notice thereof to the Noteholders in accordance with Condition 19 with a copy to the Trustee.

10.7. The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10.1 to 10.6.

10.8. Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(a) the Reference Price; and

(b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10.8 or, if none is so specified, a Day Count Fraction of 30E/360.

10.9. The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

10.10. All Notes which are redeemed pursuant to Conditions 10.1 to 10.6 or purchased pursuant to Condition 10.9 by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold. All Notes so cancelled shall be forwarded to the Principal Paying and Transfer Agent.

11. PAYMENTS

11.1. Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Transfer Agent or of the Registrar by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is Euros, any other account to which Euros may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

11.2. Payments of interest shall, subject to Condition 11.4, be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

11.3. All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

11.4. If the due date for payment of any amount in respect of any Note is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

12. TAXATION

12.1. All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note presented for payment:

(a) by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with Kazakhstan other than the mere holding of such Note;

(b) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days;

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union.

12.2. If the Issuer becomes subject at any time to any taxing jurisdiction other than Kazakhstan, references in these Conditions to Kazakhstan shall be construed as references to Kazakhstan and such other jurisdiction. Notwithstanding anything to the contrary in this Condition 12, none of DBK, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction (i) imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), and the regulations promulgated thereunder ("**FATCA**"), the laws of Kazakhstan implementing FATCA, or any agreement between DBK and the United States or any authority thereof entered into for FATCA purposes, or (ii) imposed on or with respect to any "dividend equivalent" payment made pursuant to section 871 or 881 of the Code.

13. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured to its satisfaction) shall, give notice to the Issuer that the Notes are and they shall immediately become due and repayable at their principal amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs and is continuing:

13.1. the Issuer fails to pay any of the principal of any of the Notes when the same becomes due and payable either at maturity, by declaration or otherwise or the Issuer is in default with respect to the payment of interest or Additional Amounts on any of the Notes and such default in respect of interest or Additional Amounts continues for a period of seven days; or

13.2. the Issuer is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed (other than a default or breach elsewhere specifically dealt with in this Condition 13) and such default or breach is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer by the Trustee; or

13.3. (a) any Indebtedness for Borrowed Money of the Issuer or any Material Subsidiary (i) becomes (or becomes capable of being declared) due and payable prior to the due date for payment thereof or (ii) is not repaid at maturity as extended by the period of grace, if any, applicable thereto or (b) any Indebtedness Guarantee given by the Issuer or any Material Subsidiary in respect of Indebtedness for Borrowed Money of any other Person is not honoured when due and called, provided that the aggregate principal amount of such Indebtedness for Borrowed Money exceeds U.S.$20,000,000 (or its equivalent in other currencies (as determined by the Trustee)); or

13.4. (a) any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or any Material Subsidiary or all or (in the opinion of the Trustee) substantially all of their respective properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or (b) the Issuer or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or any Material Subsidiary, as the case may be, or in respect of its property or (in the opinion of the Trustee) substantially all thereof, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer or any Material Subsidiary commences proceedings with a view to the general adjustment of its Indebtedness and, in any case as is specified in this Condition 13.4 in relation to a Material Subsidiary, the event is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

13.5. the Issuer makes or threatens to make any substantial change in the principal nature of its business as presently conducted which is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

13.6. the Issuer fails to take any action as is required of it under the DBK Law, the Credit Policy Memorandum or any applicable regulations in Kazakhstan or otherwise to maintain in effect its corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders and such failure is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer; or

13.7. the Issuer fails to comply in any (in the opinion of the Trustee) material respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable it lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Trust Deed or the Agency Agreement or to ensure that those obligations are legally binding and enforceable or that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect; or

13.8. (a) the validity of the Notes, the Trust Deed or the Agency Agreement is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes, the Trust Deed or the Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (b) it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement or (c) all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement shall be or become unenforceable or invalid or (d) the DBK Law is repealed and, following the occurrence of any of the events specified in this Condition 13.8, the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders;

13.9. (a) all or any substantial part of the undertaking, assets and revenues of the Issuer or any Material Subsidiary is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (b) the Issuer or any Material Subsidiary is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues and, following the occurrence of any of the events specified in this Condition 13.9, the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or

13.10. the Republic of Kazakhstan takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an agreement or composition with or for the benefit of its creditors or a moratorium is declared in respect of the payment of any class of obligations of the Republic of Kazakhstan (such payment being due in a currency other than the lawful currency for the time being of the Republic of Kazakhstan).

14. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

15. **REPLACEMENT OF NOTES**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders (and, if the Notes are then admitted to listing, trading or quotation by any listing authority, stock exchange or quotation by any listing authority, stock exchange or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority stock exchange or quotation system), subject to all applicable laws and listing authority stock exchange or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

16. **AGENTS**

16.1. In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and, in certain circumstances, the Trustee. The Paying Agents do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

16.2. The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. the Issuer, with the prior written approval of the Trustee, reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor Principal Paying and Transfer Agent or Calculation Agent and additional or successor paying agents; provided, however, that:

(a) the Issuer shall at all times maintain a Principal Paying and Transfer Agent;

(b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;

(c) if and for so long as the Notes are admitted to listing, trading or quotation, by any listing authority, stock exchange or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange or quotation system; and

(d) the Issuer shall maintain a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. **MEETINGS OF NOTEHOLDERS; MODIFICATION; WAIVER AND ENFORCEMENT**

17.1. The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary

Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

17.2. The Trustee may agree, without the consent of the Noteholders, to (a) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, (b) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed and (c) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, provided that such modification, waiver or determination is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

17.3. At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes (whether by arbitration or by litigation), but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one fifth in principal amount of the Notes outstanding and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

17.4. The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances and to be paid its costs and expenses in priority to claims of the Noteholders. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

17.5. In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

18. FURTHER ISSUES AND CONSOLIDATION

18.1. The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of Notes of other series in certain circumstances where the Trustee so decides.

18.2. The Issuer may, with the prior approval of the Trustee and the Principal Paying and Transfer Agent (which shall not be unreasonably withheld), from time to time on any Interest Payment Date occurring on or after the Redenomination Date (as defined in Condition 22) on giving not less than 30 days' prior notice to the Noteholders in accordance with Condition 19, without the consent of the Noteholders, consolidate the Notes of one Series with the Notes of one or more other Series issued by it, whether or not originally issued in one of the European national currencies or in Euros, provided such other Notes have been redenominated in Euros (if not originally denominated in Euros) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

19. NOTICES

Notices to the Noteholders shall be valid if published in a leading daily newspaper of general circulation in Europe and so long as the Notes are listed on any stock exchange, in a leading daily newspaper with general circulation in the city or cities where the stock exchange(s) on which the Notes are listed (which in the case of the London Stock Exchange, is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

20. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or any order, award or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying and Transfer Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, award judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. **ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005%, being rounded up to 0.00001%), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **REDENOMINATION**

22.1. This Condition 22 is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.

22.2. If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Trustee, the Noteholders and the Paying Agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

22.3. Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(a) the Notes shall be deemed to be redenominated into Euros in the denomination of Euros 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into Euros at the rate for conversion of such currency into Euros established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Trustee and the Principal Paying and Transfer Agent that the then market practice in respect of the re denomination into Euros 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange or quotation system (if any) by which the Notes have then been admitted to listing, trading or quotation and the Paying Agents of such deemed amendments;

(b) if Notes have been issued in definitive form:

(i) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 22) shall remain in full force and effect; and

(ii) new Notes denominated in Euros will be issued in exchange for Notes denominated in the Specified Currency in such manner as the Principal Paying and Transfer Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and

(c) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub division of the Euros, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euros by cheque drawn on, or by credit or transfer to a Euros account (or any other account to which Euros may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

22.4. Following redenomination of the Notes pursuant to this Condition 22, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes held by the relevant holder.

22.5. If the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

23. GOVERNING LAW, JURISDICTION AND ARBITRATION

23.1. The Trust Deed and the Notes, and any non-contractual obligations arising out of, or in connection with, the Trust Deed or the Notes, are governed by, and shall be construed in accordance with, English law.

23.2. Subject to Condition 23.3, the Issuer has agreed in the Trust Deed for the benefit of the Noteholders that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Trust Deed or the Notes (including a claim, dispute or difference regarding its existence, termination or validity or any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the rules of the LCIA (formerly the London Court of International Arbitration) (the "**Rules**") as at present in force and as modified by this Condition, which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, each of whom shall be a lawyer experienced in international finance transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly one arbitrator; and a third arbitrator, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators, provided that if the third arbitrator has not been nominated within the time limits specified by the Rules, such third arbitrator shall be appointed by the LCIA court. Any arbitrator, including the Chairman, may be of the same nationality as any of the parties to the Trust Deed. Any requirement in the Rules to take account of the nationality of a person considered for appointment as an arbitrator shall be disapplied and a person shall be nominated or appointed as an arbitrator (including as Chairman) without regard to her or his nationality. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

23.3. The Issuer has agreed in the Trust Deed that at any time before the Trustee has nominated an arbitrator to resolve any Dispute(s) pursuant to Condition 23.2, the Trustee, at its sole option, may elect by notice in writing to the Issuer that such Dispute(s) shall instead be heard by the courts of England or by any other court of competent jurisdiction, as more particularly described in Condition 23.4. Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s)

23.4. In the event that the Trustee serves a written notice of election in respect of any Dispute(s) pursuant to Condition 23.3, the Issuer has agreed in the Trust Deed for the benefit of the Trustee and the Noteholders that the courts of England shall have jurisdiction to hear and determine any such Dispute(s) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

23.5. The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Trustee to bring any suit, action or proceedings (the "**Proceedings**") for the determination of any Dispute(s) in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

23.6. For the purpose of Conditions 23.3, 23.4 and 23.5, the Issuer has irrevocably waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim that any such court is not a convenient or appropriate forum.

23.7. The Issuer has agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London

EC2V 7EX, England or, if different, its registered office for the time being or at any address of the Issuer or in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such Person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer or and delivered to the Issuer or to the Specified Office of the Principal Paying and Transfer Agent, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying and Transfer Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

23.8. The Issuer has consented generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

23.9. In relation to any Proceedings and to the enforcement of any judgment, order or award (whether or not given or made in those Proceedings), to the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from jurisdiction, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer has irrevocably consented to the enforcement of any judgment or award, agreed not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

24. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

SUMMARY OF THE PROVISIONS RELATING TO NOTES IN GLOBAL FORM

The Global Notes

The Notes will be evidenced on issue by, in the case of the Regulation S Notes, a Regulation S Global Note deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg and, in the case of the Rule 144A Notes, the Rule 144A Global Note deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of, DTC.

Beneficial interests in the Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "—*Book Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in the Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person and that, prior to the expiration of 40 days after completion of the distribution of the Notes as determined and certified to the Principal Paying and Transfer Agent by the relevant Joint Bookrunner (the "**distribution compliance period**"), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Transfer Restrictions*". Beneficial interests in the Rule 144A Global Note may only be held through DTC at any time. See "—*Book Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in the Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that if it is a U.S. person, it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest only in accordance with the procedures and restrictions contained in the Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement and, with respect to the Rule 144A Global Note, as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*".

Any beneficial interest in the Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note will, upon transfer, cease to be an interest in that Regulation S Global Note and become an interest in the Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note will, upon transfer, cease to be an interest in the Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "**Definitive Notes**"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes. The following is a summary of those provisions:

- *Payments*. Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by the Principal Paying and Transfer Agent and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to or to the order of the Principal Paying and Transfer Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

- *Record Date*. Condition 11.2, which defines "Record Date", shall be amended in relation to Global Notes to the effect that Record Date shall mean the close of business on the Payment Business Date immediately preceding the relevant Interest Payment Date.

- *Notices*. So long as any Notes are evidenced by a Global Note and such Global Note is held by, or on behalf of, a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes provided that for so long as the Notes are listed on the Market and the rules of the

Market so require, notices will also be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*).

- *Meetings*. The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of Notes for which the relevant Global Note may be exchangeable.

- *Trustee's Powers*. In considering the interests of Noteholders while the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of such Global Note.

- *Cancellation*. Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

- *Redemption at the Option of the Issuer*. Any Call Option provided for in the Terms and Conditions of the Notes shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.

- *Redemption at the Option of Noteholders*. Any Put Option provided for in the Terms and Conditions of the Notes may be exercised by the holder of the Global Note (i) giving notice to the Issuer within the time limits relating to the deposit of Notes set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, the Registrar or any Transfer Agent (except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised) stating the nominal amount of Notes in respect of which the option is exercised and (ii) at the same time depositing the Global Note with the Registrar or any Transfer Agent at its specified office.

Exchange for Definitive Notes

Exchange

Registration of title to Notes initially represented by the Rule 144A Global Note in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted unless such depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary and the Registrar has received a notice from the registered holder of the Rule 144A Global Note requesting an exchange of a specified amount of the Rule 144A Global Note for Definitive Notes.

Registration of title to Notes initially represented by the Regulation S Global Note in a name other than the nominee of a common depositary for Euroclear and Clearstream, Luxembourg will only be permitted if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or following the failure to pay principal in respect of any Note at maturity or upon acceleration of any Note and the Registrar has received a notice from the registered holder (*i.e.*, the nominee of the common depositary) of the Regulation S Global Note requesting an exchange of the Regulation S Global Note for Definitive Notes.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to, or to the order of, the Registrar or any Transfer Agent. In exchange for the relevant Global Note, as provided in the Paying Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (but against such indemnity and/or security as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and, in the case of the Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Definitive Notes issued in exchange for a beneficial interest in the Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of the Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of the Rule 144A Definitive Note bearing the legend referred to under "*Transfer Restrictions*" or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**") through organisations, which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Exchange for Definitive Notes*", DTC will surrender the Rule 144A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing Regulation S Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

DTC

The Rule 144A Global Note representing Rule 144A Notes will have a CUSIP number, unless otherwise agreed, and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within a clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to

Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and Clearstream, Luxembourg Participants

Secondary market sales of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading Between DTC Participants

Secondary market sales of book entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement system in same day funds, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading Between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York City time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading Between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Rule 144A Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

TAXATION

The following is a general description of certain material tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Drawdown Information Memorandum and is subject to any change in law that may take effect after such date.

Certain U.S. Federal Income Taxation Considerations

The following is a summary of certain United States federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes at the "issue price" (the first price at which a substantial amount of Notes is sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of United States federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the United States federal income tax laws (such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions, conversion transactions or other integrated transactions for United States federal income tax purposes, U.S. Holders that are required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. Dollar). Furthermore, this summary also does not address purchasers of Notes who will participate in the Tender Offer. Prospective purchasers who are holders of Notes who will participate in the Tender Offer should consult their own tax advisers regarding the U.S. federal income tax consequences to them of the acquisition of the Notes offered hereby and the sale of their Notes pursuant to the Tender Offer.

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes that is, for United States federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to United States federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for United States federal income tax purposes.

The United States federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the United States federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as at the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF UNITED STATES FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. INTERNAL REVENUE CODE. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

Interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Company on the Notes constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Sale, Retirement and Other Taxable Disposition of the Notes

A U.S. Holder will generally recognise gain or loss on the sale, retirement or other taxable disposition of a Note equal to the difference between the amount realised on the disposition and the U.S. Holder's adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note will generally be its U.S. Dollar cost increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by: (i) the amount of any payments that are not qualified stated interest payments; and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. The amount realised on a sale, exchange or retirement for an amount in foreign currency will be the U.S. Dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, within the meaning of the applicable U.S. Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Gain or loss recognised by a U.S. Holder on the sale, retirement or other taxable disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. The deductibility of capital losses is subject to limitations.

If a Kazakhstan tax is withheld on the sale, retirement or other taxable disposition of a Note, the amount realised by a U.S. Holder will include the gross amount of the proceeds of that sale or other disposition before deduction of the Kazakhstan tax withheld. Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for any Kazakhstan income taxes withheld by the Issuer. Gain or loss realised by a U.S. Holder on the sale, retirement or other taxable disposition of a Note generally will be United States source for U.S. foreign tax credit purposes. Therefore, in the case of a gain from the disposition of a Note that is subject to Kazakhstan tax, a U.S. Holder may have insufficient foreign source income to utilise foreign tax credits attributable to any withholding tax imposed on the sale or disposition. The rules relating to foreign tax credits or deducting foreign taxes are extremely complex. Prospective purchasers should consult their tax advisers as to the foreign tax credit or foreign tax deduction implications of the sale, retirement or other taxable disposition of Notes.

Backup Withholding and Information Reporting

Payments of principal and interest on, and the proceeds of sale or other disposition of Notes by a United States paying agent or other United States intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders (including corporations) are not subject to backup withholding.

Backup withholding is not an additional tax. Any backup withholding from a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS. U.S. Holders should consult their own tax advisers regarding any filing and reporting obligations they may have as a result of their acquisition, ownership or disposition of the Notes, including requirements related to the holding of certain foreign financial assets.

Kazakhstan Taxation

Payments of principal on the Notes are not subject to Kazakhstan taxation. Due to DBK's status as a Financial Agency, payments of interest on the Notes and gains realised on disposal, sale, exchange or transfer of the Notes are not subject to taxation in Kazakhstan.

There are no stamp duties or registration or other taxes payable in Kazakhstan in connection with the transfer of any Notes.

Certain ERISA Considerations

Subject to the following discussion, the Notes may be acquired by pension, profit-sharing or other employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended

(**"ERISA"**), individual retirement accounts, Keogh plans and other plans that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended and entities deemed to hold the assets of the foregoing (each a "**Benefit Plan**"). Section 406 of ERISA and Section 4975 of the Code, which are among the various provisions of ERISA and the Code applicable to Benefit Plans, prohibit a Benefit Plan from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of the Benefit Plan.

The acquisition or holding of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if DBK, the Trustee, the Joint Bookrunners, the Registrar or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Even if the conditions specified in one or more exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes and prospective purchasers that are Benefit Plans should consult with their own advisers regarding the applicability of any such exemption and the impact of ERISA, the Code and other applicable laws relating to the potential consequences of the acquisition and holding of Notes based on their specific circumstances.

This summary does not include a discussion of any laws that may apply to employee benefit plans that are not subject to ERISA or Section 4975 of the Code. Such plans (and entities in which they invest, as applicable) should consult their own professional advisors about any laws applicable thereto.

By acquiring a Note or any interest therein, each purchaser and transferee will be deemed to represent, warrant and covenant that either (i) it is not, and is not acquiring the Note or any interest therein with the assets of (and is not acting on behalf of) an entity or other person that is or will be, a Benefit Plan or any other plan subject to a law, regulation or rule that is substantially similar to Section 406 of ERISA or Section 4975 of the Code or (ii) the acquisition and holding of the Note or any interest therein is permitted by ERISA, the Code and other applicable law (to the extent applicable) and will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any substantially similar applicable law.

No information herein or provided in connection herewith by DBK, the Trustee, the Dealers, the Registrar or any of their respective affiliates (collectively, the "**Covered Parties**") is providing, or shall be considered to be providing, advice on which any Benefit Plan may rely for any investment decision. The Covered Parties have not made, and are not making, a recommendation, have not provided, and are not providing, investment advice of any kind whatsoever (whether impartial or otherwise), and are not otherwise acting in a fiduciary capacity in connection with any Benefit Plan's decision to purchase or hold Notes.

PRIOR TO MAKING AN INVESTMENT IN NOTES, PROSPECTIVE BENEFIT PLAN INVESTORS SHOULD CONSULT WITH THEIR LEGAL AND OTHER ADVISORS CONCERNING THE IMPACT OF ERISA AND THE CODE (AND, PARTICULARLY IN THE CASE OF NON-ERISA PLANS AND ARRANGEMENTS, ANY ADDITIONAL LEGAL CONSIDERATIONS), AS APPLICABLE. THE SALE OF NOTES TO A BENEFIT PLAN IS NOT A REPRESENTATION THAT THE NOTES ARE A SUITABLE INVESTMENT FOR BENEFIT PLANS GENERALLY OR ANY PARTICULAR BENEFIT PLAN OR THAT THE NOTES SATISFY ALL LEGAL REQUIREMENTS APPLICABLE TO BENEFIT PLANS GENERALLY OR ANY PARTICULAR BENEFIT PLAN.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of a beneficial interest in the Rule 144A Note, by accepting delivery of this Drawdown Information Memorandum and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a QIB that is also a QP, (b) not a broker dealer which owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers, (c) not a participant directed employee plan, such as a 401(k) plan, (d) acquiring such interest for its own account or for the account of one or more QIBs, each of which is also a QP, (e) not formed for the purpose of investing in the Notes and (f) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(2) It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Note in a principal amount that is not less than U.S.$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that DBK may receive a list of participants holding positions in its securities from one or more book entry depositaries.

(3) It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs each of which is also a QP, each of which is purchasing not less than U.S.$200,000 in principal amount of the Rule 144A Notes or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(4) It understands that DBK has the power to compel any beneficial owner of Rule 144A Notes that is a U.S. person and is not a QIB and a QP to sell its interest in the Rule 144A Notes or may sell such interest on behalf of such owner. DBK has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and a QP.

(5) It understands that its purchase and holding of the Rule 144A Notes or any interest therein constitutes a representation and warranty by it that at the time of its purchase and throughout the period in which it holds such Notes or any interest therein that either (i) it is not, and is not acquiring such Notes or any interest therein with assets of (and for so long as it holds such Note or any interest therein will not be and will not be acting on behalf of), a pension, profit sharing or other employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), individual retirement accounts, Keogh plans and other plans that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") and entities deemed to hold the plan assets of the foregoing (each a "**Benefit Plan**") or any other plan subject to a law, regulation or rule that is substantially similar to Section 406 of ERISA or Section 4975 of the Code or (ii) the acquisition and holding of the Note or any interest therein will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any such other substantially similar applicable law.

(6) It understands that the Rule 144A Notes (and any individual Note Certificates issued in respect thereof), unless otherwise agreed between DBK and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "**QIB**") AND A QUALIFIED PURCHASER (A "**QUALIFIED PURCHASER**") WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs, EACH OF WHICH ALSO A QUALIFIED PURCHASER AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.$200,000 PRINCIPAL AMOUNT OF NOTES WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE,

PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT OR (2) TO NON U.S. PERSONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO DBK, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QUALIFIED PURCHASER; (2) IT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QUALIFIED PURCHASER; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN DBK OR THIS NOTE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS RULE 144A NOTES, WILL HOLD AND TRANSFER AT LEAST U.S.$200,000 IN PRINCIPAL AMOUNT OF RULE 144A NOTES; (7) IT UNDERSTANDS THAT DBK MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK ENTRY DEPOSITARIES AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES. THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A PERSON WHO IS NOT A QIB THAT IS ALSO A QUALIFIED PURCHASER, DBK MAY (A) SELL ITS INTEREST IN THIS NOTE TO A PERSON (I) WHO IS A QIB WHO IS ALSO A QUALIFIED PURCHASER AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) TO A NON U.S. PERSON PURCHASING THIS NOTE IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO DBK OR AN AFFILIATE OF DBK OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO DBK AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100% OF THE PRINCIPAL AMOUNT THEREOF AND (Z) THE FAIR MARKET VALUE THEREOF. DBK HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO A U.S. PERSON WHO IS NOT A QIB AND A QUALIFIED PURCHASER. DBK HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

EACH BENEFICIAL OWNER HEREOF OR OF ANY INTEREST HEREIN REPRESENTS AND WARRANTS THAT AT THE TIME OF PURCHASE OF THIS NOTE AND THROUGHOUT THE PERIOD IT HOLDS THIS NOTE OR ANY INTEREST HEREIN THAT EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF, AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**")), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, ("**CODE**"), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY OR ANY OTHER PLAN SUBJECT TO A LAW, REGULATION OR RULE THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) THE ACQUISITION AND HOLDING OF THIS NOTE OR ANY INTEREST HEREIN WILL NOT GIVE RISE TO A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW.

DBK MAY COMPEL EACH BENEFICIAL HOLDER HEREOF TO CERTIFY PERIODICALLY THAT SUCH HOLDER IS A QIB AND A QUALIFIED PURCHASER.

(7) It acknowledges that DBK, the Registrar, the Joint Bookrunners and their respective affiliates and others will rely upon the trust and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify DBK and the Joint Bookrunners. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs that are also

QPs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.

(8) It understands that Rule 144A Notes will be evidenced by the Rule 144A Global Note. Before any interest in Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the corresponding Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(9) Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes outside the United States and each subsequent purchaser of Regulation S Notes in resales, throughout the period that it holds such Note, by accepting delivery of this Drawdown Information Memorandum and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of DBK or a person acting on behalf of such an affiliate.

(2) It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIB each of which is also a QP, each of which is purchasing not less than U.S.$200,000 in principal amount of the Rule 144A Notes or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that Regulation S Notes will be evidenced by a Regulation S Global Note. Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the corresponding Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(4) It acknowledges that DBK, the Registrar, the Joint Bookrunners and their respective affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify DBK and the Joint Bookrunners. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

(5) It understands that its purchase and holding of the Regulation S Notes or any interest therein constitutes a representation and warranty by it that at the time of its purchase and throughout the period in which it holds such Notes or any interest therein that either (a) it is not, and is not acquiring such Notes or any interest therein with assets of (and for so long as it holds such Note or any interest therein will not be and will not be acting on behalf of), a Benefit Plan or any other plan subject to a law, regulation or rule that is substantially similar to Section 406 of ERISA or Section 4975 of the Code or (b) the acquisition and holding of such Notes or any interest therein will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any substantially similar applicable law.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, JSC Halyk Finance, J.P. Morgan Securities plc and MUFG Securities EMEA plc (the "**Joint Bookrunners**", and each, a "**Joint Bookrunner**") have, pursuant to a Subscription Agreement dated 11 May 2022 agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes.

The Issuer have agreed to pay to the Joint Bookrunners a combined management, underwriting and selling commission pursuant to the Subscription Agreement. In addition, the Issuer have agreed to reimburse the Joint Bookrunners for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Bookrunners to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer have in the Subscription Agreement agreed to indemnify the Joint Bookrunners against certain liabilities incurred in connection with the issue of the Notes, including liabilities under the Securities Act.

Certain of the Joint Bookrunners and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Joint Bookrunners and their respective affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers.

A substantial amount of the Notes may be allocated to a limited number of investors (including certain of the Joint Bookrunners), which may have an impact on the secondary market performance of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act.

Each Joint Bookrunner has agreed that it will not offer, sell or deliver any Notes, (a) as part of their distribution at any time, or (b) otherwise until 40 days after the completion of the distribution of the Notes within the United States or to, or for the account or benefit of, U.S. persons, and such Joint Bookrunner will have sent to each dealer to which it sells the Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this and the preceding paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, any offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- a retail client, as defined in point (8) of Article 2 of Regulation (EU) № 2017/565, as it forms part of UK domestic law by virtue of the EUWA; or

- a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) № 600/2014, as it forms part of UK domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Joint Bookrunner has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to DBK; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Republic of Kazakhstan

Each Joint Bookrunner has agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan except in compliance with the laws of Kazakhstan.

General

No action has been or will be taken in any jurisdiction that would, or is intended to, permit a public offering of any of the Notes, or possession or distribution of this Drawdown Information Memorandum in any country or jurisdiction where action for that purpose is required.

Each Joint Bookrunner has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Drawdown Information Memorandum, any other offering material and neither DBK nor any other Joint Bookrunner shall have responsibility therefor.

GENERAL INFORMATION

Listing and Trading

It is expected that admission of the Notes to trading on the Vienna MTF will be granted on or around 12 May 2022, subject only to the issue of the Notes. Transactions will normally be effected for settlement in U.S. Dollars and for delivery on the third business day after the day of the transaction.

The Issuer will use its reasonable endeavours to cause the Notes to be admitted to the "Bonds" category of the "Debt Securities" sector of the "Main" platform of the Kazakhstan Stock Exchange as from (and including) the date of Issue of the Notes.

Legal Entity Identifier

The Legal Entity Identifier is 213800LCDPGJ1BI7KX98.

Authorisations

The establishment of the Programme was authorised by a duly convened meeting of the shareholders' of DBK held on 2 September 2002. The increase of the programme size was authorised by a resolution of DBK's sole shareholder on 23 October 2007. The issuance of Notes was authorised by a resolution passed by DBK's Board of Directors on 31 March 2022 and 15 April 2022. DBK has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and DTC.

For the Regulation S Notes, the International Security Identification Number (ISIN) is XS2472852610 and the Common Code is 247285261. For the Rule 144A Notes, the ISIN is US48129VAA44, the Common Code is 247663517 and the CUSIP number is 48129VAA4. The address of DTC is 55 Water Street, New York, NY 10041-10099, USA. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210, Brussels, and the address of Clearstream, Luxembourg is Clearstream Banking SA, 42 Avenue JF Kennedy, L-1855, Luxembourg.

Use of Proceeds

The net proceeds of the issue of the Notes will be applied by DBK to fund the Tender Offer and for general corporate purposes.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which DBK is aware), during the 12 months preceding the date of this Drawdown Information Memorandum, which may have, or have had in the recent past, a significant effect on the financial position or profitability of DBK or of the Group, taken as a whole.

No Material Adverse or Significant Change

Since 31 December 2021 (the end of the last financial period for which audited financial information has been published), there has been no material adverse change in the prospects of the Group nor has there been a significant change in the financial performance or financial position of the Group.

No Material Contracts

Neither DBK nor either of its subsidiaries has entered into any material contracts outside the ordinary course of its business which could result in it being under an obligation or entitlement that is material to DBK's ability to make payments under the Notes.

Independent Auditors

The independent auditors of DBK are KPMG Audit LLC ("**KPMG**"), acting as auditors under State License № 0000021, dated 6 December 2006 issued by the Ministry of Finance of Kazakhstan. KPMG is a member of the Chamber of Auditors of Kazakhstan, the professional body which oversees audit firms in Kazakhstan. KPMG audited the Financial Statements, which were prepared in accordance with IFRS, and have issued unqualified opinions thereon. See also "*Presentation of Financial and Other Information*".

As the Notes have not been and will not be registered under the Securities Act, KPMG has not filed and would not be required to file a consent under the Securities Act.

Documents Available for Inspection

For as long as the Notes remain outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Principal Paying and Transfer Agent or be accessed on the website of the Issuer at https://www.kdb.kz/investors/eurobonds-and-credit-ratings/

(a) the constitutional documents of DBK;

(b) the Financial Statements including, in each case, the audit opinion relating to such Financial Statements;

(c) the Agency Agreement;

(e) the Trust Deed (which contains the forms of the Notes in global and definitive form);

(f) the Procedures Memorandum;

(g) a copy of this Drawdown Information Memorandum together with any supplements to this Drawdown Information Memorandum; and

(i) the DBK Law.

The Issuer does not intend to provide any post-issuance transaction information regarding the Notes.

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Consolidated Financial Statements

for the year ended 31 December 2021

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«КПМГ Аудит» жауапкершілігі шектеулі серіктестік
Қазақстан, A25D6T5, Алматы,
Достық д-лы, 180,
Тел.: +7 (727) 298-08-98

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

Independent Auditors' Report

To the Board of Directors of Development Bank of Kazakhstan JSC

Opinion

We have audited the consolidated financial statements of Development Bank of Kazakhstan JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key audit matters

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

Expected credit losses on loans to customers and finance lease receivables

Please refer to the Notes 3, 14, 15, 32(a) and 40(e)(iv) in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Loans to customers measured at amortised cost and finance lease receivables account for 51% and 12% of total assets, respectively. Loans to customers and finance lease receivables are stated net of loss allowance for expected credit losses (ECL) that is estimated on a regular basis and is sensitive to the assumptions used. The Group applies the ECL valuation model, which requires management to apply professional judgment and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9 *Financial Instruments*); - assessment of probability of default (PD) and loss given default (LGD); - assessment of add-on adjustment to account for different scenarios and forward-looking information; - assessment of expected cash flows forecast for loans to customers and finance lease receivables which are classified as credit-impaired. Due to the significant volume of loans to customers and finance lease receivables and related estimation uncertainty, this area is a key audit matter.	We analysed the key aspects of the Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, with the involvement of financial risks management specialists. We tested the principle of operation of the respective models used by the Group. To analyse the adequacy of professional judgment and assumptions made by the Group in relation to the allowance for ECL estimate, we performed the following: - We tested the design and implementation of the controls used over allocation of loans to customers and finance lease receivables by the credit risk stages. - For a sample of loans to customers and finance lease receivables, for which potential changes in ECL estimate may have a significant impact on the consolidated financial statements, we tested whether stages are correctly assigned by the Group and tested overall adequacy of the rating assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgments applied. - For a sample of loans to customers and finance lease receivables we critically assessed the assumptions used by the Group to assess LGD, including cash flows from collateral received, based on our understanding and available market information. - We also analysed the overall adequacy of the adjustment to account for various scenarios and forward-looking information and compared it with our estimates taking into account the current and future economic situation and operating conditions of borrowers and debtors. - For a sample of the Stage 3 loans and finance lease receivables we assessed adequacy of loss allowance for ECL by critically assessing assumptions used by the Group to value expected cash flows, including estimated proceeds from

	realisation of collateral and their timing. We compared assumptions used by the Group for these loans with industry, financial and economic data from available public sources. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Government grants

Please refer to the Notes 4, 7, 24, 26, 27 and 40(q) in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During 2021, the Group received loans from the Parent Company in the amount of KZT 102,700,000 thousand, bearing interest rates ranging from 0.08% p.a. to 0.15% p.a. and issued debt securities with the total nominal value of KZT 32,200,000 thousand, bearing an interest rate of 7.10% p.a. At initial recognition these loans and debt securities issued were recognised at fair values measured by applying relevant market interest rates to discount the contractual future cash flows. The difference between the fair value and the nominal value received of KZT 67,416,479 thousand and KZT 6,601,547 thousand, respectively, was recognised as a government grant, which is subsequently recognized in profit or loss. We focused on the estimate of the fair value of the loans received and debt securities issued due to significant judgment involved in arriving at the estimate.	Our audit procedures included analysis of the judgment applied by management in assessing whether the difference between the fair value and nominal value of the loans received and debt securities issued was a government grant. We compared the management's estimates of market rates applied to calculate fair values of the loans received and debt securities issued and compared them to available market information. We assessed the appropriateness of methods used to calculate income from utilisation of government grants. We also assessed whether the financial statement disclosures appropriately reflect the information in relation to government grants recognised in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for the year 2021 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group for the year 2021 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 do 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 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 judgement 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.

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

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

We communicate with 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.

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. MФ-0000096 of 27 August 2012

KPMG Audit LLC

State Licence 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

16 March 2022

	Note	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
Interest income calculated using the effective interest method	4	182,178,517	155,607,219
Other interest income	4	59,044,623	43,310,879
Interest expense	4	(176,535,379)	(144,536,056)
Net interest income		**64,687,761**	**54,382,042**
Fee and commission income		716,973	727,240
Fee and commission expense		(704,649)	(960,119)
Net fee and commission income /(expense)		**12,324**	**(232,879)**
Net foreign exchange loss	5	(1,986,825)	(2,179,832)
Net realised gain on debt securities at fair value through other comprehensive income		49,046	6,808,483
Net gain on financial instruments at fair value through profit or loss	6	1,031,039	6,459,130
Net gain arising from derecognition of financial assets measured at amortised cost	14	9,961,491	1,775,849
Other income/ (expense), net	7	4,343,496	(6,504,216)
Operating profit		**78,098,332**	**60,508,577**
Impairment losses on debt financial assets	8	(33,357,521)	(37,207,877)
(Impairment losses)/ reversal of impairment losses on loan commitments and financial guarantee contracts	8	(2,810,639)	1,763,517
(Impairment losses)/ reversal of impairment losses on other non- financial assets	8	(312,720)	5,270,199
General administrative expenses	9	(7,583,374)	(7,094,769)
Profit before income tax		**34,034,078**	**23,239,647**
Income tax expense	10	(2,534,407)	(869,805)
Profit for the year		**31,499,671**	**22,369,842**
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (debt instruments):			
Net change in fair value		(11,888,260)	7,565,416
Net amount reclassified to profit or loss		(49,046)	(6,808,483)
Total items that are or may be reclassified subsequently to profit or loss		*(11,937,306)*	*756,933*
Items that will not be reclassified to profit or loss			
Movement in fair value reserve of equity instruments		7,488,797	-
Total items that will not be reclassified to profit or loss		*7,488,797*	-
Other comprehensive (loss) /income for the year		**(4,448,509)**	**756,933**
Total comprehensive income for the year		**27,051,162**	**23,126,775**

The consolidated financial statements as set out on pages 9 to 112 were approved by the Management Board of the Bank on 16 March 2022 and were signed on its behalf by:

Ruslan Viktorovich Iskakov
Chairman of the Management Board

Saule Mamyrovna Mamekova
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Note	31 December 2021 KZT'000	31 December 2020 KZT'000
ASSETS			
Cash and cash equivalents	11	326,147,355	242,786,137
Placements with banks and other financial institutions	12	170,632,268	121,779,502
Loans to banks	13	121,034,637	124,810,690
Loans to customers	14	1,892,507,997	1,845,916,215
Finance lease receivables	15	452,103,716	326,539,861
Debt securities	16	544,518,922	209,257,679
Advances paid under finance lease agreements	17	166,405,066	123,158,997
Assets to be transferred under finance lease agreements		5,625,927	27,855,425
Equity investments	18	35,687,437	14,841,000
Investment property		217,830	222,507
Property, plant and equipment and intangible assets		5,988,816	5,991,289
Other assets	19	10,981,173	31,327,781
Current tax asset		7,244,522	963,526
Deferred tax assets	20	2,733,734	1,040,108
Derivative financial instruments	21	-	11,489,170
Total assets		**3,741,829,400**	**3,087,979,887**
LIABILITIES			
Current accounts and deposits from customers	22	30,412,126	15,793,749
Loans from SWF "Samruk-Kazyna" JSC		11,195,666	27,966,887
Loans from banks and other financial institutions	23	556,669,981	640,007,969
Loans from the Parent Company	24	283,338,056	227,596,965
Amounts payable under sale and repurchase agreements	25	43,189,663	-
Government grants	26	301,140,609	261,838,993
Debt securities issued	27	1,716,748,732	1,241,012,715
Subordinated debt	28	118,216,761	111,163,010
Other liabilities	29	111,480,361	47,741,111
Provisions	30	12,609,164	2,825,438
Total liabilities		**3,185,001,119**	**2,575,946,837**
EQUITY			
Share capital	31	515,953,511	503,667,511
Fair value reserve		(5,828,643)	(1,380,134)
Additional paid-in capital		36,750,489	34,239,190
Retained earnings/ (accumulated losses)		9,952,924	(24,493,517)
Total equity		**556,828,281**	**512,033,050**
Total liabilities and equity		**3,741,829,400**	**3,087,979,887**

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The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	214,926,683	142,769,972
Interest payments	(131,026,686)	(105,078,969)
Fee and commission receipts	885,709	826,348
Fee and commission payments	(689,882)	(375,449)
Net (payments) /receipts from foreign exchange	(687,934)	21,846
Net gain on financial instruments at fair value through profit or loss	161,155	2,074,100
Other receipts, net	1,035,572	160,822
General administrative expenses payments	(6,221,249)	(5,791,526)
	78,383,368	**34,607,144**
Decrease /(increase) in operating assets		
Placements with banks and other financial institutions	(49,791,767)	(29,487,974)
Loans to banks	15,624,129	(20,474,180)
Loans to customers	(47,446,145)	(201,545,550)
Finance lease receivables	44,694,069	28,362,035
Advances paid under finance lease agreements	(194,893,325)	(170,314,926)
Derivative financial instruments	(70,289)	(816,278)
Other assets	17,898,073	399,629
Increase/(decrease) in operating liabilities		
Current accounts and deposits from customers	14,867,268	(1,627,659)
Loans from SWF "Samruk-Kazyna" JSC	(18,174,480)	(333,333)
Loans from the Parent Company	106,328,205	112,533,334
Government grants received in the form of a discount on debt securities issued at a below-market rate (Note 26)	6,601,547	18,456,560
Loans and deposits from banks and other financial institutions	(101,974,514)	72,911,512
Amounts payable under sale and repurchase agreements	43,080,095	-
Other liabilities	57,442,724	24,239,507
Net cash used in operating activities before income tax	**(27,431,042)**	**(133,090,179)**
Income tax paid	(11,873,477)	(4,438,490)
Net cash used in operating activities	**(39,304,519)**	**(137,528,669)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets, and investment property	(602,970)	(546,721)
Proceeds from sale of property, plant and equipment and intangible assets	-	26,919
(Acquisition)/redemption of equity investments (Note 18)	(13,357,640)	4,205,956
Acquisition of debt securities	(342,023,102)	(417,844,713)
Disposal and redemption of debt securities	13,269,328	439,618,680
Dividends received	-	960,312
Net cash (used in)/from investing activities	**(342,714,384)**	**26,420,433**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital (Note 31)	12,286,000	58,000,000
Proceeds from issue of debt securities (Note 27)	461,221,410	274,121,565
Repurchase/repayment of debt securities issued (Note 27)	(9,460,946)	(140,861,000)
Dividends paid (Note 31)	-	(3,287,543)
Net cash from financing activities	**464,046,464**	**187,973,022**
Net increase in cash and cash equivalents	**82,027,561**	**76,864,786**
Effect of changes in exchange rates on cash and cash equivalents	1,334,198	21,747,634
Effect of changes in ECL on cash and cash equivalents	(541)	(21)
Cash and cash equivalents as at the beginning of the year	242,786,137	144,173,738
Cash and cash equivalents as at the end of the year (Note 11)	**326,147,355**	**242,786,137**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Share capital KZT'000	Fair value reserve KZT'000	Additional paid-in capital KZT'000	Retained earnings/ (accumulated losses) KZT'000	Total equity KZT'000
Balance at 1 January 2021	**503,667,511**	**(1,380,134)**	**34,239,190**	**(24,493,517)**	**512,033,050**
Profit for the year	-	-	-	31,499,671	31,499,671
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value	-	(11,888,260)	-	-	(11,888,260)
Net amount reclassified to profit or loss	-	(49,046)	-	-	(49,046)
Items that will not be reclassified to profit or loss					
Net change in fair value	-	7,488,797	-	-	7,488,797
Total other comprehensive loss	-	(4,448,509)	-	-	(4,448,509)
Total comprehensive income for the year	**-**	**(4,448,509)**	**-**	**31,499,671**	**27,051,162**
Transactions with owners recorded directly in equity					
Shares issued (Note 31)	12,286,000	-	-	-	12,286,000
Discount on debt securities issued, net of taxes of KZT 627,825 thousand (Note 27)	-	-	2,511,299	-	2,511,299
Decrease in discount on the receivables from the subsidiary of the Parent Company due to early repayment, net of tax of KZT 736,692 thousand (Note 19)	-	-	-	2,946,770	2,946,770
Total transactions with owners recorded directly in equity	**12,286,000**	**-**	**2,511,299**	**2,946,770**	**17,744,069**
Balance at 31 December 2021	**515,953,511**	**(5,828,643)**	**36,750,489**	**9,952,924**	**556,828,281**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Share capital KZT'000	Fair value reserve KZT'000	Additional paid-in capital KZT'000	Accumulated losses KZT'000	Total equity KZT'000
Balance at 1 January 2020	**445,667,511**	**(2,137,067)**	**28,423,220**	**(43,575,816)**	**428,377,848**
Profit for the year	-	-	-	22,369,842	22,369,842
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value	-	7,565,416	-	-	7,565,416
Net amount reclassified to profit or loss	-	(6,808,483)	-	-	(6,808,483)
Total other comprehensive income	-	756,933	-	-	756,933
Total comprehensive income for the year	**-**	**756,933**	**-**	**22,369,842**	**23,126,775**
Transactions with owners recorded directly in equity					
Shares issued (Note 31)	58,000,000	-	-	-	58,000,000
Dividends declared and paid (Note 31)	-	-	-	(3,287,543)	(3,287,543)
Discount on debt securities issued, net of taxes of KZT 1,453,993 thousand	-	-	5,815,970	-	5,815,970
Total transactions with owners recorded directly in equity	**58,000,000**	**-**	**5,815,970**	**(3,287,543)**	**60,528,427**
Balance at 31 December 2020	**503,667,511**	**(1,380,134)**	**34,239,190**	**(24,493,517)**	**512,033,050**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

1 Background

(a) Principal activity

These consolidated financial statements comprise the financial statements of the Development Bank of Kazakhstan JSC (the "Bank") and the financial statements of its subsidiaries - Industrial Development Fund JSC and DBK Capital Structure Fund B.V. (the "Group").

Development Bank of Kazakhstan JSC was established in the Republic of Kazakhstan as a closed joint-stock company as defined in the Civil Code of the Republic of Kazakhstan, in accordance with the legislation of the Republic of Kazakhstan. The Bank was established in 2001 in accordance with the Law of the Republic of Kazakhstan "On the Development Bank of Kazakhstan" No.178-II dated 25 April 2001 (the "Law"). On 18 August 2003, the Bank underwent the state re-registration procedure due to change of its name – from Development Bank of Kazakhstan CJSC to Development Bank of Kazakhstan JSC. The Bank operates in accordance with the Law of the Republic of Kazakhstan dated 31 August 1995 "On Banks and Banking Activity in the Republic of Kazakhstan", the Law of the Republic of Kazakhstan dated 13 May 2003 "On Joint-Stock Companies", the Charter of the Development Bank of Kazakhstan JSC approved by the Resolution of the Management Board of National Management Holding "Baiterek" JSC No.41/14 dated 24 December 2014, Credit Policy Memorandum of the Development Bank of Kazakhstan JSC approved by the decision of the Management Board of the National Managing Holding "Baiterek JSC No. 43/16 dated 27 October 2016, and other legal acts of the Republic of Kazakhstan and internal regulations of the Bank.

The Bank is a national development institution. The main purpose of the Bank is to improve state investment activity and enhance its efficiency, promote the development of production infrastructure and processing industry and assist in attracting external and internal investments to the national economy of the Republic of Kazakhstan.

The Bank's registered office is n-r. pr. 15, building, 55A Mangilik El Avenue, Yessil district, Nur-Sultan city, Republic of Kazakhstan.

As at 31 December the Bank is a parent company of two wholly-owned subsidiaries (the "Subsidiaries").

DBK Leasing JSC was established on 6 September 2005 in accordance with the legislation of the Republic of Kazakhstan. Pursuant to the Decree No. 521 of the Government of the Republic of Kazakhstan of 18 August 2020 "On Establishing the Industrial Development Fund", by the Decision No. 243-2020-14 of the Board of Directors of the Bank of 21 September 2020, the corporate name of BRK-Leasing JSC, a subsidiary of Development Bank of Kazakhstan Joint-Stock Company, was changed to Industrial Development Fund JSC (the "IDF"). The principal activities of IDF JSC are leasing operations, implementation of an industrial and innovative development strategy, and stimulating leasing activities in the following sectors: machine building, metal industry and metalworking production, chemical and pharmaceutical industry, construction products manufacturing, light and woodworking industry, transportation and warehousing.

DBK Capital Structure Fund B.V. (a closed private limited company) was established in the Netherlands on 19 July 2017. The principal activity of DBK Capital Structure Fund B.V. is participation as a limited partner in the direct investment funds or other companies through cash payments for subsequent investing thereof in the charter capitals of the companies as part of financing the investment projects of the Bank and IDF JSC.

Eurobonds issued by the Bank are listed on London Stock Exchange, Luxembourg Stock Exchange and Kazakhstan Stock Exchange (the "KASE").

(b) Shareholders

As at 31 December 2012, the sole shareholder of the Bank was Sovereign Wealth Fund "Samruk-Kazyna" JSC (SWF "Samruk-Kazyna"). In accordance with the Decree of the President of the Republic of Kazakhstan No.136 dated 10 August 2011 "On Measures for Further Improvement of the Public Management System of the Republic of Kazakhstan" the entire block of ordinary shares of the Bank was transferred under trust management to the Ministry of Industry and New Technologies of the Republic of Kazakhstan.

In accordance with the Decree of the President of the Republic of Kazakhstan No.571 dated 22 May 2013 "On Certain Measures for Optimisation of the System of Management of the Development Institutions, Financial Organisations and for Development of the National Economy", the entire block of ordinary shares of the Bank and risks and control associated therewith were transferred as a payment of the charter capital of Baiterek National Managing Holding JSC. As at 31 December 2021 and 31 December 2020, the Group's sole shareholder was Baiterek National Managing Holding JSC (the "Parent Company" or "Baiterek"). The ultimate controlling party is the Government of the Republic of Kazakhstan (the "Government"). Related party transactions are detailed in Note 36.

(c) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Volatility in the global price of oil and the COVID-19 coronavirus pandemic also increases the level of uncertainty in the business environment.

The recent geopolitical uncertainty around Russia and Ukraine has further elevated levels of economic uncertainty in Kazakhstan.

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 Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial assets measured at fair value through other comprehensive income and financial instruments measured at fair value through profit or loss are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Bank and its subsidiaries is 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.

KZT 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 judgments

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.

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

- setting the criteria to assess whether credit risk on the financial asset has increased significantly since initial recognition including methodology of incorporation of forward-looking information in the measurement of ECL – Note 40;
- initial recognition of loans from the Parent Company- Note 24;
- initial recognition of debt securities issued - Note 27.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 3, 13, 14 and 15;
- initial recognition of the borrowings and investments under the state economic development programmes in 2021 – Notes 40(q), 4, 7, 14, 15 and 27;
- estimates of fair values of financial assets and liabilities – Note 38.

(e) Comparative information

The Group changed presentation of certain captions in the primary forms of consolidated financial statements. Comparative information is reclassified to conform to changes in presentation in the current period.

The effect of main changes in presentation of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 is as follows:

- The presentation of net gain/(loss) arising from derecognition of financial assets measured at amortised cost was amended to present this gain/(loss) separately, other than under 'other expense' line item.

The effect of the changes above on the consolidated statement of profit or loss and other comprehensive income is summarised in the table below:

KZT'000	As previously reported	Effect of reclassifications	As reclassified
Other income/ (expense), net	(4,462,205)	(2,042,011)	(6,504,216)
Net gain/(loss) arising from derecognition of financial assets measured at amortised cost	(266,162)	2,042,011	1,775,849

3 Financial risk review

This note presents information about the Group's exposure to financial risks. For information on the Group's financial risk management framework, see Note 32.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policies in Note 40(e)(iv).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses the following three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections;
- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Data from credit reference agencies, press articles, changes in external credit ratings
- Requests for and granting of forbearance;
- 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 Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region, type of product and counterparty as well as by credit risk grading. Information purchased from external credit reference agencies is also used by the Group.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Group 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.

The criteria for determining whether credit risk has increased significantly depends on the portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The Group considers credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if the issuer's credit rating decreased by 2 points and more since initial recognition.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria. Such qualitative factors are based on its expert judgment and relevant historical experience.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, except for debt securities and bank accounts and placements. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the counterparty.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payments, directed for repayment of the gross carrying amount of the financial asset against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (stage 1) and lifetime ECL measurements (stage 2).

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group except for debt securities and bank accounts and deposits; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a counterparty is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

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

Incorporation of forward-looking information

The Group 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 Group formulates a base scenario of future development of relevant economic variables and also considers a presented selection of other forecast scenarios. This process involves developing two or more additional economic scenarios and considering the appropriate probabilities of occurring of each scenario. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, such international organisations as the OECD, International Monetary Fund.

A base scenario is the most likely to occur and it is aligned with information used by the Group for other purposes such as strategic planning and budget formation. Other are less likely to occur scenarios where some are upside and other downside scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key driver is GDP forecasts. Taking into account lack of sufficient historical default data, the Group determined that the data provided by rating agencies would serve as a source of information for economic scenarios. Scenarios are regularly reviewed and are used to assess credit risk grades.

Modified financial assets and financial lease

The contractual terms of a loan agreement and finance lease agreements may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 40(e)(iii).

If the modification is not an individual lease and the lease has not been classified as operating lease, and if the modification had been effective at the inception date, the lessor accounts for the modification of finance lease under IFRS 9.

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 and finance lease is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers or finance leases in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan or finance lease forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets and finance lease modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A counterparty needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of expected credit losses (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);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default.

The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of a loan or terminate a loan commitment.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

		External benchmarks used	
	Carrying amount at 31 December 2021	**PD**	**LGD**
Placements with banks and other financial institutions	170,632,268	S&P's default study	70%
Loans to banks	121,034,637	S&P's default study	70%
Debt securities	543,431,399	S&P's default study	Moody's recovery studies

Credit quality analysis

The following table provides information on the credit quality of financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income as at 31 December 2021 and 31 December 2020. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired financial assets are included in Note 40(e)(iv).

	31 December 2021			
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents				
- rated from AA- to AA+	56,119,283	-	-	56,119,283
- rated from A- to A+	6,392,886	-	-	6,392,886
- rated from BBB- to BBB+	44,604,662	-	-	44,604,662
- rated from BB- to BB+	42,412,316	-	-	42,412,316
- rated from B- to B+	284	-	-	284
- not rated*	176,618,486	-	-	176,618,486
	326,147,917	-	-	**326,147,917**
Loss allowance for expected credit losses	(562)	-	-	(562)
Total cash and cash equivalents	**326,147,355**	-	-	**326,147,355**

* Cash and cash equivalents as at 31 December 2021, that are not rated, comprise amounts receivable under reverse repurchase agreements concluded at the Kazakhstan Stock Exchange, totalling KZT 171,989,563 thousand, against the notes of the National Bank of the Republic of Kazakhstan pledged as collateral (31 December 2020: KZT 24,345,200 thousand, against the notes of the National Bank of the Republic of Kazakhstan and treasury bills of the Ministry of Finance of the Republic of Kazakhstan, pledged as collateral) (Note 11).

	31 December 2020			
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents				
- rated from AA- to AA+	44,765,922	-	-	44,765,922
- rated from A- to A+	308,591	-	-	308,591
- rated from BBB- to BBB+	129,521,987	-	-	129,521,987
- rated from BB- to BB+	39,405,203	-	-	39,405,203
- rated from B- to B+	117	-	-	117
- not rated	28,784,338	-	-	28,784,338
	242,786,158	-	-	**242,786,158**
Loss allowance for expected credit losses	(21)	-	-	(21)
Total cash and cash equivalents	**242,786,137**	-	-	**242,786,137**

	31 December 2021			
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Placements with banks and other financial institutions				
- rated from BBB- to BBB+	152,953,869	-	-	152,953,869
- rated from BB- to BB+	17,798,146	-	20,328	17,818,474
- not rated	-	-	390,470	390,470
	170,752,015	-	**410,798**	**171,162,813**
Loss allowance for expected credit losses	(119,747)		(410,798)	(530,545)
Total placements with banks and other financial institutions	**170,632,268**	-	-	**170,632,268**

	31 December 2020			
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Placements with banks and other financial institutions				
- rated from BBB- to BBB+	66,468,205	-	-	66,468,205
- rated from BB- to BB+	55,352,521	-	40,745	55,393,266
- not rated	-	-	395,997	395,997
	121,820,726	-	**436,742**	**122,257,468**
Loss allowance for expected credit losses	(41,224)	-	(436,742)	(477,966)
Total placements with banks and other financial institutions	**121,779,502**	-	-	**121,779,502**

	31 December 2021				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to banks					
- rated from BBB- to BBB+	23,155,375	-	-	-	23,155,375
- rated from BB- to BB+	26,429,351	-	-	-	26,429,351
- rated from B- to B+	68,816,148	1,878,215		1,814,674	72,509,037
- not rated	-	-	3,682,610	-	3,682,610
	118,400,874	**1,878,215**	**3,682,610**	**1,814,674**	**125,776,373**
Loss allowance for expected credit losses	(705,689)	(353,437)	(3,682,610)	-	(4,741,736)
Total loans to banks	**117,695,185**	**1,524,778**	-	**1,814,674**	**121,034,637**

	31 December 2020				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to banks					
- rated from BB- to BB+	46,194,114	-	-	-	46,194,114
- rated from B- to B+	72,190,551	6,670,022	-	1,680,682	80,541,255
- not rated	-	-	3,770,771	-	3,770,771
	118,384,665	**6,670,022**	**3,770,771**	**1,680,682**	**130,506,140**
Loss allowance for expected credit losses	(975,790)	(948,889)	(3,770,771)	-	(5,695,450)
Total loans to banks	**117,408,875**	**5,721,133**	**-**	**1,680,682**	**124,810,690**

	31 December 2021				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to customers measured at amortised cost					
- rated from BBB- to BBB+	336,006,754	-	-	-	336,006,754
- rated from BB- to BB+	534,109,958	-	-	-	534,109,958
- rated from B- to B+	625,009,101	53,842,136	-	-	678,851,237
- rated from CCC- to CCC+	25,322,296	120,485,456	5,278,780	9,047,479	160,134,011
- rated D	-	-	176,581,704	3,402,592	179,984,296
- not rated	191,118	-	-	-	191,118
	1,520,639,227	**174,327,592**	**181,860,484**	**12,450,071**	**1,889,277,374**
Loss allowance for expected credit losses	(16,290,690)	(36,498,042)	(84,631,372)	(3,459,706)	(140,879,810)
Total loans to customers measured at amortised cost	**1,504,348,537**	**137,829,550**	**97,229,112**	**8,990,365**	**1,748,397,564**

KZT'000	31 December 2020 Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total
Loans to customers measured at amortised cost					
- rated from BBB- to BBB+	305,879,515	87,154,058	-	-	393,033,573
- rated from BB- to BB+	252,723,754	11,055,344	-	-	263,779,098
- rated from B- to B+	863,257,395	114,870,653	-	965,289	979,093,337
- rated from CCC- to CCC+	10,261,522	86,018,081	22,836,242	8,931,991	128,047,836
- rated D	-	-	110,056,709	3,891,662	113,948,371
- not rated	244,373	-	-	-	244,373
	1,432,366,559	**299,098,136**	**132,892,951**	**13,788,942**	**1,878,146,588**
Loss allowance for expected credit losses	(15,699,426)	(19,951,453)	(72,201,227)	(3,440,260)	(111,292,366)
Total loans to customers measured at amortised cost	**1,416,667,133**	**279,146,683**	**60,691,724**	**10,348,682**	**1,766,854,222**

KZT'000	31 December 2021 Stage 1	Stage 2	Stage 3	FVTPL (embedded derivative)	Total
Finance lease receivables					
With externally rated credit risk					
- rated from BBB- to BBB+	172,639,494	-	-	-	172,639,494
- rated from B- to B+	251,979	-	-	-	251,979
With internally rated credit risk					
- rated from BBB- to BBB+	1,900,281	-	-	-	1,900,281
- rated from BB- to BB+	65,095,493	1,889,727	-	225,292	67,210,512
- rated from B- to B+	118,736,684	9,560,241	45,357	1,041,825	129,384,107
- rated CCC+	12,065,696	29,971,709	14,008,561	-	56,045,966
- rated from CCC- to CCC	23,575,574	14,055,104	6,718,479	-	44,349,157
- rated D	-	-	2,068,463	-	2,068,463
	394,265,201	**55,476,781**	**22,840,860**	**1,267,117**	**473,849,959**
Loss allowance for expected credit losses	(7,594,081)	(3,238,829)	(10,913,333)	-	(21,746,243)
Total finance lease receivables	**386,671,120**	**52,237,952**	**11,927,527**	**1,267,117**	**452,103,716**

	31 December 2020				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL (embedded derivative)**	**Total**
Finance lease receivables					
With externally rated credit risk					
- rated from BBB- to BBB+	89,691,733	-	-	-	89,691,733
- rated from B- to B+	866,488	-	-	-	866,488
With internally rated credit risk					
- rated from BB- to BB+	56,211,918	3,884,401	-	559,358	60,655,677
- rated from B- to B+	84,316,197	2,708,484	50,117	2,058,394	89,133,192
- rated CCC+	20,939,396	8,321,445	-	-	29,260,841
- rated from CCC- to CCC	14,474,140	42,476,891	12,757,816	-	69,708,847
- rated D	-	-	7,750,843	-	7,750,843
	266,499,872	**57,391,221**	**20,558,776**	**2,617,752**	**347,067,621**
Loss allowance for expected credit losses	(5,005,407)	(4,922,573)	(10,599,780)	-	(20,527,760)
Total finance lease receivables	**261,494,465**	**52,468,648**	**9,958,996**	**2,617,752**	**326,539,861**

	31 December 2021				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Debt securities measured at fair value through other comprehensive income (FVOCI)					
- rated from AA- to AA+	135,648,847	-	-	-	135,648,847
- rated from A- to A+	133,934,183	-	-	-	133,934,183
- rated from BBB- to BBB+	217,732,936	-	-	-	217,732,936
- rated from BB- to BB+	43,670,117	-	-	-	43,670,117
	530,986,083	**-**	**-**	**-**	**530,986,083**
Loss allowance for expected credit losses	(14,413)	-	-	-	(14,413)
Gross carrying amount	**544,373,240**	**-**	**-**	**-**	**544,373,240**
Total debt securities at FVOCI	**530,986,083**	**-**	**-**	**-**	**530,986,083**

	31 December 2020				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Debt securities at FVOCI					
- rated from AA- to AA+	38,446,137	-	-	-	38,446,137
- rated from A- to A+	67,710,185	-	-	-	67,710,185
- rated from BBB- to BBB+	72,726,749	-	-	-	72,726,749
- rated from BB- to BB+	17,729,053	-	-	-	17,729,053
	196,612,124	-	-	-	**196,612,124**
Loss allowance for expected credit losses	(31,873)	-	-	-	(31,873)
Gross carrying amount	**197,445,907**	-	-	-	**197,445,907**
Total debt securities at FVOCI	**196,612,124**	-	-	-	**196,612,124**

	31 December 2021				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Debt securities measured at amortised cost					
- rated from BBB- to BBB+	11,783,097	-	-	-	11,783,097
- rated from B- to B+	-	-	-	2,078,197	2,078,197
	11,783,097	-	-	**2,078,197**	**13,861,294**
Loss allowance for expected credit losses	(7,572)	-	-	(1,408,406)	(1,415,978)
Total debt securities measured at amortised cost	**11,775,525**	-	-	**669,791**	**12,445,316**

	31 December 2020				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Debt securities measured at amortised cost					
- rated from BBB- to BBB+	4,147,789	-	-	-	4,147,789
- rated from BB- to BB+	6,991,949	-	-	-	6,991,949
- rated from B- to B+	-	-	-	1,976,863	1,976,863
	11,139,738	**-**	**-**	**1,976,863**	**13,116,601**
Loss allowance for expected credit losses	(9,707)	-	-	(1,408,406)	(1,418,113)
Total debt securities measured at amortised cost	**11,130,031**	**-**	**-**	**568,457**	**11,698,488**

	31 December 2021				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loan commitments					
- rated from BB- to BB+	8,838,532	-	-	-	8,838,532
- rated from B- to B+	207,153,140	-	-	-	207,153,140
- rated from CCC- to CCC	822,674	-	-	-	822,674
	216,814,346	**-**	**-**	**-**	**216,814,346**
Loss allowance for expected credit losses	**3,366,616**	**-**	**-**	**-**	**3,366,616**

	31 December 2020				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loan commitments					
- rated from BBB- to BBB+	58,577,932	-	-	-	58,577,932
- rated from BB- to BB+	10,023,791	-	-	-	10,023,791
	68,601,723	**-**	**-**	**-**	**68,601,723**
Loss allowance for expected credit losses	**529,106**	**-**	**-**	**-**	**529,106**

	31 December 2021				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Financial guarantee contracts					
- rated from BB- to BB+	4,641,849	-	-	-	4,641,849
- rated from B- to B+	561,824	-	-	-	561,824
	5,203,673	-	-	-	**5,203,673**
Loss allowance for expected credit losses	**12,960**	-	-	-	**12,960**

	31 December 2020				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Financial guarantee contracts					
- rated from B- to B+	5,386,024	-	-	-	5,386,024
Loss allowance for expected credit losses	**20,994**	-	-	-	**20,994**

The following table sets out information about overdue status of loans to customers and finance lease receivables by credit quality stages.

	31 December 2021				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to customers measured at amortised cost					
- not overdue	1,520,639,227	174,327,592	134,076,682	9,047,479	1,838,090,980
- overdue more than 180 days and less than 1 year	-	-	45,012,553	-	45,012,553
- overdue more than 1 year	-	-	2,771,249	3,402,592	6,173,841
	1,520,639,227	**174,327,592**	**181,860,484**	**12,450,071**	**1,889,277,374**
Loss allowance for expected credit losses	(16,290,690)	(36,498,042)	(84,631,372)	(3,459,706)	(140,879,810)
Total loans to customers measured at amortised cost	**1,504,348,537**	**137,829,550**	**97,229,112**	**8,990,365**	**1,748,397,564**

	31 December 2020				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to customers measured at amortised cost					
- not overdue	1,432,366,559	299,098,136	75,889,234	9,897,280	1,817,251,209
- overdue less than 90 days	-	-	33,455,811	-	33,455,811
- overdue more than 90 days and less than 180 days	-	-	-	240,244	240,244
- overdue more than 1 year	-	-	23,547,906	3,651,418	27,199,324
	1,432,366,559	**299,098,136**	**132,892,951**	**13,788,942**	**1,878,146,588**
Loss allowance for expected credit losses	(15,699,426)	(19,951,453)	(72,201,227)	(3,440,260)	(111,292,366)
Total loans to customers measured at amortised cost	**1,416,667,133**	**279,146,683**	**60,691,724**	**10,348,682**	**1,766,854,222**

	31 December 2021				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL (embedded derivative)**	**Total**
Finance lease receivables					
- not overdue	365,976,002	51,874,185	20,727,041	1,267,117	439,844,345
- overdue less than 30 days	1,028,003	62,049	-	-	1,090,052
- overdue 30-89 days	27,261,196	3,540,547	45,357	-	30,847,100
- overdue 90-360 days	-	-	934,780	-	934,780
- overdue more than 360 days	-	-	1,133,682	-	1,133,682
	394,265,201	**55,476,781**	**22,840,860**	**1,267,117**	**473,849,959**
Loss allowance for expected credit losses	(7,594,081)	(3,238,829)	(10,913,333)	-	(21,746,243)
Total finance lease receivables	**386,671,120**	**52,237,952**	**11,927,527**	**1,267,117**	**452,103,716**

	31 December 2020				
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL (embedded derivative)**	**Total**
Finance lease receivables					
not overdue	262,014,420	23,788,348	12,757,815	2,617,752	301,178,335
- overdue less than 30 days	4,310,865	8,552	38,850	-	4,358,267
- overdue 30-89 days	174,587	3,056,405	11,268	-	3,242,260
- overdue 90-360 days	-	30,537,916	4,872,434	-	35,410,350
- overdue more than 360 days	-	-	2,878,409	-	2,878,409
	266,499,872	**57,391,221**	**20,558,776**	**2,617,752**	**347,067,621**
Loss allowance for expected credit losses	(5,005,407)	(4,922,573)	(10,599,780)	-	(20,527,760)
Total finance lease receivables	**261,494,465**	**52,468,648**	**9,958,996**	**2,617,752**	**326,539,861**

4 Net interest income

	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
Interest income calculated using the effective interest method		
Loans to customers	131,480,361	124,466,818
Cash and cash equivalents	17,284,892	3,131,110
Loans to banks	12,570,221	11,840,786
Placements with banks and other financial institutions	12,095,372	7,708,531
Debt securities	7,211,577	6,299,546
Other financial assets	1,536,094	2,160,428
	182,178,517	**155,607,219**
Other interest income		
Finance lease receivables	51,355,522	35,088,039
Loans to customers	7,548,603	8,091,516
Debt securities measured at FVTPL	140,498	131,324
	59,044,623	**43,310,879**

	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
Interest expense		
Debt securities issued	(121,865,295)	(93,014,664)
Loans from the Parent Company	(23,590,674)	(17,236,408)
Loans from banks and other financial institutions	(22,461,510)	(24,974,485)
Subordinated debt	(7,440,236)	(7,014,847)
Loans from SWF "Samruk-Kazyna" JSC	(976,864)	(1,395,652)
Current accounts and deposits from customers	(162,500)	(900,000)
Amounts payable under sale and repurchase agreements	(38,300)	-
	(176,535,379)	**(144,536,056)**

Included within interest income on finance lease receivables is a total of KZT 14,977,425 thousand of government grant amortisation (2020: KZT 10,419,019 thousand).

5 Net foreign exchange loss

	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
Foreign currency differences, net	(1,306,825)	(2,189,078)
Dealing operations, net	(680,000)	9,246
	(1,986,825)	**(2,179,832)**

6 Net gain on financial instruments at fair value through profit or loss

	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
Unrealised gain/(loss) on remeasurement of financial instruments at fair value through profit or loss		
Loans to customers	1,711,509	2,796,280
Debt securities	39,931	(72,636)
Derivative financial instruments	(1,350,635)	1,590,061
Realised gain on financial instruments at fair value through profit or loss		
Derivative financial instruments	486,562	1,246,334
Debt securities	143,672	187,655
Equity securities	-	711,436
	1,031,039	**6,459,130**

7 Other income/(expense), net

	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
Other income from utilisation of government grants	24,956,278	40,590,502
Fines and penalties receipts	936,582	108,033
Rental income from property	22,273	27,939
Loss from early repayment of loans from banks and other financial institutions	(319,936)	(353,434)
Restructuring expense	(331,215)	(645,735)
Expense on repurchase of debt securities issued	(615,226)	-
(Loss) /gain on initial recognition of liabilities	(698,407)	23,922,634
Expenses on estimate of loan commitments to provide a loan at a below-market interest rate	(6,673,010)	(21,801,435)
Losses arising on initial recognition of loans issued	(13,328,841)	(47,504,168)
Loss on derecognition of finance lease receivables	-	(2,321,403)
Dividend income	-	960,312
Gains less losses on disposal of property, plant and equipment	-	26,919
Other income	394,998	485,620
	4,343,496	**(6,504,216)**

Other income from utilisation of government grants was recognised as income based on the results of compliance with the terms of the relevant government programmes totalling KZT 24,956,278 thousand (2020: KZT 40,590,502 thousand) (Note 26).

During 2021, the Group recognised losses on initial recognition of financial liabilities at the above-market rates of KZT 698,407 thousand on the tied loan issued by a foreign bank (Note 23). Proceeds from the tied loan were used to provide loans to customers.

During 2020, the Group recognised income of KZT 23,922,634 thousand from initial recognition of financial liabilities at a below- market rate including that from obtaining tied loans from a foreign bank in the amount of KZT 22,617,282 thousand (Note 23) and from issue of bonds in the amount of KZT 1,305,352 thousand (Note 27). Proceeds from the tied loan were used to provide loans to customers. During 2020, a loss on initial recognition of these loans to customers comprised KZT 19,252,316 thousand.

During 2021, the Group recognised a loss of KZT 13,328,841 thousand (2020: KZT 47,504,168 thousand) on initial recognition of loans issued at below-market rates. This amount includes a loss of KZT 1,098,580 thousand arising on initial recognition of loans to banks (2020: KZT 17,838,458 thousand) and a loss of KZT 12,230,261 thousand arising on initial recognition of loans to customers (2020: KZT 29,665,710 thousand).

During 2021, losses on initial recognition of loans to banks arose from issuance of loans with a nominal interest rate ranging from 1% to 2.00% per annum, the market interest rates of which ranged from 10.68% to 12.78% per annum (2020: with a nominal rate of 1.00% per annum, the market rates on which ranged from 15.45% to 18.67% per annum).

During 2021, losses on initial recognition of loans to customers arose from issuance of loans with a nominal interest rate ranging from 7.41% to 9.80% per annum, the market interest rates of which ranged from 11.89% to 13.41% per annum (2020: with nominal rates ranging from 6.0% to 15.0% per annum, the market rates on which ranged from 9.23% to 18.29% per annum).

During 2021, the Group recognised a loss of KZT 6,673,010 thousand (2020: KZT 21,801,435 thousand) on initial recognition of the fair value of loan commitments at the below-market rates.

Included in losses arising on initial recognition of loans issued as well as on the estimate of liabilities on loan commitments to provide loans at a below-market rate is a loss of KZT 330,824 thousand that is not related to raising and issuing tied loans and using government grants (in 2020: KZT 9,462,785 thousand).

8 Impairment losses

	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
Losses on impairment of debt financial assets		
Loans to customers (Note 14)	(30,389,028)	(27,026,059)
Finance lease receivables (Note 15)	(3,188,369)	(8,629,752)
Other financial assets (Note 19)	(694,788)	(1,926,102)
Placements with banks and other financial institutions (Note 12)	(58,106)	(26,685)
Cash and cash equivalents	(541)	(21)
Debt securities	19,597	224,566
Loans to banks (Note 13)	953,714	176,176
	(33,357,521)	**(37,207,877)**
(Charge)/reversal of impairment losses on loan commitments and financial guarantee contracts		
Loan commitments	(2,819,353)	1,687,722
Financial guarantee contracts	8,714	75,795
	(2,810,639)	**1,763,517**
(Charge)/reversal of impairment losses on other non-financial assets		
Other assets	(165,190)	(179,645)
Advances paid under finance lease agreements (Note 17)	(147,530)	5,449,844
	(312,720)	**5,270,199**

9 General administrative expenses

	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
Personnel costs	(4,180,947)	(3,815,041)
Maintenance and repair of property, plant and equipment	(609,255)	(431,687)
Taxes other than income tax	(468,149)	(451,129)
Personnel outsourcing	(356,600)	(269,335)
Depreciation of property, plant and equipment and investment property	(340,311)	(291,694)
Amortisation of intangible assets	(267,828)	(213,868)
Administrative expense of the Board of Directors	(253,213)	(322,260)
Information services	(243,677)	(215,317)
Communication services	(170,442)	(126,875)
Rating services	(141,689)	(123,942)
Advertising and marketing services	(103,338)	(59,440)
Travel expenses	(81,643)	(30,830)
Insurance	(80,718)	(88,173)
Audit expenses	(73,500)	(70,000)
Employee training	(65,418)	(50,415)
Consulting expenses	(39,302)	(416,398)
Charity and sponsorship	(19,987)	(19,288)
Transportation services	(16,546)	(4,454)
Materials	(12,885)	(12,174)
Other	(57,926)	(82,449)
	(7,583,374)	**(7,094,769)**

10 Income tax expense

	For the year ended 31 December 2021 KZT'000	For the year ended 31 December 2020 KZT'000
Current year tax expense		
Current period	(4,364,690)	(3,367,209)
Income tax overprovided in prior periods	170,511	727,310
Income tax withheld at the source of payment	(1,398,371)	(922,419)
	(5,592,550)	**(3,562,318)**
Deferred tax benefit		
Origination and reversal of temporary differences	3,226,241	1,731,964
Movement in unrecognised deferred tax asset	(168,098)	960,549
	3,058,143	**2,692,513**
Total income tax expense	**(2,534,407)**	**(869,805)**

The applicable tax rate for current and deferred tax of the Group is 20% (2020: 20%).

Reconciliation of effective tax rate:

	For the year ended 31 December2021 KZT'000	%	For the year ended 31 December 2020 KZT'000	%
Profit before income tax	**34,034,078**	**100**	**23,239,647**	**100**
Income tax at the applicable tax rate	(6,806,816)	(20)	(4,647,929)	(20)
Non-deductible expenses	(391,447)	(1)	(835,705)	(4)
Non-taxable income on securities	77,733	-	447,438	2
Non-taxable income from reversal/non-deductible impairment loss	2,567,794	8	(309,616)	(1)
Non-deductible expenses on revaluation of loans measured at fair value through profit or loss	342,302	1	559,256	2
Tax exempt interest on finance lease receivables	3,071,985	9	3,151,311	14
Change in unrecognised deferred tax assets and liabilities	(168,098)	-	960,549	4
Income tax overprovided in prior periods	170,511	1	727,310	3
Income tax withheld at the source of payment	(1,398,371)	(4)	(922,419)	(4)
	(2,534,407)	**(6)**	**(869,805)**	**(4)**

11 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows comprise the following items:

	31 December 2021 KZT'000	31 December 2020 KZT'000
Demand deposits		
National Bank of the Republic of Kazakhstan	13,598,774	1,927,579
Total demand deposits	**13,598,774**	**1,927,579**
Current bank accounts balances		
National Bank of the Republic of Kazakhstan	29,231,424	127,580,592
Other banks		
- rated from AA- to AA+	56,119,283	44,765,922
- rated from A- to A+	6,392,886	308,591
- rated from BBB- to BBB+	1,774,464	13,816
- rated from BB- to BB+	42,412,316	39,405,203
- rated from B- to B+	284	117
- not rated	4,628,920	4,438,752
Total current bank accounts balances	**140,559,577**	**216,512,993**
Reverse repurchase agreements with original maturities of less than three months	171,989,563	24,345,200
Cash on hand	3	386
Gross cash and cash equivalents	**326,147,917**	**242,786,158**
Loss allowance for expected credit losses	(562)	(21)
Net cash and cash equivalents	**326,147,355**	**242,786,137**

As at 31 December 2021, the Group entered into reverse repurchase agreements at Kazakhstan Stock Exchange. The subject of these agreements was notes issued by the National Bank of the Republic of Kazakhstan (31 December 2020: notes of the National Bank of the Republic of Kazakhstan and treasury notes of the Ministry of Finance of the Republic of Kazakhstan). The carrying amount of those agreements and fair value of securities pledged amounted to KZT 171,989,563 thousand and KZT 170,862,275 thousand, respectively (31 December 2020: KZT 24,345,200 thousand and KZT 24,338,488 thousand, respectively).

The credit ratings are presented by reference to the credit ratings of Standard&Poor's credit ratings agency or analogues of similar international agencies. None of cash and cash equivalents are past due.

Concentration of cash and cash equivalents

As at 31 December 2021 the Group had one bank (31 December 2020: one bank), whose balances exceeded 10% of equity. The gross value of these balances as of 31 December 2021 and 31 December 2020 was KZT 55,967,259 thousand and KZT 129,508,171 thousand, respectively.

12 Placements with banks and other financial institutions

	31 December 2021 KZT'000	31 December 2020 KZT'000
Placements with banks and other financial institutions		
rated from BBB- to BBB+	152,953,869	66,468,205
rated from BB- to BB+	17,818,474	55,393,266
not rated	390,470	395,997
Gross placements with banks other financial institutions	**171,162,813**	**122,257,468**
Loss allowance for expected credit losses	(530,545)	(477,966)
Net placements with banks other financial institutions	**170,632,268**	**121,779,502**

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

Concentration of placements with banks

As at 31 December 2021 the Group had placements with one bank (31 December 2020: none), whose balances exceeded 10% of equity. The gross value of these balances as at 31 December 2021 is KZT 126,445,531 thousand.

Movements in the loss allowance on placements with banks and other financial institutions for the twelve months ended 31 December 2021 and 31 December 2020 are as follows:

Analysis of movement in allowance for ECL

	2021		
KZT'000	**Stage 1 12-month expected credit losses**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**Total**
Balance at the beginning of the reporting period	**(41,224)**	**(436,742)**	**(477,966)**
Net recovery/(charge) of loss allowance for expected credit losses	(104,760)	20,417	(84,343)
Derecognised financial assets	26,237	-	26,237
Loss allowance write-off	-	5,527	5,527
Balance at the end of the reporting period	**(119,747)**	**(410,798)**	**(530,545)**

	2020		
KZT'000	**Stage 1 12-month expected credit losses**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**Total**
Balance at the beginning of the reporting period	**(3,370)**	**(447,911)**	**(451,281)**
Net recovery/(charge) of loss allowance for expected credit losses	(37,854)	11,169	(26,685)
Balance at the end of the reporting period	**(41,224)**	**(436,742)**	**(477,966)**

As at 31 December 2019 the Group had deposit with one bank that was fully impaired (31 December 2020: with one bank).

13 Loans to banks

	31 December 2021 KZT'000	31 December 2020 KZT'000
Loans to banks		
rated from BBB- to BBB+	23,155,375	-
rated from BB- to BB+	26,429,351	46,194,114
rated from B- to B+	72,509,037	80,541,255
not rated	3,682,610	3,770,771
Gross loans to banks	**125,776,373**	**130,506,140**
Loss allowance for expected credit losses	(4,741,736)	(5,695,450)
Net loans to banks	**121,034,637**	**124,810,690**

As at 31 December 2021 the Group had no outstanding balances of loans issued to banks whose balances exceed 10% of equity (31 December 2020: none).

(a) Analysis of movements in the allowance for expected credit losses on loans to banks

Movements in the allowance for expected credit losses on loans to banks for the years ended 31 December 2021 and 31 December 2020 are as follows:

	2021			
KZT'000	**Stage 1 12-month expected credit losses**	**Stage 2 Life-time expected credit losses for credit unimpaired assets**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**Total**
Balance at the beginning of the reporting period	**(975,790)**	**(948,889)**	**(3,770,771)**	**(5,695,450)**
Transfer to Stage 1	(439,318)	439,318	-	-
New financial assets originated or purchased	(1,168)	-	-	(1,168)
Net recovery of loss allowance for expected credit losses	695,210	156,134	88,161	939,505
Derecognition of financial assets	15,377	-	-	15,377
Balance at the end of the reporting period	**(705,689)**	**(353,437)**	**(3,682,610)**	**(4,741,736)**

KZT'000	2020 Stage 1 12-month expected credit losses	Stage 2 Life-time expected credit losses for credit unimpaired assets	Stage 3 Life-time expected credit losses for credit impaired assets	Total
Balance at the beginning of the reporting period	**(592,629)**	**(700,219)**	**(4,589,760)**	**(5,882,608)**
Transfer to Stage 2	-	(343,974)	343,974	-
New financial assets originated or purchased	(8,606)	-	-	(8,606)
Net recovery/(charge) of loss allowance for expected credit losses	(374,555)	95,304	464,033	184,782
Write-off	-	-	14,790	14,790
Unwinding of discount on present value of ECLs	-	-	(3,808)	(3,808)
Balance at the end of the reporting period	**(975,790)**	**(948,889)**	**(3,770,771)**	**(5,695,450)**

14 Loans to customers

	31 December 2021 KZT'000	31 December 2020 KZT'000
Loans to customers measured at amortised cost		
Loans to corporate customers	1,780,160,023	1,764,252,815
Mortgage loans	57,076	110,331
Accrued interest	109,060,275	113,783,442
Gross loans to customers measured at amortised cost	**1,889,277,374**	**1,878,146,588**
Loss allowance for expected credit losses	(140,879,810)	(111,292,366)
Total net loans to customers measured at amortised cost	**1,748,397,564**	**1,766,854,222**
Loans to customers measured at fair value through profit or loss	**144,110,433**	**79,061,993**
Total loans to customers	**1,892,507,997**	**1,845,916,215**

In determining the fair value of loans to customers measured at fair value through profit or loss, management made an assumption that the following market rates are appropriate for the Group: from 12.97% to 14.88% in KZT and 2.04% in USD (2020: from 13.90% to 14.81% in KZT and 2.84% in USD). None of the loans to customers measured at fair value through profit or loss are past due.

(a) Analysis of movements in the loss allowance for expected credit losses on loans to customers

Movements in the loss allowance for expected credit losses on loans to customers for the years ended 31 December 2021 and 31 December 2020 are as follows:

	2021				
KZT'000	**Stage 1 12-month expected credit losses**	**Stage 2 Life-time expected credit losses for credit-unimpaired assets**	**Stage 3 Life-time expected credit losses for credit-impaired assets**	**Assets credit-impaired on initial recognition**	**Total**
Balance at the beginning of the reporting period	**(15,699,426)**	**(19,951,453)**	**(72,201,227)**	**(3,440,260)**	**(111,292,366)**
Transfer to Stage 1	(40,926)	40,926	-	-	-
Transfer to Stage 2	297	(1,698,864)	1,698,567	-	-
Transfer to Stage 3	-	6,940,383	(6,940,383)	-	-
New financial assets originated or purchased	(4,799,855)	-	-	-	(4,799,855)
Net recovery/(charge) of loss allowance for expected credit losses	4,479,884	(21,793,811)	(14,296,704)	6,021,458	(25,589,173)
Write-off/(recovery)	-	-	12,199,434	(6,040,904)	6,158,530
Unwinding of discount on present value of ECLs	-	-	(4,617,567)	-	(4,617,567)
Effect of changes in foreign exchange rates	(230,664)	(35,223)	(473,492)	-	(739,379)
Balance at the end of the reporting period	**(16,290,690)**	**(36,498,042)**	**(84,631,372)**	**(3,459,706)**	**(140,879,810)**

	2020				
KZT'000	**Stage 1 12-month expected credit losses**	**Stage 2 Lifetime expected credit losses for credit-unimpaired assets**	**Stage 3 Lifetime expected credit losses for credit-impaired assets**	**Assets credit-impaired on initial recognition**	**Total**
Balance at the beginning of the reporting period	**(4,933,654)**	**(25,669,725)**	**(44,155,856)**	**(4,328,505)**	**(79,087,740)**
Transfer to Stage 2	15,167	(991,459)	976,292	-	-
Transfer to Stage 3	-	5,151,630	(5,151,630)	-	-
New financial assets originated or purchased	(7,565,056)	-	-	-	(7,565,056)
Net recovery/(charge) of loss allowance for expected credit losses	(2,723,407)	1,882,335	(18,464,500)	(155,431)	(19,461,003)
Write-off	-	-	-	1,160,933	1,160,933
Unwinding of discount on present value of ECLs	-	-	(4,265,335)	-	(4,265,335)
Effect of changes in foreign exchange rates	(492,476)	(324,234)	(1,140,198)	(117,257)	(2,074,165)
Balance at the end of the reporting period	**(15,699,426)**	**(19,951,453)**	**(72,201,227)**	**(3,440,260)**	**(111,292,366)**

(b) Analysis of movements in the gross carrying amounts

The note further explains how significant movements in the gross carrying amounts of loans to customers have contributed to changes in allowances for expected credit losses.

The high volume of loans to customers originated during 2021 resulted in the increase of the gross carrying amount of loans to customers by KZT 434,828,137 thousand (2020: KZT 450,370,281 thousand) with a corresponding increase in the loss allowance for expected credit losses measured on a 12-month basis by KZT 4,799,855 thousand (in 2020: KZT 7,565,056 thousand).

During 2021, transfer of loans issued to customers from Stage 1 to Stage 2, with gross carrying amount of KZT 82,184,820 thousand (in 2020: KZT 41,239,713 thousand) contributed to increase in the loss allowance for expected credit losses of KZT 25,946,108 thousand (in 2020: KZT 1,943,659 thousand).

During 2021 loans to customers with the gross carrying amount of KZT 138,529,392 thousand (in 2020: KZT 38,596,200 thousand) were transferred from Stage 2 to Stage 3. During 2021 the Groups increase the loss allowance for expected credit losses on these loans for the total amount of KZT 11,629,834 thousand (in 2020: KZT 14,973,731 thousand).

During 2021 the gross carrying amount of loans to customers categorised into Stage 3 decreased by KZT 64,242,290 thousand due to early repayment of the loans. As a result, the Group decreased the loss allowance for expected credit losses on these loans for the total amount of KZT 42,091,056 thousand. Additionally, during the year the Group recognised a gain in the amount of KZT 8,091,915 thousand as a result of derecognition of these assets due to early repayment. The Group also wrote off assets worth of KZT 7,991,727 thousand against the ECL reserves for these borrowers as the Group does not expect that the loans will be recovered.

During 2021 the Group recognised additional impairment loss and wrote off KZT 4,207,707 thousand as a result of review of the payment schedule for one of the loans to customers classified to Stage 3.

During 2021 loans to customers classified as credit-impaired assets on initial recognition with gross carrying amount of KZT 6,734,737 thousand were repaid. As a result, the Group reversed a previously written off asset of KZT 6,040,904 thousand and recognised income from reversal of the loss allowance for expected credit losses with regard to this asset for the same amount.

Analysis of collateral

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

31 December 2021 KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral - for collateral assessed during reporting date**	**Fair value of collateral - for collateral assessed before reporting date**
Stage 1 (12-month expected credit losses)			
Cash and deposits	3,687,731	3,687,731	-
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	416,643,573	-	-
Bank guarantees and guarantees received from legal entities (not rated)	331,240,766	-	-
Government guarantees	3,011,515	3,011,515	
Vehicles	21,293,250	177,677	21,115,573
Real estate	203,105,220	21,663,241	181,441,979
Equipment	13,104,343	-	13,104,343
Shares	159,746,530	9,445,774	150,300,756
Insurance contracts	88,653,342	-	-
Future assets	263,639,577	19,230,380	244,409,197
No collateral or other credit enhancement	222,690	-	-
Total Stage 1 (12-month expected credit losses)	**1,504,348,537**	**57,216,318**	**610,371,848**

31 December 2021 KZT'000	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed during reporting date	Fair value of collateral - for collateral assessed before reporting date
Stage 2 (Lifetime expected credit losses on assets not credit-impaired)			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	18,888,549	-	-
Bank guarantees and guarantees received from legal entities (not rated)	24,200,000	-	-
Vehicles	175,084	61,340	113,744
Real estate	61,285,077	5,265,655	56,019,422
Equipment	28,265,895	-	28,265,895
Shares	5,014,945	-	5,014,945
Total Stage 2 (Lifetime expected credit losses on assets not credit-impaired)	**137,829,550**	**5,326,995**	**89,414,006**
Total Stage 3 (Lifetime expected credit losses on assets credit-impaired)			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	45,311,948	-	-
Vehicles	215,624	-	215,624
Real estate	51,701,540	-	51,701,540
Total Stage 3 (Lifetime expected credit losses on asset credit-impaired)	**97,229,112**	**-**	**51,917,164**
POCI-assets			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	1,477,609	-	-
Vehicles	290,387	-	290,387
Real estate	7,222,369	-	7,222,369
Total POCI-assets	**8,990,365**	**-**	**7,512,756**

31 December 2020 KZT'000	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed during reporting date	Fair value of collateral - for collateral assessed before reporting date
Stage 1 (12-month expected credit losses)			
Cash and deposits	3,792,528	3,792,528	-
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	433,561,215	-	-
Bank guarantees and guarantees received from legal entities (not rated)	346,445,864	-	-
Government guarantees	3,004,953	3,004,953	
Vehicles	20,845,409	992,207	19,853,202
Real estate	182,355,066	59,549,115	122,805,951
Equipment	8,051,225	6,628,761	1,422,464
Shares, equity shares	106,495,120	9,035,813	97,459,307
Insurance contracts	25,184,716	-	-
Future assets	286,931,037	63,655,649	223,275,388
Total Stage 1 (12-month expected credit losses)	**1,416,667,133**	**146,659,026**	**464,816,312**

31 December 2020 KZT'000	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed during reporting date	Fair value of collateral - for collateral assessed before reporting date
Stage 2 (Lifetime expected on assets not credit-impaired)			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	132,736,952	-	-
Vehicles	323,684	-	323,684
Real estate	102,209,652	51,564,973	50,644,679
Equipment	43,876,395	18,878,231	24,998,164
Total Stage 2 (Lifetime expected credit losses on assets not credit-impaired)	**279,146,683**	**70,443,204**	**75,966,527**
Total Stage 3 (Lifetime expected credit losses on assets are credit-impaired)			
Cash and deposits	2,539,996	2,539,996	-
Bank guarantees and guarantees received from legal entities (not rated)	3,005,338	-	-
Real estate	52,058,934	13,411,139	38,647,795
Equipment	3,087,456	3,087,456	-
Total Stage 3 (Lifetime expected credit losses on assets credit-impaired)	**60,691,724**	**19,038,591**	**38,647,795**
POCI-assets			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	1,768,442	-	-
Vehicles	489,048	198,661	290,387
Real estate	7,324,564	-	7,324,564
Insurance contracts	766,628	-	-
Total POCI-assets	**10,348,682**	**198,661**	**7,614,951**

The tables above exclude overcollateralisation. For loans secured by multiple types of collateral, collateral that is most relevant for assessment of the loss allowance for expected credit losses is disclosed. Certain guarantees and sureties received from individuals, such as shareholders of borrowers, are not considered for impairment assessment purposes.

The recoverability of loans to corporate customers, which are not credit-impaired, is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

(c) Industry analysis of the loan portfolio

Loans were issued to customers located within the Republic of Kazakhstan, which operate in the following economic sectors:

	31 December 2021 KZT'000	31 December 2020 KZT'000
Petrochemicals manufacturing	498,421,402	585,581,324
Metal industry	405,514,563	334,248,733
Mining	309,447,234	297,412,792
Electric power supply, and gas and steam supply, and air conditioning	265,928,570	234,712,997
Machinery manufacturing	112,435,567	92,982,506
Transportation and warehousing	104,910,279	112,478,652
Foodstuff manufacturing	104,059,298	42,340,618
Information and telecommunications	53,068,994	66,354,734
Arts, entertainment and leisure industry	51,658,939	29,443,874
Chemical industry	49,000,868	56,585,736
Catering and accommodation services	47,117,815	77,382,674
Construction materials manufacturing	31,633,160	27,439,568
Financial services	191,118	244,373
	2,033,387,807	**1,957,208,581**
Loss allowance for expected credit losses	(140,879,810)	(111,292,366)
Total loans to customers	**1,892,507,997**	**1,845,916,215**

(d) Significant credit exposures

As at 31 December 2021, the Group had seven borrowers (31 December 2020: six borrowers) whose balances exceeded 10% of equity. The net carrying value of these loans as at 31 December 2021 was KZT 1,001,487,649 thousand (31 December 2020: KZT 1,080,742,887 thousand).

(e) Loan maturities

The maturity of the Group's loan portfolio is presented in Note 32(e), which shows the remaining period from the reporting date to the contractual maturity of the loans.

15 Finance lease receivables

The components of net investments in finance lease as at 31 December 2021 and 31 December 2020 are as follows:

KZT'000	31 December 2021	31 December 2020
Less than 1 year	120,767,858	95,247,727
From 1 to 2 years	91,073,781	73,071,897
From 2 to 3 years	91,615,190	61,410,937
From 3 to 4 years	78,097,926	58,944,968
From 4 to 5 years	70,332,627	52,610,912
More than 5 years	245,732,704	165,260,785
Minimum lease payments	**697,620,086**	**506,547,226**
Less unearned finance income		
Less than 1 year	(41,033,899)	(24,867,538)
From 1 year to 5 years	(107,320,546)	(84,981,851)
More than 5 years	(76,682,799)	(52,247,968)
Less unearned finance income, total	**(225,037,244)**	**(162,097,357)**
Loss allowance for expected credit losses	(21,746,243)	(20,527,760)
Net investment in finance lease	**450,836,599**	**323,922,109**
Embedded derivative financial instrument measured at fair value through profit or loss	1,267,117	2,617,752
Finance lease receivables	**452,103,716**	**326,539,861**

KZT'000	31 December 2021	31 December 2020
Leases to large corporates	239,065,085	140,916,183
Leases to small- and medium-sized companies	233,517,757	203,533,686
Loss allowance for expected credit losses	(21,746,243)	(20,527,760)
Net investment in finance lease	**450,836,599**	**323,922,109**
Embedded derivative financial instrument measured at fair value through profit or loss	1,267,117	2,617,752
Finance lease receivables	**452,103,716**	**326,539,861**

Finance lease origination fees, lease servicing fees and other fees, differences between the actual cost of the lease items and cost of the lease items at the time of their transfer under the finance lease agreement are recognised as deferred income and amortised to interest income over the estimated life of the financial instrument in the amount of KZT 1,564,125 thousand (31 December 2020: KZT 1,801,075 thousand), that is considered to be integral part of the finance lease.

As at 31 December 2021 the Group has 8 lessees or 3 groups of related lessees, whose balances make over 44% of total carrying amount of the lease receivables. As at 31 December 2021 the total carrying amount of receivables from these lessees is KZT 199,034,371 thousand (31 December 2020: KZT 120,197,059 thousand). Up to 92% of the total carrying amount relate to the group of National Company "Kazakhstan Temir Zholy" JSC ("KTZ") and the company, which is economically dependent on KTZ, for the total amount of KZT 183,104,397 thousand that gives rise to risk of credit concentration due to the nature of their business activity and industry specifics.

Movements in the loss allowance for expected credit losses under finance lease agreements for the years ended 31 December 2021 and 2020 are as follows:

	2021			
KZT'000	**Stage 1 12-month expected credit losses**	**Stage 2 Lifetime expected credit losses on assets not credit-impaired**	**Stage 3 Lifetime expected credit losses on assets credit-impaired**	**Total**
Finance lease receivables				
Balance at beginning of the year	**(5,005,407)**	**(4,922,573)**	**(10,599,780)**	**(20,527,760)**
Transfer to Stage 1	(449,378)	449,378	-	-
Transfer to Stage 2	278,086	(278,086)	-	-
Transfer to Stage 3	-	521,720	(521,720)	-
Net remeasurement of loss allowance for expected credit losses	(2,417,382)	990,732	(1,761,719)	(3,188,369)
Write-off	-	-	1,328,490	1,328,490
Transfer to other assets	-	-	302,820	302,820
Unwinding of discount write off	-	-	357,329	357,329
Unwinding of discount for the year	-	-	(18,753)	(18,753)
Balance at the end of the year	**(7,594,081)**	**(3,238,829)**	**(10,913,333)**	**(21,746,243)**

	2020			
KZT'000	**Stage 1 12-month expected credit losses**	**Stage 2 Lifetime expected credit losses on assets not credit-impaired**	**Stage 3 Lifetime expected credit losses on assets credit-impaired**	**Total**
Finance lease receivables				
Balance at beginning of the year	**(2,702,783)**	**(74,558)**	**(9,122,075)**	**(11,899,416)**
Transfer to Stage 2	1,238,209	(1,238,209)	-	-
Transfer from Stage 3	-	(630,001)	630,001	-
Net remeasurement of loss allowance for expected credit losses	(3,540,833)	(2,979,805)	(2,109,114)	(8,629,752)
Unwinding of discount for the year	-	-	1,408	1,408
Balance at the end of the year	**(5,005,407)**	**(4,922,573)**	**(10,599,780)**	**(20,527,760)**

Analysis of movements in the gross carrying amounts

Increase in financing of lease transactions for 2021 caused increase in gross carrying amount of lease portfolio for the total amount of KZT 214,501,267 thousand and respective increase in loss allowance for the portfolio by KZT 9,057,210 thousand, including by stages:

- Stage 1: increase in gross carrying amount of lease portfolio for KZT 161,526,162 thousand and increase in the loss allowance for expected credit losses for the portfolio by KZT 3,563,551 thousand;
- Stage 2: increase in gross carrying amount of lease portfolio by KZT 42,874,113 thousand resulted in increase in the loss allowance for expected credit losses by KZT 1,977,970 thousand;
- Stage 3: increase in gross carrying amount of lease portfolio by KZT 10,100,992 thousand and increase in the loss allowance for expected credit losses by KZT 3,515,689 thousand.

Decrease in the receivables of gross carrying amount of KZT 87,718,929 thousand resulted in decrease in the loss allowance for expected credit losses for the portfolio by KZT 5,868,841 thousand, including by stages:

- Stage 1: decrease in gross carrying amount of lease portfolio by KZT 35,111,468 thousand and decrease in the loss allowance for expected credit losses by KZT 1,146,169 thousand;
- Stage 2: decrease in gross carrying amount of lease portfolio by KZT 44,788,553 thousand and decrease in the loss allowance for expected credit losses by KZT 2,968,702 thousand;

  Stage 3: decrease in gross carrying amount of lease portfolio by KZT 7,818,908 thousand and decrease in the loss allowance for expected credit losses by KZT 1,753,970 thousand.

Embedded derivative financial instrument

The repayment of investment in finance leases of KZT 13,913,560 thousand is linked to appreciation of the rate of the Russian rouble (RUB) against KZT (31 December 2020: KZT 15,893,577 is linked to appreciation of the Russian rouble against KZT). If the rate of RUB rises, the amount receivable is increased by the respective index. If the rate of RUB goes down, the amount receivable is not adjusted below the original amount in KZT. The base for calculation of the embedded derivative includes all future payments under finance lease agreements and contingent liabilities linked to appreciation of RUB against KZT and as at 31 December 2021 amounts to KZT 19,079,705 thousand (31 December 2020: KZT 22,482,285 thousand linked to appreciation of RUB against KZT).

These embedded derivatives were recorded at fair value in the financial statements in finance lease receivables. The estimated amount of the embedded derivatives, which are included in finance lease receivables as at 31 December 2021 is KZT 1,267,117 thousand (31 December 2020: KZT 2,617,752 thousand). Fair value is calculated using a Nelson-Siegel parametric model.

The management uses the following assumptions for valuation of the embedded derivatives:

- risk-free rates are estimated using yield curves for respective currencies and range from 8.548% to 9.661% for RUB, and from 9.265% to 10.309% for KZT (31 December 2020: from 4.808% to 7.155 for RUB and from 8.995% to 9.943% for KZT);
- volatility in the model is defined based on the historical 12-month observations of fluctuations in actual foreign exchange rates;
- no transaction cost is included in the model.

If the spreads between KZT and RUB risk-free rates narrows by 0.5% under all the contracts, the fair value of the embedded derivative financial instrument would increase by KZT 147,190 thousand. Decline in volatility of RUB rates by 50% would result in decrease of the fair value of embedded derivative financial instrument by KZT 184,038 thousand.

Due to early repayment of finance lease receivables by Eastcomtrans LLP on 26 August 2020, according to the decision of the Credit Committee dated 24 August 2020, the Group recognised loss on derecognition of KZT 2,321,403 thousand.

Credit quality of finance lease portfolio

The following table sets out information about the credit quality of the finance lease portfolio as at 31 December 2021:

KZT'000	Stage 1	Stage 2	Stage 3	FVTPL (embedded derivative financial instrument)	Total
Finance leases to large corporates					
- not overdue	194,341,279	8,187,215	11,234,279	889,695	214,652,468
Overdue 30-89 days	25,302,312	-	-	-	25,302,312
Total gross leases to large corporates	**219,643,591**	**8,187,215**	**11,234,279**	**889,695**	**239,954,780**
Loss allowance for expected credit losses	**(989,686)**	**(142,848)**	**(6,912,888)**	**-**	**(8,045,422)**
Total leases to large corporates	**218,653,905**	**8,044,367**	**4,321,391**	**889,695**	**231,909,358**
Finance leases to small- and medium-sized companies					
- not overdue	171,634,723	43,686,970	9,492,762	377,422	225,191,877
- overdue up to 30 days	1,028,003	62,049	-	-	1,090,052
- overdue 30-89 days	1,958,884	3,540,547	45,357	-	5,544,788
- overdue 90-360 days	-	-	934,780	-	934,780
- overdue more than 360 days	-	-	1,133,682	-	1,133,682
Total gross leases to small- and medium-sized companies	**174,621,610**	**47,289,566**	**11,606,581**	**377,422**	**233,895,179**
Loss allowance for expected credit losses	**(6,604,395)**	**(3,095,981)**	**(4,000,445)**	**-**	**(13,700,821)**
Total leases to small- and medium-sized companies	**168,017,215**	**44,193,585**	**7,606,136**	**377,422**	**220,194,358**
Total finance leases	**386,671,120**	**52,237,952**	**11,927,527**	**1,267,117**	**452,103,716**

The following table sets out information about the credit quality of the finance lease portfolio as at 31 December 2020:

KZT'000	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses for assets not credit-impaired	Stage 3 Lifetime expected credit losses for assets credit-impaired	FVTPL (embedded derivative financial instrument)	Total
Finance leases to large corporates					
- not overdue	124,963,487	4,021,692	11,596,278	1,867,642	142,449,099
- overdue 90-360 days	-	334,726	-	-	334,726
Total gross leases to large corporates	**124,963,487**	**4,356,418**	**11,596,278**	**1,867,642**	**142,783,825**
Loss allowance for expected credit losses	**(1,056,901)**	**(117,370)**	**(6,702,924)**	**-**	**(7,877,195)**
Total leases to large corporates	**123,906,586**	**4,239,048**	**4,893,354**	**1,867,642**	**134,906,630**
Finance leases to small- and medium-sized companies					
- not overdue	137,050,933	19,766,656	1,161,537	750,110	158,729,236
- overdue up to 30 days	4,310,865	8,552	38,850	-	4,358,267
Overdue 30-89 days	174,587	3,056,405	11,268	-	3,242,260
- overdue 90-360 days	-	30,203,190	4,872,434	-	35,075,624
- overdue more than 360 days	-	-	2,878,409	-	2,878,409
Total gross leases to small- and medium-sized companies	**141,536,385**	**53,034,803**	**8,962,498**	**750,110**	**204,283,796**
Loss allowance for expected credit losses	**(3,948,506)**	**(4,805,203)**	**(3,896,856)**	**-**	**(12,650,565)**
Total leases to small and medium-sized companies	**137,587,879**	**48,229,600**	**5,065,642**	**750,110**	**191,633,231**
Total finance leases	**261,494,465**	**52,468,648**	**9,958,996**	**2,617,752**	**326,539,861**

As at 31 December 2021, finance lease receivables at Stage 1 overdue 30-89 days, in the amount of KZT 25,302,312 thousand were represented by a leasing transaction of KTZ Express JSC ("Transaction 2"), the delay of which occurred because of the technical reasons - due to the lengthy process of approval of reimbursement of additional expenses included in the total amount of accounts receivable in the amount of KZT 259 thousand. Except for these expenses, the amount of receivables from KTZ Express JSC is not overdue.

As at 31 December 2021, all projects overdue more than 90 days were classified to Stage 3.

As at 31 December 2020, certain projects overdue more than 90 days were not classified by the Group to Stage 3 due to the following factors:

1. Social Entrepreneurial Corporation "Shymkent" JSC (SEC "Shymkent" JSC) (a leaseholder), with a credit rating of "Lower than CCC", 100% subsidiary of the City Administration (Akimat) of Shymkent city, is engaged, jointly with the Group, in phased implementation of projects related to renewal of bus fleet of Shymkent city. The Group, the leaseholder and Akimat of Shymkent city signed a project support agreement under which Akimat undertakes to take all measures to ensure the financial stability of the project.

Under the first phase of the project: a finance lease agreement was concluded in 2018, the city purchased 300 buses; operation of buses has started along the regular routes; the carriers have been receiving subsidies to reduce their costs; lease payments are being made regularly; the amount due as at 31 December 2020 was KZT 7,596,115 thousand. The receivable is included in 'not overdue' category of Stage 2 in the table above.

Under the second stage of the project: a finance lease agreement was concluded in 2019; the city purchased 590 buses; the amount due as at 31 December 2020 was KZT 28,709,898 thousand; lease payments were overdue 92 days at the year-end due to completion of relevant technical and budgetary procedures:

- Significant cash proceeds under the project are funded by the budget subsidies. To get an approval on subsidies to passenger services takes at least 6 months and requires that a carrier has operated buses on the routes at least within 1 month, calculated the amount of a subsidy and proved it at tariff commission, obtained a decision of the City Council agreed on the social importance of the route, and the amount of the subsidy has to be approved to be included in the city budget.
- To optimise tax payments and reduce the monopoly share in the passenger services market, SEC "Shymkent" JSC is planning to transfer all leased items to private carriers in Shymkent city under secondary lease agreements (the current leasing structure is based on the joint operation agreement signed between the leaseholder and private carriers).

Taking into account the above factors, the Group completed technical restructuring of the second phase of the project of SEC "Shymkent" JSC, and is considering implementing the secondary leasing structure against guarantees of SEC "Shymkent" JSC and conclusion of agreements with the Akimat of Shymkent city for the latter to support the project if new leaseholders are having financial difficulties.

The Group has been transacting with SEC "Shymkent" JSC under the finance lease agreements since 2018, and in the past periods, all overdue payments of principal and interest were repaid.

Based on the above, SEC "Shymkent" JSC is not considered 'a default risk'.

2. Kompaniya KHOZU-AVTO LLP has a credit rating of 'Lower than CCC'; the amount due as at 31 December 2020 was KZT 1,381,718 thousand, and lease payments were overdue 95 days; the project had been commissioned. The restrictions brought about by coronavirus caused that the deliveries of leased items to the leaseholder planned for 2020, funded with the republican budget, were transferred to 2021. The leaseholder applied to the Group on 4 December 2020 for postponing lease payments under the project and the Group's competent body approved the decision on the issue in January 2021.

The Group has been transacting with Kompaniya KHOZU-AVTO LLP under the finance lease agreements since 2014. In the past periods, all overdue payments of principal and interest were repaid by the leaseholder. Based on the above, Kompaniya KHOZU-AVTO LLP is not considered 'a default risk'.

Analysis of collateral

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables (net of loss allowance for expected credit losses and excluding embedded derivative financial instrument) as at 31 December 2021, by types of collateral:

31 December 2021 **KZT'000**	**Finance lease receivables, carrying amount**	**Fair value of collateral: for collateral assessed as of reporting date**
Leases for which ECL are measured at the amount up to 12-month ECL:		
Real estate	3,696,204	3,696,204
Vehicles	284,538,036	284,538,036
Equipment	46,795,831	46,795,831
Guarantees from legal entities (rated from BB- to BBB-)	48,011,473	-
No collateral or other credit enhancement	3,629,576	-
Total lease, under which the ECL are within 12 months	**386,671,120**	**335,030,071**
Leases for which ECL are measured at an amount equal to lifetime ECL for assets that are not credit-impaired:		
Real estate	2,961,114	2,961,114
Vehicles	35,884,441	35,884,441
Equipment	13,392,362	13,392,362
No collateral or other credit enhancement	35	-
Total leases for which ECL are measured at an amount equal to lifetime ECL for assets that are not credit-impaired	**52,237,952**	**52,237,917**
Lease under which ECL are measured on the basis of lifetime ECL for credit-impaired assets:		
Real estate	3,078,737	3,078,737
Vehicles	1,883,676	1,883,676
Equipment	6,965,114	6,965,114
Total leases for which ECL are measured at an amount equal to lifetime ECL for assets that are credit-impaired	**11,927,527**	**11,927,527**
Total finance lease receivables	**450,836,599**	**399,195,515**

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables (net of loss allowance and excluding embedded derivative financial instrument) as at 31 December 2020, by types of collateral:

31 December 2020 **KZT'000**	**Finance lease receivables, carrying amount**	**Fair value of collateral: for collateral assessed as of reporting date**
Leases for which ECL are measured at the amount up to 12-month ECL:		
Real estate	2,316,128	2,316,128
Vehicles	189,330,919	189,330,919
Equipment	39,988,684	39,988,684
Guarantees from legal entities (rated from BB- to BBB-)	27,612,776	-
No collateral or other credit enhancement	2,245,958	-
Total leases for which ECL are measured at the amount up to 12-month ECL	**261,494,465**	**231,635,731**

31 December 2020 **KZT'000**	**Finance lease receivables, carrying amount**	**Fair value of collateral: for collateral assessed as of reporting date**
Leases for which ECL are measured at an amount equal to lifetime ECL for assets that are not credit-impaired:		
Real estate	3,689,290	3,689,290
Vehicles	41,992,418	41,992,418
Equipment	6,785,767	6,785,767
No collateral or other credit enhancement	1,173	-
Total leases for which ECL are measured at an amount equal to lifetime ECL for assets that are not credit-impaired	**52,468,648**	**52,467,475**
Leases for which ECL are measured at an amount equal to lifetime ECL for assets that are credit-impaired:		
Real estate	1,027,900	1,027,900
Vehicles	3,817,954	3,817,954
Equipment	5,113,142	5,113,142
Total leases for which ECL are measured at an amount equal to lifetime ECL for assets that are credit-impaired	**9,958,996**	**9,958,996**
Total finance lease receivables	**323,922,109**	**294,062,202**

The tables above exclude overcollateralisation.

For finance lease receivables secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Collateral received from individuals, such as shareholders of small- and medium-sized leaseholders, are not considered for impairment assessment purposes. Therefore, such finance lease receivables and unsecured portions of partially secured exposures are presented as leases without collateral or other credit enhancement.

The recoverability of finance lease receivables, which are neither past due nor credit-impaired, primarily depends on the creditworthiness of lessees rather than the value of collateral.

As at 31 December 2021, the gross carrying amount of credit-impaired finance lease receivables was KZT 22,840,860 thousand, while value of collateral (mostly equipment) securing these finance lease receivables was KZT 11,927,527 thousand. Fair value of collateral is limited by maximum nominal value of finance lease receivables.

As at 31 December 2020, the gross carrying amount of credit-impaired finance lease receivables was KZT 20,558,776 thousand, while value of collateral (mostly equipment) securing these finance lease receivables was KZT 9,958,996 thousand. Fair value of collateral is limited by maximum nominal value of finance lease receivables. Fair value of collateral is limited by maximum nominal value of finance lease receivables.

Foreclosed leased assets

During the year ended 31 December 2021, the Group has foreclosed the leased items in the amount of KZT 3,840,221 thousand (for the period ended 31 December 2020: no leased items were foreclosed).

16 Debt securities

	31 December 2021 **KZT'000**	**31 December 2020** **KZT'000**
Debt securities measured at fair value through other comprehensive income	530,986,083	196,612,124
Debt securities measured at amortised cost	12,445,316	11,698,488
Debt securities measured at fair value through profit or loss	1,087,523	947,067
	544,518,922	**209,257,679**

Debt securities measured at fair value through other comprehensive income

	31 December 2021 KZT'000	31 December 2020 KZT'000
Debt securities of the government bodies of other countries	509,406,147	177,507,946
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	11,549,556	5,476,015
Corporate bonds of Kazakhstan issuers	8,343,390	-
Bonds of foreign banks and financial institutions	1,686,990	-
Bonds of Kazakhstan banks	-	10,945,383
Corporate bonds of non-resident issuers	-	2,682,780
Total debt securities measured at fair value through other comprehensive income	**530,986,083**	**196,612,124**

Debt securities measured at amortised cost

	31 December 2021 KZT'000	31 December 2020 KZT'000
Bonds of SWF "Samruk-Kazyna" JSC	7,502,150	6,991,949
Corporate bonds of Kazakhstan issuers	4,280,947	4,147,789
Bonds of Kazakh banks (POCI-asset)	2,078,197	1,976,863
	13,861,294	**13,116,601**
Loss allowance for expected credit losses	(1,415,978)	(1,418,113)
Total debt securities measured at amortised cost	**12,445,316**	**11,698,488**

Debt securities measured at fair value through profit or loss

	31 December 2021 KZT'000	31 December 2020 KZT'000
Corporate bonds (not rated)	1,087,523	947,067
Total debt securities measured at fair value through profit or loss	**1,087,523**	**947,067**

17 Advances paid under finance lease agreements

	31 December 2021 KZT'000	31 December 2020 KZT'000
Advances paid to suppliers of equipment under finance lease agreements	103,022,524	112,000,242
Cash placed under irrevocable letters of credits	63,543,737	11,172,420
	166,566,261	**123,172,662**
Loss allowance for expected credit losses	(161,195)	(13,665)
Total advances paid under finance lease agreements	**166,405,066**	**123,158,997**

As at 31 December 2021, the loss allowance for expected credit losses of KZT 161,195 thousand was recognised for advances paid under finance lease agreement, related to cash placed under irrevocable letters of credits (31 December 2020: allowance of KZT 13,665 thousand was recognised for advances paid under finance lease agreement), which took into account the terms of restructuring, the financial condition of the counteragent and availability of finished goods for transfer.

During 2020, the advance payment for undelivered leased item was paid back and an impairment allowance of KZT 5,451,754 was disestablished.

Movements in the allowance for expected credit losses on advances paid under finance lease agreements for the years ended 31 December 2021 and 31 December 2020 are as follows:

KZT'000	2021	2020
Balance at the beginning of the year	**(13,665)**	**(5,463,509)**
Net (charge)/recovery of loss allowance for expected credit losses for the year	(147,530)	5,449,844
Balance at the end of the year	**(161,195)**	**(13,665)**

18 Equity investments

KZT'000	31 December 2021	31 December 2020
DBK Equity Fund C.V.	35,687,437	14,841,000
	35,687,437	**14,841,000**

In accordance with the terms and conditions of the Agreement on establishment of the limited liability partnership dated 3 November 2017, concluded by BV Management LLP, DBK Capital Structure B.V. and Kazyna Capital Management JSC (the "Agreement"), which jointly established DBK Equity Fund C.V. (the "Fund"), the gross investments contribution to the Fund amounted to KZT 33,515,000 thousand. The share of the contributions held by the parties are as follows:

- The Group (via DBK Capital Structure B.V.) (Limited Partner A) – 97% ownership interest;
- Kazyna Capital Management JSC (Limited Partner B) – 2.99% ownership interest;
- BV Management LLP (General Partner) - 0.01% ownership interest.

The main purpose to have established the Fund is investing in share capital of corporates whose principal activities are development of infrastructure projects in target areas. The Fund's operations are primarily located in Kazakhstan, while the country of incorporation is the Netherlands.

Nature and extent of the Group's involvement

The Group holds a 97% interest in the Fund via DBK Capital Structure B.V., and being a limited liability partner under the Agreement is not involved in the decision-making process related to the Fund's investing activities. The Fund's management company is the General Partner (BV Management LLP) that is responsible for making investing decisions, and governed by the Investment Policy in accordance with the Agreement. The General Partner is free to select assets for capital investment and makes key decisions on the Fund's operating activities and investees' capital, including budgets and key management remuneration.

The Investment Policy is amended by the General Partner subject to approval by the Supervisory Board. The Group has the right to appoint one of the four members of the Supervisory Board. Significant decisions on investment activity are made by the General Partner upon approval by the Investment Committee. The Group has the right to appoint one of the five members of the Investment Committee.

Under the Agreement, the Group has no right to individually make decisions on re-appointment of the General Partner who manages the Fund. Decisions on re-appointment of the General Partner under the Agreement are made upon joint consent by limited partners. Under the terms of the Agreement, there are certain conditions which are attached to the reappointment of the General Partner, including:

- notification of the General Partner 6 month prior to re-appointment;
- searching for a new general partner who is prepared for buy-out of the predecessor General Partner's rights and obligations;
- a new General Partner is appointed by common consent of the limited liability partners.

These conditions make the General Partner's reappointment process more difficult.

In accordance with the above, under the IFRS 10 *Consolidated Financial Statements,* the Group has no control over the Fund as at 31 December 2021 and 31 December 2020, does not exercise control over the Fund and does not consolidate the Fund.

As the Fund's Investment Policy has been approved in the Agreement, and the Fund is managed by the General Partner in compliance with such Policy without involvement of the limited partners, the Group believes that it does not have a significant impact on the Fund's activity. Thus, the Group accounts for the Fund in compliance with IFRS 9.

Under IFRS 9, there are exceptions to general requirements to the classification of financial instruments related to investments in equity instruments. On initial recognition of an equity investment that is not held for trading, an entity can make an irrevocable decision to present changes in fair value of such investments in OCI. The Group decided to use such exception. As at 31 December 2021 and 31 December 2020 equity investments are recognised by the Group at fair value through other comprehensive income.

During 2021, the Group invested in DBK Equity Fund C.V. (The "Fund") KZT 13,357,640 thousand (in 2020: reduced investment by KZT 4,205,956 thousand).

As at 31 December 2021, the fair value of equity investments of KZT 35,687,437 thousand (31 December 2020: KZT 14,841,000 thousand) was calculated using the adjustment present value of the Fund's net assets. Fair value of the Fund's assets was determined by estimating present value of projected cash flows using market discount rates ranging from 13.7% to 22.0% (as at 31 December 2020: 15.6%-17.94%).

19 Other assets

	31 December 2021 KZT'000	31 December 2020 KZT'000
Other financial assets measured at amortised cost		
Accounts receivable from IFK JSC	10,938,576	24,724,308
Interest unpaid on finance leases under which leased items were foreclosed	562,524	-
Fee and commission income accrued	284,508	347,289
Debtors under legal claims	32,749	14,826
Trade and other receivables	17,575	260,483
Other	27,922	16,249
Total other financial assets measured at amortised cost, gross	**11,863,854**	**25,363,155**
Loss allowance for expected credit losses	(3,564,532)	(2,619,601)
Total other financial assets measured at amortised cost, net	**8,299,322**	**22,743,554**
Other assets at fair value through profit or loss	4,115	14,059
Total financial assets	**8,303,437**	**22,757,613**

	31 December 2021 KZT'000	31 December 2020 KZT'000
Assets foreclosed under lease agreements	2,610,001	2,184,721
Prepayments	573,353	608,148
Non-current assets held for sale	420,138	420,138
Deferred expenses	225,483	-
Assets received as additional collateral	212,817	212,817
Taxes and duties other than income tax	71,527	45,174
Raw materials and supplies	26,481	26,787
Trade and other receivables	24,304	26,923
Government grant receivable (Note 26)	-	6,567,444
Other	29,669	6,414
Total other non-financial assets, gross	**4,193,773**	**10,098,566**
Impairment allowance	(1,516,037)	(1,528,398)
Total non-financial assets	**2,677,736**	**8,570,168**
Total other assets	**10,981,173**	**31,327,781**

As at 31 December 2021, net carrying amount of the past due receivables was KZT 234,615 thousand (31 December 2020: KZT 7,258 thousand).

As part of the work on repayment of the accounts receivable, in March 2021 IFK JSC partially early repaid the receivables from IFK JSC in the amount of KZT 18,980,724 thousand through the sale of collateral pledged by IFK JSC to the Group, taking the following measures:

- making payments against compensation for Eurobonds issued by the Group with a par value of USD 21,400,000 and carrying amount of KZT 9,460,946 thousand as at the date of early repayment of the receivables from IFK JSC;
- directly debiting the term deposit account of IFK JSC in the amount of KZT 10,000,000 thousand.

During the year ended 31 December 2021, the Group recognised a decrease in the discount in respect of receivables from IFK JSC of KZT 3,683,462 thousand due to early repayment, in equity.

As at 31 December 2021, the Group recognised the loss allowance for expected credit losses on the accounts receivable from IFK JSC in the amount equal to lifetime expected credit losses (Stage 2) (31 December 2020: Stage 2).

As at 31 December 2020, the Group recognised the amount due of KZT 6,567,444 thousand related to government grants. As at 31 December 2021, the asset was repaid through receiving a loan from the Parent Company at a below-market rate (Note 26).

Analysis of movements in the loss allowance for expected credit losses

Movements in the loss allowance for expected credit losses for other financial assets for the years ended 31 December 2021 and 31 December 2020 are as follows:

	2021 KZT'000	2020 KZT'000
Balance at the beginning of the year	**(2,619,601)**	**(691,324)**
Net charge of loss allowance for expected credit losses	(694,788)	(1,926,102)
Transfer from finance lease receivables	(299,243)	-
Other changes	(993)	(1,183)
Effect of changes in foreign exchange rates	(737)	(777)
(Recovery)/write-offs for the year	50,830	(215)
Balance at the end of the year	**(3,564,532)**	**(2,619,601)**

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

	2021 KZT'000	2020 KZT'000
Balance at the beginning of the year	**(1,528,398)**	**(1,409,665)**
Net charge of impairment allowance	(165,190)	(179,645)
Transfer from finance lease receivables	(3,577)	-
Write-off for the year	181,128	60,912
Balance at the end of the year	**(1,516,037)**	**(1,528,398)**

20 Deferred tax assets

	31 December 2021 KZT'000	31 December 2020 KZT'000
Deferred tax assets	2,733,734	1,040,108
	2,733,734	**1,040,108**

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2021 and 31 December 2020.

During 2021, movement of temporary differences recognized in profit or loss comprised KZT 3,058,143 thousand (2020: 2,692,513 thousand). Movement of temporary differences in the amount of KZT 1,364,517 thousand was recognized in equity.

21 Derivative financial instruments

(a) The Group's approach to derivative transactions

Information on the Group's derivative financial instruments as at 31 December 2021 and 2020 is as follows:

Type of instrument	Notional amount	Maturity	Payments made by the Group	Payments received by the Group	31 December 2021 KZT'000	31 December 2020 KZT'000
Currency interest rate swap	US Dollar 50,000,000	07/08/2022	Fixed at 8.7% p.a. and KZT 9,382,500 thousand at maturity	USD 50,000,000 at maturity	-	11,489,170
					-	**11,489,170**

During the year ended 31 December 2021, the currency interest rate swap transaction was early terminated through the conclusion of a termination agreement, under which mutual obligations were offset, and the Group received debt securities with fair value of KZT 11,891,000 thousand as at the date of maturity in payment of the fair value of the swap. Securities received are classified as measured at fair value through other comprehensive income. During 2021, the Group recognised in net profit a gain/(loss) of KZT 331,540 thousand on financial instruments measured at fair value through profit or loss.

Information on embedded derivative financial instruments is provided in Note 15.

22 Current accounts and deposits from customers

	31 December 2021 KZT'000	31 December 2020 KZT'000
Current accounts and demand deposits	25,607,904	763,544
Deposits pledged as collateral	4,641,850	1,998,043
Deposits used as collateral for loans issued to customers	162,372	2,807,162
Term deposits from customers	-	10,225,000
	30,412,126	**15,793,749**

As at 31 December 2021, current accounts and deposits from customers serve as collateral for loans issued to customers in the amount of KZT 162,372 thousand (as at 31 December 2020: KZT 2,807,162 thousand).

23 Loans from banks and other financial institutions

	31 December 2021 KZT'000	31 December 2020 KZT'000
Loans with fixed interest rate		
Loans from non-OECD banks	108,745,914	173,962,291
Total loans with fixed interest rate	**108,745,914**	**173,962,291**
Loans with floating interest rate		
Loans from non-OECD banks	474,494,316	497,585,889
Total loans with floating interest rate	**474,494,316**	**497,585,889**
Unamortised portion of borrowing costs	(26,570,249)	(31,540,211)
	556,669,981	**640,007,969**

During the year ended 31 December 2021, the Group early repaid in full two loans from foreign banks in the total amount of USD 262,690 thousand. During the year ended 31 December 2020, the Bank early repaid in full two loans raised from foreign banks in the total amount of EUR 22,266 thousand and USD 12,000 thousand.

During 2021, the Group recognised expenses on early repayment of loans from banks and other financial institutions in the amount of KZT 319,936 thousand (in 2020: KZT 353,434 thousand) (Note 7) and fee and commission expense of KZT 417,590 thousand (in 2020: KZT 277,628 thousand) repaid by the borrowers under the terms of the loan agreements.

During the year ended 31 December 2021 the Group raised three loans from China Development Bank in the total amount of USD 155,467 thousand (in 2020: three loans from China Development Bank in the total amount of USD 310,000 thousand).

On initial recognition of the loans the Group recognised expense of KZT 698,407 thousand (in 2020: total gain of KZT 22,617,282 thousand) (Note 7). The fair value on initial recognition of the loan was calculated using the market interest rate of 2.02% (in 2020: from 4.51% to 7.29% per annum).

As at 31 December 2021, included in loans and deposits from banks and other financial institutes is accrued interest expense of KZT 3,005,396 thousand (31 December 2020: KZT 4,110,025 thousand).

24 Loans from the Parent Company

	31 December 2021 KZT'000	31 December 2020 KZT'000
Loans from the Parent Company	283,338,056	227,596,965
	283,338,056	**227,596,965**

As at 31 December 2021 the loans from the Parent Company comprised thirty-one long-term loans provided by NMH Baiterek JSC (as at 31 December 2020: twenty-four long-term loans). The terms of the loans subsequently extended under these agreements are defined by the terms and conditions of the Government programme.

	Loan amount	Nominal interest rate	Effective interest rate	Borrowing date	Maturity date	Carrying amount 31 December 2021	Carrying amount 31 December 2020
1	75,000,000	0.15	9.75	28.10.2016	27.10.2036	39,604,446	36,192,552
2	10,000,000	0.15	10.30	28.10.2016	27.10.2026	5,255,474	6,036,819
3	12,861,805	0.08	9.75	28.10.2016	27.10.2036	6,775,914	6,183,449
4	17,500,000	0.15	9.42	14.04.2017	29.03.2027	10,175,680	11,553,575
5	18,600,000	0.08	8.78	25.04.2017	13.04.2037	9,972,981	9,182,326
6	80,000,000	0.15	8.78	25.04.2017	20.04.2037	42,949,064	39,596,199
7	10,000,000	0.15	8.91	25.12.2017	10.12.2037	4,926,915	4,538,005
8	10,000,000	0.15	8.48	30.05.2018	06.04.2027	6,844,762	7,799,231
9	13,000,000	0.15	8.48	03.08.2018	25.07.2033	7,949,433	7,346,914
10	12,000,000	0.15	8.50	29.08.2018	08.08.2038	5,921,522	5,475,036
11	12,537,182	0.08	8.46	19.12.2018	07.11.2038	6,046,924	5,584,657
12	10,000,000	0.15	8.72	29.04.2019	12.04.2037	4,906,851	4,527,615
13	14,000,000	0.15	8.80	28.06.2019	14.04.2027	10,151,517	10,426,954
14	23,546,000	0.15	10.80	01.07.2019	03.06.2029	16,305,033	14,749,557
15	11,258,978	0.08	10.89	29.07.2019	21.07.2039	4,224,060	3,817,740
16	11,000,000	0.15	10.37	24.09.2019	18.08.2038	4,455,470	4,052,743
17	18,741,022	0.08	10.57	09.12.2019	29.11.2039	6,954,229	6,303,115
18	6,000,000	0.15	10.59	20.12.2019	27.11.2027	4,435,292	4,018,957
19	20,000,000	0.08	13.46	30.04.2020	15.04.2040	5,648,868	4,983,874
20	10,000,000	0.15	13.44	12.06.2020	01.06.2035	3,787,899	3,352,918
21	30,000,000	0.15	13.08	09.10.2020	17.09.2040	8,420,248	7,477,733
22	20,000,000	0.08	11.83	11.12.2020	03.12.2040	6,002,138	5,380,868
23	13,700,000	0.15	11.82	20.12.2020	02.12.2035	5,459,211	4,900,128
24	22,500,000	0.15	11.36	20.12.2020	03.12.2027	15,691,994	14,116,000
25	10,000,000	0.15	11.44	08.02.2021	23.01.2041	3,904,117	-
26	10,000,000	0.15	10.73	11.08.2021	20.07.2027	7,064,584	-
27	22,000,000	0.15	10.82	11.08.2021	20.07.2036	8,836,317	-
28	16,000,000	0.15	10.66	12.08.2021	20.07.2041	5,086,923	-
29	14,700,000	0.08	10.40	01.09.2021	05.08.2041	4,700,176	-
30	20,000,000	0.15	12.19	10.09.2021	05.08.2041	5,482,649	-
31	20,000,000	0.15	12.36	17.09.2021	05.08.2041	5,397,365	-
Total:						**283,338,056**	**227,596,965**

A loan of KZT 10,000,000 thousand, bearing an interest rate of 0.15% per annum and maturing on 23 January 2041, was received in February 2021. The loan was provided for financing the Karavan Saray Multi-Service Tourist Centre project. The loan was initially recognised at fair value calculated by discounting the loan contractual cash flows using a market interest rate of 11.44%. A discount of KZT 6,449,416 thousand between the fair value and consideration received was settled against an asset in the form of the government grant receivable, which was recognised in 'other assets' and as 31 December 2020 amounted to KZT 6,567,444 thousand. The difference between the discount on the raised loan on initial recognition and the carrying amount of the government grant receivable in the amount of KZT 118,028 thousand was recognised in government grants (Note 26).

A loan of KZT 10,000,000 thousand, bearing an interest rate of 0.15% per annum and maturing on 20 July 2027, was received in August 2021. The loan was granted to provide the long-term lease financing as part of the State Programme of Industrial and Innovative Development of the Republic of Kazakhstan for 2020-2025. On initial recognition the loan was recognised at fair value that was calculated by discounting the contractual cash flows on the loan using the market interest rate of 10.73%. Discount of KZT 3,205,037 thousand between the fair value and consideration received was recognised as a government grant (Note 26).

Loan in the amount of KZT 22,000,000 thousand was received in August 2021; the loan bears an interest rate of 0.15% per annum and is repayable on 20 July 2036. The loan was provided to sell buses under the lease agreements. On initial recognition, the loan was recognised at fair value by discounting the contractual cash flows of the loan using a market interest rate of 10.82%. A discount of KZT 13,498,837 thousand between the fair value and consideration received was recognised as a government grant (Note 26).

The loan in the amount of KZT 16,000,000 thousand was received in August 2021; the loan bears an interest rate of 0.15% per annum and is repayable on 20 July 2041. The loan was provided for lease financing to acquire the technological equipment for production of cast iron. On initial recognition, the loan was recognised at fair value by discounting the contractual cash flows of the loan using a market interest rate of 10.66%. A discount of KZT 11,100,297 thousand between the fair value and consideration received was recognised as a government grant (Note 26).

A loan of KZT 14,700,000 thousand was received in September 2021; the loan bears an interest rate of 0.08% per annum and is repayable on 05 August 2041. The loan was provided to finance the renewal of the passenger car fleet. On initial recognition, the loan was recognised at fair value by discounting the contractual cash flows of the loan using a market interest rate of 10.40%. A discount of KZT 10,148,586 thousand between the fair value and consideration received was recognised as a government grant (Note 26).

Loans in the total amount of KZT 40,000,000 thousand were received in September 2021; the loans bear an interest rate of 0.15% per annum and mature on 05 August 2041. The loans were provided for lease financing of the equipment for production of the main gears of trucks and equipment for manufacturing of tyres. On initial recognition the loans were recognised at fair value by discounting of contractual cash flows using the market interest rates of 12.19% and 12.36%, respectively. The difference of KZT 29,463,722 thousand between the fair value and the amounts received was recognised as a government grant (Note 26).

25 Amounts payable under repurchase agreements

As at 31 December 2021, the Group had direct repurchase agreements signed at KASE. The subject of these agreements were Eurobonds of the state authorities of other countries. The carrying amount of the agreements and the fair value of the pledged securities were KZT 43,189,663 thousand and KZT 43,151,639 thousand, respectively.

26 Government grants

The Group recorded as government grants the benefits obtained by means of low-interest rates borne by loans from the Parent Company, Kazakhstan Housing Company JSC and SWF "Samruk-Kazyna".

	2021 KZT'000	2020 KZT'000
Balance at beginning of the year	**261,838,993**	**210,933,386**
A government grant on loans received from the Government through the Parent Company (Note 24)	67,416,479	83,458,568
A government grant received through issue of bonds (Note 27)	6,601,547	18,456,560
Recovery of the previously recognised amount of the government grant	6,424,809	-
Adjustment to the government grant liability upon receipt of the loan from the Parent Company (Note 24)	(118,028)	-
Early repayment of loans received	(1,089,488)	-
Utilisation of the government grant upon issuance of low interest-rate loans to commercial banks (Note 7)	(134,492)	(14,524,662)
Utilisation of the government grant upon issuance of loans to other borrowers (Note 7)	(20,422,677)	(21,218,881)
Utilisation of the government grant under the concluded finance lease agreements (Note 4)	(14,977,425)	(10,419,019)
Amortisation charge for the year (Note 7)	(4,399,109)	(4,846,959)
Balance at the end of the period	**301,140,609**	**261,838,993**

The Group has an obligation to allocate benefits to the end - borrowers through setting low interest rate on loans. On initial recognition the Group allocated to profit or loss an amount corresponding to the debt relief provided to the borrowers.

During the year ended 31 December 2021, the amount of government grants transferred to profit or loss was KZT 24,956,278 thousand (31 December 2020: KZT 40,590,502 thousand) and was included in other income (Note 7).

During the year ended 31 December 2021, the reversed amount of the government grant includes the amount of recovery of KZT 6,424,809 thousand recognised as a result of the early repayment of loans to banks issued by the Group in previous periods. The Group has decided to recover the government grant liability in respect of these amounts as the Group is required to reinvest these funds under government programmes.

During the year ended 31 December 2021, the Group early repaid a loan of KZT 10,000,000 thousand from SWF "Samruk-Kazyna" JSC. As a result of early repayment of the loan received at the below-market rate, the Group derecognised the liability in respect of the government grant in the amount of KZT 1,089,488 thousand.

As at 31 December 2021 and 2020, the government grants broken by the programmes are presented as follows:

	31 December 2021 KZT'000	31 December 2020 KZT'000
Nurly Zhol – lease financing for replacement of passenger cars fleet of Passenger Carriages JSC	74,144,736	69,175,299
Lease financing for implementation of manufacturing industry projects	61,723,242	22,558,726
Financing of the investment projects under the State Programme of Industrial-Innovative Development of the Republic of Kazakhstan for 2015-2019	49,459,782	68,778,182
Lease financing for lease sale of buses, tractors and combine harvesters	32,560,098	21,029,549
Nurly Zhol - financing export and pre-export lending, domestic car and passenger car manufacturers	22,484,719	23,962,929

	31 December 2021 KZT'000	31 December 2020 KZT'000
Long-term lease financing under the State Programme of Industrial-Innovative Development of the Republic of Kazakhstan for 2020-2025 (former - "Business Roadmap 2020")	20,895,896	23,642,258
Financing the local car manufacturers, through providing the financing under the special terms to commercial banks for the latter to extend loans to individuals - buyers of the locally manufactured cars, and as well as financing legal entities and individual entrepreneurs, which purchase under finance lease agreements motor vehicles and automotive equipment of special purpose, except for agricultural vehicles manufactured in Kazakhstan	15,282,725	15,534,115
Nurly Zhol - financing export and pre-export lending	7,800,771	8,354,344
Financing of the Karavan Saray Multi-Service Tourist Centre project	6,456,799	4,860,818
Redistribution of funds withdrawn, early repaid by STBs, as well as assignment of STB portfolio (rights (claims) to small, medium and large businesses under bank loan agreements) to another STB	6,078,351	-
Financing of agribusiness projects under the Employment Roadmap 2020-2021	1,939,894	-
Nurly Zhol – lease financing of medium and large businesses (including non-residents), which export domestic goods and import products manufactured in the Republic of Kazakhstan, in manufacturing industry	942,472	1,019,969
Financing of the private business projects in the processing industry	884,878	1,070,889
Boosting export of domestic locomotives - by financing export deliveries of Locomotive Kurastyru Zauyty JSC under finance lease agreements	317,702	1,546,556
Financing of a number of industries including textile, gas processing and chemicals	150,201	276,183
Financing, including replacement of sources of financing of the end borrowers which implement investment projects in manufacturing industries	18,343	29,176
Balance at the end of the year	**301,140,609**	**261,838,993**

27 Debt securities issued

	31 December 2021 KZT'000	31 December 2020 KZT'000
Debt securities with fixed interest rate		
Eurobonds denominated in USD	794,520,636	573,035,293
Eurobonds denominated in KZT	262,500,000	162,500,000
Bonds denominated in KZT	697,442,000	543,042,000
	1,754,462,636	**1,278,577,293**
Unamortised discount, net	(59,682,323)	(53,986,275)
	1,694,780,313	**1,224,591,018**
Accrued interest	21,968,419	16,421,697
	1,716,748,732	**1,241,012,715**

Type of instrument	Coupon rate	Effective rate	Date of issue	Maturity date	Carrying amount 31 December 2021	Carrying amount 31 December 2020
Eurobonds XS0248160102	6.00%	6.37%	23.03.2006	23.03.2026	42,332,609	41,183,987
Eurobonds XS0860582435, US25159XAB91	4.125%	5.05%	10.12.2012	10.12.2022	533,624,595	524,929,794
Bonds KZ2C00003002	8.13%	8.30%	29.12.2014	29.12.2024	20,004,660	20,004,846
Bonds KZ2C00003580	14.00%	14.48%	25.05.2016	25.05.2026	65,894,944	65,897,710
Bonds KZ2C00003713	15.00%	15.56%	28.07.2016	28.07.2031	15,948,714	15,949,609
Bonds KZ2C00003648	14.00%	14.49%	01.08.2016	01.08.2026	18,507,801	18,508,203
Bonds KZ2C00003903	10.50%	10.80%	31.05.2017	31.05.2022	20,175,703	20,171,730
Bonds KZ2C00003911	10.50%	10.79%	06.06.2017	06.06.2024	30,201,340	30,199,568
Bonds KZ2C00004000	11.25%	11.57%	22.08.2017	22.08.2032	9,181,506	9,181,762
Bonds KZ2C00004018	11.25%	11.57%	23.08.2017	23.08.2030	9,182,963	9,183,270
Bonds KZ2C00004026	11.00%	11.30%	24.08.2017	24.08.2028	9,171,530	9,171,699
Eurobonds XS1814831563	8.95%	9.54%	04.05.2018	04.05.2023	100,949,295	100,638,352
Bonds KZ2C00005908	10.00%	10.26%	18.06.2019	18.06.2026	27,571,517	27,571,081
Bonds KZ2C00005916	10.27%	10.53%	16.07.2019	16.07.2024	42,922,907	42,923,219
Bonds KZ2C00006286	0.15%	10.64%	07.10.2019	07.10.2039	3,560,815	3,246,794
Bonds KZ2C00004190	11.00%	11.31%	03.12.2019	03.12.2029	30,228,126	30,228,757
Bonds XS2106835262	10.75%	11.38%	12.02.2020	12.02.2025	64,523,229	64,393,630
Bonds KZ2C00006765	0.15%	14.50%	14.05.2020	14.05.2040	1,859,422	1,651,514
Bonds KZ2C00004273	11.00%	13.73%	18.06.2020	18.06.2030	12,434,206	9,309,296
Bonds KZ2C00006864	11.80%	12.15%	28.07.2020	28.07.2025	52,486,090	52,484,867
Bonds KZ2C00006898	11.80%	12.15%	09.12.2020	09.12.2030	50,322,501	50,325,017
Bonds KZ2C00007102	11.80%	12.16%	09.12.2020	09.12.2027	50,321,850	50,322,348
Bonds KZ2C00007011	11.80%	15.14%	11.11.2020	11.11.2030	43,880,806	43,535,662
Eurobonds XS2337670421	10.95%	11.35%	06.05.2021	06.05.2026	101,313,225	-
Eurobonds XS2337670694	2.95%	3.05%	06.05.2021	06.05.2031	215,561,691	-
Bonds KZ2C00007904	7.10%	10.47%	27.10.2021	27.10.2031	26,039,369	-
Bonds KZ2C00007391	11.50%	13.01%	19.03.2021	19.03.2031	48,577,426	-
Bonds KZ2C00008217	12.40%	12.40%	12.11.2021	12.11.2028	50,763,355	-
Bonds KZ2C00004273	11.00%	11.32%	06.12.2021	18.06.2030	19,206,537	-
Total					**1,716,748,732**	**1,241,012,715**

On 19 March 2021, the Group issued debt securities with a total par value of KZT 50,000,000 thousand, bearing an annual interest rate of 11.5% and maturing on 19 March 2031. Debt securities were issued for subsequent provision of lease financing. On initial recognition, the debt securities issued were recognised at fair value calculated by discounting the contractual cash flows on securities using the market interest rate of 13.01%. The discount of KZT 2,511,299 thousand was recognised as additional paid-in capital (net of the income tax of KZT 627,825 thousand) as these financing instruments were provided by the Group's Parent Company at the below-market interest rates, under no additional conditions.

On 6 May 2021, the Group issued Eurobonds denominated in KZT totalling KZT 100,000,000 thousand, with a coupon rate of 10.95% per annum and maturity on 6 May 2026.

On 6 May 2021, the Group issued Eurobonds in the amount of USD 500,000 thousand (equivalent to KZT 213,425,000 thousand as of the issue date) at an interest rate of 2.95% per annum, maturing on 6 May 2031.

On 27 October 2021, the Group issued bonds denominated in KZT totalling KZT 32,200,000 thousand, with a coupon rate of 7.10% per annum and maturity on 27 October 2031. Debt securities were issued for subsequent provision of agribusiness loans. On initial recognition, the debt securities issued were recognised at fair value calculated by discounting the contractual cash flows on securities using the market interest rate of 10.47%. Discount of KZT 6,601,547 thousand was recognised as a government grant.

On 12 November 2021, the Group issued debt securities with a par value of KZT 50,000,000 thousand and maturing on 12 November 2028. Debt securities were repurchased by third parties at a market interest rate of 12.4% per annum.

On 6 December 2021, the Group issued (additionally placed) bonds denominated in KZT totalling KZT 22,200,000 thousand, with a coupon rate of 11.00% per annum and maturity on 18 June 2030.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2021 KZT'000	2020 KZT'000
Balance at 1 January	**1,241,012,715**	**1,051,544,268**
Changes from financing cash flows		
Proceeds from debt securities issued	461,221,410	274,121,565
Repurchase/repayment of debt securities issued	(9,460,946)	(140,861,000)
Total changes from financing cash flows	**451,760,464**	**133,260,565**
Changes from operating cash flows		
Government grants received in the form of discount on debt securities issued at the below-market interest rate	6,601,547	18,456,560
Total changes from operating cash flows	**6,601,547**	**18,456,560**
Other changes		
Interest expense	121,865,295	93,014,664
Discount on initial recognition	(11,537,594)	(27,031,874)
Interest paid	(110,639,729)	(81,540,225)
Effect of movements in exchange rates	17,165,500	53,308,757
Write-off of discount due to early repayment	615,226	-
Other	(94,692)	-
Balance at 31 December	**1,716,748,732**	**1,241,012,715**

28 Subordinated debt

	31 December 2021 KZT'000	31 December 2020 KZT'000
Subordinated debt with fixed interest rate		
Nominal in KZT	364,859,334	364,859,334
Unamortised discount, net	(246,736,848)	(253,790,598)
	118,122,486	**111,068,736**
Accrued interest	94,275	94,274
	118,216,761	**111,163,010**

In case of bankruptcy, the subordinated debt will be repaid once all other Group's liabilities have been repaid in full.

29 Other liabilities

	31 December 2021 KZT'000	31 December 2020 KZT'000
Financial liabilities		
Funds placed by customers as security for letters of credit	80,850,481	20,207,343
Other accrued expenses and accounts payable	585,834	1,004,808
Provision for payments to be made	302,159	306,188
Proceeds from sale of leased items	237,986	494,984
Payables to employees	39,756	69,703
Fee and commission expense accrued	31,703	34,122
Total financial liabilities	**82,047,919**	**22,117,148**
Non-financial liabilities		
Advances received under finance lease agreements	24,078,082	17,750,446
Short-term payables under grant funds	1,728,992	2,225,525
Prepayments	1,479,580	1,146,867
Tax liabilities other than income tax	1,355,895	1,098,932
Provision for interest payments	349,064	379,622
Payables to suppliers of equipment to be transferred under finance lease agreements	320,903	2,922,700
Liabilities under contracts with customers	-	6,304
Other liabilities	119,926	93,567
Total non-financial liabilities	**29,432,442**	**25,623,963**
	111,480,361	**47,741,111**

30 Provisions

	31 December 2021 KZT'000	31 December 2020 KZT'000
Provisions for loan commitments at a below-market rate	9,229,588	2,275,338
Loss allowance for expected credit losses on loan commitments	3,379,576	550,100
	12,609,164	**2,825,438**

31 Share capital

(a) Issued share capital

As at 31 December 2021, the issued and authorised share capital comprised 2,109,590 ordinary shares (31 December 2020: 2,109,270 ordinary shares).

During the year ended 31 December 2021, the Group issued 320 ordinary shares with a nominal value of KZT 38,393,750 each (31 December 2020: 1,450 ordinary shares with a nominal value of KZT 40,000,000 each). All ordinary shares were issued at their nominal value.

Nominal values and number of ordinary shares as at 31 December were as follows:

2021	Number of ordinary shares	Nominal value per share KZT	Paid-up capital KZT'000
Ordinary shares	1,819,519	50,000	90,975,950
Ordinary shares	250,000	668,000	167,000,000
Ordinary shares	30,000	1,000,000	30,000,000
Ordinary shares	5,000	5,000,000	25,000,000
Ordinary shares	1,250	40,000,000	50,000,000
Ordinary shares	1,000	40,000,000	40,000,000
Ordinary shares	625	40,000,000	25,000,000
Ordinary shares	500	40,000,000	20,000,000
Ordinary shares	375	40,000,000	15,000,000
Ordinary shares	320	38,393,750	12,286,000
Ordinary shares	300	40,000,000	12,000,000
Ordinary shares	250	40,000,000	10,000,000
Ordinary shares	250	40,000,000	10,000,000
Ordinary shares	200	40,000,000	8,000,000
Ordinary shares	1	691,560,619	691,561
At 31 December 2021	**2,109,590**	**-**	**515,953,511**

2020	Number of ordinary shares	Nominal value per share KZT	Paid-up capital KZT'000
Ordinary shares	1,819,519	50,000	90,975,950
Ordinary shares	250,000	668,000	167,000,000
Ordinary shares	30,000	1,000,000	30,000,000
Ordinary shares	5,000	5,000,000	25,000,000
Ordinary shares	1,250	40,000,000	50,000,000
Ordinary shares	1,000	40,000,000	40,000,000
Ordinary shares	625	40,000,000	25,000,000
Ordinary shares	500	40,000,000	20,000,000
Ordinary shares	375	40,000,000	15,000,000
Ordinary shares	300	40,000,000	12,000,000
Ordinary shares	250	40,000,000	10,000,000
Ordinary shares	250	40,000,000	10,000,000
Ordinary shares	200	40,000,000	8,000,000
Ordinary shares	1	691,560,619	691,561
At 31 December 2020	**2,109,270**	**-**	**503,667,511**

(b) Net assets per ordinary share

According to the Listing Rules of Kazakhstan Stock Exchange (the "Rules") the Group discloses the carrying amount of ordinary shares as required by the Rules:

	2021 KZT'000	2020 KZT'000
Carrying value of ordinary shares	263.45	242.35

The carrying amount of an ordinary share as at 31 December 2021 is estimated as the amount of consolidated capital decreased by the amount of intangible assets that the Group would be unable to sell to third parties in the amount of KZT 555,774,211 thousand (31 December 2020: KZT 511,180,137 thousand) and divided by a number of outstanding ordinary shares, i.e. 2,109,590 ordinary shares (31 December 2020: 2,109,270 ordinary shares).

(c) Dividends

In accordance with Kazakhstan legislation the Group's distributable dividends are limited to the maximum balance of the Group's retained earnings. No dividends were declared for 2020 during the year ended 31 December 2021 (2020: KZT 3,287,543 thousand). Dividends per ordinary share amounted to KZT 0 (2020: KZT 1,559.69).

32 Risk management

Management of risk is fundamental to the business of the Group and is an essential element of the Group's operations. The major (significant) risks faced by the Group are those related to credit risk, liquidity risk and market risk, which include interest rate, currency and price risks.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits.

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and emerging best practice.

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

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within established risk parameters. The Director of the Risk Management Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks are managed and controlled through a system of Credit Committees and Assets and Liabilities Management Committee (ALCO).

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Apart from the standard credit and market risk analysis, the designated organisation departments monitor financial and non-financial risks by holding regular meetings with operational units in order to obtain judgements in their areas of expertise.

The Bank's Risk Department and internal audit function regularly prepare reports, which cover the Group's significant risks management issues. The reports include observations as to assessment of the effectiveness of the Group's procedures and methodologies, and recommendations for improvement.

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and equity risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The market risk management objectives are to manage and control that exposure to market risk does not fall out of the acceptable parameters, ensuring the optimisation of profitability obtained for risk accepted.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis.

The management of interest rates risk, component of market risk, by monitoring interest rate gap is supplemented by monitoring the sensitivity of the net interest margin to various standard and non-standard interest rate scenarios.

(i) Interest rate risk

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

Interest rate gap analysis

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

31 December 2021 KZT'000	Non-interest bearing	Less than 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Overdue	Carrying amount
ASSETS								
Cash and cash equivalents	54,485,136	271,662,219	-	-	-	-	-	326,147,355
Placements with banks and other financial institutions	642,252	144,507,185	19,885,866	5,596,965	-	-	-	170,632,268
Loans to banks	-	-	-	-	1,554,401	119,480,236	-	121,034,637
Loans to customers	-	262,463,912	341,686,866	58,064,522	527,359,014	697,390,582	5,543,101	1,892,507,997
Finance lease receivables	-	16,278,669	13,140,416	44,140,586	214,236,385	163,267,280	1,040,380	452,103,716
Debt securities		3,497,335	-	44,178	100,508,311	440,469,098	-	544,518,922
Equity investments	35,687,437	-	-	-	-	-	-	35,687,437
Other financial assets	188,430	-	-	-	7,880,618	-	234,389	8,303,437
	91,003,255	**698,409,320**	**374,713,148**	**107,846,251**	**851,538,729**	**1,420,607,196**	**6,817,870**	**3,550,935,769**
LIABILITIES								
Current accounts and deposits from customers	30,412,126	-	-	-	-	-	-	30,412,126
Loans from SWF "Samruk-Kazyna"	-	-	-	6,286,402	2,898,579	2,010,685	-	11,195,666
Loans from the Parent Company	-	7,826	-	-	5,255,474	278,074,756	-	283,338,056
Amounts payable under repurchase agreements	-	43,189,663	-	-	-	-	-	43,189,663
Loans from banks and other financial institutions.	-	232,571,864	221,016,655	1,990,057	97,886,680	3,204,725	-	556,669,981
Debt securities issued	-	1,613,194	21,805,425	533,624,595	566,707,617	592,997,901	-	1,716,748,732
Subordinated debt	-	-	-	-	-	118,216,761	-	118,216,761
Other financial liabilities	82,047,919	-	-	-	-	-	-	82,047,919
	112,460,045	**277,382,547**	**242,822,080**	**541,901,054**	**672,748,350**	**994,504,828**	**-**	**2,841,818,904**
	(21,456,790)	**421,026,773**	**131,891,068**	**(434,054,803)**	**178,790,379**	**426,102,368**	**6,817,870**	**709,116,865**

A summary of the interest gap position for major interest-bearing financial instruments is as follows:

31 December 2020 KZT'000	Non-interest bearing	Less than 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Overdue	Carrying amount
ASSETS								
Cash and cash equivalents	134,501,204	108,284,933	-	-	-	-	-	242,786,137
Placements with banks and other financial institutions	745,176	104,016,933	1,592,941	15,277,317	147,135	-	-	121,779,502
Loans to banks	-	-	-	-	1,916,208	122,894,482	-	124,810,690
Loans to customers	-	269,842,520	317,190,099	56,099,004	393,550,373	802,810,731	6,423,488	1,845,916,215
Finance lease receivables	-	11,182,918	12,802,833	30,484,077	155,320,068	112,095,471	4,654,494	326,539,861
Debt securities	-	10,945,383	-	44,178	7,673,095	190,595,023	-	209,257,679
Equity investments	14,841,000	-	-	-	-	-	-	14,841,000
Other financial assets	404,819	--	-	-	22,348,855	-	3,939	22,757,613
	150,492,199	**504,272,687**	**331,585,873**	**101,904,576**	**580,955,734**	**1,228,395,707**	**11,081,921**	**2,908,688,697**
LIABILITIES								
Current accounts and deposits from customers	5,568,749	-	-	-	10,225,000	-	-	15,793,749
Loans from SWF "Samruk-Kazyna"	-	-	12,306,991		13,459,146	2,200,750	-	27,966,887
Loans from the Parent Company	-	-	-	-	-	227,596,965	-	227,596,965
Loans from banks and other financial institutions.	-	198,331,556	276,133,591	1,965,993	159,221,846	4,354,983	-	640,007,969
Debt securities issued	-	-	803,056	-	855,746,006	384,463,653	-	1,241,012,715
Subordinated debt	-	-	-	-	-	111,163,010	-	111,163,010
Other financial liabilities	22,117,148	-	-	-	-	-	-	22,117,148
	27,685,897	**198,331,556**	**289,243,638**	**1,965,993**	**1,038,651,998**	**729,779,361**	**-**	**2,285,658,443**
	122,806,302	**305,941,131**	**42,342,235**	**99,938,583**	**(457,696,264)**	**498,616,346**	**11,081,921**	**623,030,254**

Average interest rate

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2021 and 2020.

	31 December 2021 Average effective interest rate, %			31 December 2020 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest-bearing assets						
Cash and cash equivalents	8.95%	0.01%	2.00%	8.52%	0.05%	2.00%
Placements with banks and other financial institutions	8.31%	-	-	7.80%	-	-
Loans to banks	10.64%	-	-	10.46%	-	-
Reverse repurchase agreements	9.29%	-	-	8.21%	-	-
Loans to customers	10.32%	5.98%	-	10.91%	5.93%	-
Finance lease receivables	7.38%	-	-	6.71%	-	-
Debt securities measured at fair value through other comprehensive income	7.88%	1.77%	-	7.10%	1.71%	-
Debt securities measured at fair value through profit or loss	12.52%	-	-	12.54%	-	-
Debt securities measured at amortised cost	8.58%	3.97%	-	8.50%	3.97%	-
Interest-bearing liabilities						
Current accounts and deposits from customers	-	-	-	9.46%	-	-
Loans from SWF "Samruk-Kazyna"	5.87%	-	-	5.13%	-	-
Loans from the Parent Company	10.43%	-	-	9.89%	-	-
Amounts payable under repurchase agreements	0.75%	-	-	-	-	-
Loans from banks and other financial institutions	8.77%	4.43%	10.26%	9.15%	4.49%	10.18%
Debt securities issued	11.74%	4.57%	-	11.83%	5.14%	-
Subordinated debt	6.72%	-	-	6.72%	-	-

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Cash flow interest rate sensitivity analysis

An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2021 and 31 December 2020, is as follows:

	31 December 2021		31 December 2020	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	2,738,533	2,738,533	2,551,570	2,551,570
100 bp parallel fall	(2,738,533)	(2,738,533)	(2,551,570)	(2,551,570)

Fair value interest rate sensitivity analysis

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of debt securities at FVOCI due to changes in the interest rates, based on positions existing as at 31 December 2021 and 31 December at 2020 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	31 December 2021		31 December 2020	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	-	(29,335,258)	-	(10,259,850)
100 bp parallel fall	-	31,502,363	-	10,982,249

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency.

The following table shows the currency structure of assets and liabilities at 31 December 2021:

	KZT KZT'000	USD KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
Assets					
Cash and cash equivalents	262,910,977	56,339,517	6,392,460	504,401	326,147,355
Placements with banks and other financial institutions	170,569,863	-	62,405	-	170,632,268
Loans to banks	121,034,637	-	-	-	121,034,637
Loans to customers	1,096,505,507	796,002,490	-	-	1,892,507,997
Finance lease receivables**	452,103,716	-	-	-	452,103,716
Debt securities	16,565,631	527,953,291	-	-	544,518,922
Equity investments	35,687,437	-	-	-	35,687,437
Advances paid under finance lease agreements	166,405,066	-	-	-	166,405,066
Assets to be transferred under finance lease agreements	5,625,927	-	-	-	5,625,927
Investment property	217,830	-	-	-	217,830
Property, plant and equipment and intangible assets	5,988,816	-	-	-	5,988,816
Other assets	10,717,831	262,127	-	1,215	10,981,173
Current tax asset	7,244,522	-	-	-	7,244,522
Deferred tax asset	2,733,734	-	-	-	2,733,734
Total assets	**2,354,311,494**	**1,380,557,425**	**6,454,865**	**505,616**	**3,741,829,400**
Liabilities					
Current accounts and deposits from customers	25,767,427	4,644,687	12	-	30,412,126
Loans from SWF "Samruk-Kazyna"	11,195,666	-	-	-	11,195,666
Loans from the Parent Company	283,338,056	-	-	-	283,338,056
Loans from banks and other financial institutions.	25,060,191	519,186,000	-	12,423,790	556,669,981
Amounts payable under repurchase agreements	-	43,189,663	-	-	43,189,663
Government grants	301,140,609	-	-	-	301,140,609
Debt securities issued	925,229,837	791,518,895	-	-	1,716,748,732
Subordinated debt	118,216,761	-	-	-	118,216,761
Reserves	11,080,950	1,528,214	-	-	12,609,164
Other liabilities	28,958,215	76,124,491	6,397,655	-	111,480,361
Total liabilities	**1,729,987,712**	**1,436,191,950**	**6,397,667**	**12,423,790**	**3,185,001,119**
Net on balance sheet positions as at 31 December 2021	**624,323,782**	**(55,634,525)**	**57,198**	**(11,918,174)**	**556,828,281**

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

	KZT KZT'000	USD KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
Assets					
Cash and cash equivalents	189,859,126	52,411,842	73,628	441,541	242,786,137
Placements with banks and other financial institutions	121,609,724	144,162	25,616	-	121,779,502
Loans to banks	124,810,690	-	-	-	124,810,690
Loans to customers	947,611,605	898,304,610	-	-	1,845,916,215
Finance lease receivables**	326,539,861	-	-	-	326,539,861
Debt securities	13,973,782	195,283,897	-	-	209,257,679
Equity investments	14,841,000	-	-	-	14,841,000
Advances paid under finance lease agreements	123,158,997	-	-	-	123,158,997
Assets to be transferred under finance lease agreements	27,855,425	-	-	-	27,855,425
Investment property	222,507	-	-	-	222,507
Property, plant and equipment and intangible assets	5,991,289	-	-	-	5,991,289
Other assets	22,995,816	8,286,630	45,335	-	31,327,781
Current tax asset	963,526	-	-	-	963,526
Deferred tax asset	1,040,108	-	-	-	1,040,108
Derivative financial instruments*	668,474	-	-	-	668,474
Total assets	**1,922,141,930**	**1,154,431,141**	**144,579**	**441,541**	**3,077,159,191**
Liabilities					
Current accounts and deposits from customers	11,073,483	4,720,253	13	-	15,793,749
Loans from SWF "Samruk-Kazyna"	27,966,887	-	-	-	27,966,887
Loans from the Parent Company	227,596,965	-	-	-	227,596,965
Loans from banks and other financial institutions.	26,362,524	599,892,271	-	13,753,174	640,007,969
Government grants	261,838,993	-	-	-	261,838,993
Debt securities issued	674,898,934	566,113,781	-	-	1,241,012,715
Subordinated debt	111,163,010	-	-	-	111,163,010
Reserves	2,475,613	349,825	-	-	2,825,438
Other liabilities	25,923,890	21,738,902	59,740	18,579	47,741,111
Derivative financial instruments*	-	842,304	-	-	842,304
Total liabilities	**1,369,300,299**	**1,193,657,336**	**59,753**	**13,771,753**	**2,576,789,141**
Net on balance sheet positions as at 31 December 2020	**552,841,631**	**(39,226,195)**	**84,826**	**(13,330,212)**	**500,370,050**
Notional amount of derivative liabilities as at 31 December 2020*	(9,382,500)	21,045,500	-	-	11,663,000
Net on and off balance sheet positions as at 31 December 2020	**543,459,131**	**(18,180,695)**	**84,826**	**(13,330,212)**	**512,033,050**

*The notional amounts and fair value adjustments of the derivative financial instruments are presented separately as off balance and on balance components, respectively, for better presentation of net positions in foreign currencies that is used as a basis for sensitivity analysis.

** Finance lease receivables for the year ended 31 December 2021 comprise the amount of embedded derivative of KZT 1,267,117 thousand (31 December 2020: KZT 2,617,752 thousand).

An analysis of sensitivity of profit or loss for the year and equity to changes in the foreign currency exchange rates based on positions, and embedded derivatives, existing as at 31 December 2021 and 2020 and a simplified scenario of change in US Dollar, Euro and other currencies to Kazakhstan Tenge exchange rates is as follows:

	2021		2020	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
20% appreciation of USD against KZT	(8,901,524)	(8,901,524)	(2,908,911)	(2,908,911)
5% depreciation of USD against KZT	2,225,381	2,225,381	727,228	727,228
20% appreciation of EUR against KZT	9,152	9,152	13,572	13,572
5% depreciation of EUR against KZT	(2,288)	(2,288)	(3,393)	(3,393)
20% appreciation of other currencies against KZT	(1,906,908)	(1,906,908)	(2,132,834)	(2,132,834)
5% depreciation of other currencies against KZT	476,727	476,727	533,208	533,208

This analysis is on a net-of-tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular, interest rates, remain constant.

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance position and off-balance position exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. Loans to customers, finance lease receivables, placements with banks and other financial institutions, amounts receivable under reverse repurchase agreements, debt securities at FVOCI and accounts receivable are subject to credit risk. The Group's exposure is monitored on an ongoing basis.

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis, focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Department and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax Departments, depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. Revaluation procedures are based on analysis of the financial statements of the borrower as at the latest reporting date, or other information provided by the borrower itself or otherwise obtained by the Group.

Apart from individual customer analysis, the credit portfolio is assessed by the departments responsible for risk management with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

	31 December 2021 KZT'000	31 December 2020 KZT'000
ASSETS		
Cash and cash equivalents	326,147,355	242,786,137
Placements with banks and other financial institutions	170,632,268	121,779,502
Loans to banks	121,034,637	124,810,690
Loans to customers	1,892,507,997	1,845,916,215
Finance lease receivables	452,103,716	326,539,861
Debt securities	544,518,922	209,257,679
Advances paid under finance lease agreements	166,405,066	123,158,997
Other financial assets	8,303,437	22,757,613
Derivative financial instruments	-	11,489,170
Total maximum exposure	**3,681,653,398**	**3,028,495,864**

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 34.

Offsetting financial assets and liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position, or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the 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. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

The Group'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 Group's sale and repurchase, reverse sale and repurchase transactions, and securities borrowings and lendings are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

The above ISDA and similar master netting arrangements do not meet the criteria for offsetting 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 Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The following table provides information on financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2021:

KZT'000

Types of financial assets/liabilities	Gross amounts of recognised financial assets/liabilities	Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral (received)/pledged	
Financial assets						
Reverse repurchase agreements with original maturities of less than three months	171,989,563	-	171,989,563	(170,862,275)	-	1,127,288
Loans to customers	17,807,397	-	17,807,397	-	(162,372)	17,645,025
Total financial assets	**189,796,960**	**-**	**189,796,960**	**(170,862,275)**	**(162,372)**	**18,772,313**
Financial liabilities						
Current accounts and deposits from customers	(162,372)	-	(162,372)	162,372	-	-
Amounts payable under repurchase agreements	(43,189,663)	-	(43,189,663)	43,151,639	-	(38,024)
Total financial liabilities	**(43,352,035)**	**-**	**(43,352,035)**	**43,314,011**	**-**	**(38,024)**

The following table provides information on financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020:

KZT'000

Types of financial assets/liabilities	Gross amount of recognised financial assets/liabilities	Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments (including non-cash collateral)	Related amounts not offset in the consolidated statement of financial position: Cash collateral (received)/pledged	Net amount
Financial assets						
Reverse repurchase agreements with original maturities of less than three months	24,345,200	-	24,345,200	(24,338,488)	-	6,712
Loans to customers	13,424,436	-	13,424,436	-	(2,807,162)	10,617,274
Other financial assets	22,348,856	-	22,348,856	(8,887,233)	(10,225,000)	3,236,623
Total financial assets	**60,118,492**	**-**	**60,118,492**	**(33,225,721)**	**(13,032,162)**	**13,860,609**
Financial liabilities						
Current accounts and deposits of customers	(13,032,162)	-	(13,032,162)	13,032,162	-	-
Debt securities issued	(8,887,233)	-	(8,887,233)	8,887,233	-	-
Total financial liabilities	**(21,919,395)**	**-**	**(21,919,395)**	**21,919,395**	**-**	**-**

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:

- derivative assets and liabilities – fair value;
- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost. The amounts in the above tables that are offset in the consolidated statement of financial position are measured on the same basis.

(d) Liquidity risk

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

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Management Board of the Group has approved Liquidity Management Rules to determine methods and procedures to manage liquidity.

The liquidity management rules require:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flows;
- maintaining liquidity and funding contingency plans.

The Treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored and is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a monthly basis. Decisions on liquidity management are made by ALCO.

The following table shows liabilities on a consolidated basis by remaining contractual maturity dates as at 31 December 2021. Unrecognised commitments are discussed in Note 34.

	Demand and less than 1 month KZT'000	From 1 to 3 months KZT'000	From 3 to 6 months KZT'000	From 6 to 12 months KZT'000	More than 1 year KZT'000	Total KZT'000	Carrying amount KZT'000
Non-derivative financial liabilities							
Current accounts and deposits from customers	25,607,904	-	-	4,642,114	162,108	30,412,126	30,412,126
Loans from SWF "Samruk-Kazyna"	-	-	352,042	6,618,375	5,515,881	12,486,298	11,195,666
Loans from the Parent Company	-	1,248,625	6,306,051	8,101,943	575,331,221	590,987,840	283,338,056
Amounts payable under repurchase agreements	43,189,663	-	-	-	-	43,189,663	43,189,663
Loans from banks and other financial institutions.	15,322,549	2,130,118	9,330,420	34,171,346	600,314,790	661,269,223	556,669,981
Debt securities issued	6,180,350	10,200,952	69,180,689	612,430,797	1,777,510,544	2,475,503,332	1,716,748,732
Subordinated debt	-	118,243	75,000	193,243	369,919,313	370,305,799	118,216,761
Other financial liabilities	81,415,880	44,595	10,150	460,515	116,779	82,047,919	82,047,919
Total liabilities	**171,716,346**	**13,742,533**	**85,254,352**	**666,618,333**	**3,328,870,636**	**4,266,202,200**	**2,841,818,904**
Credit related commitments	**222,368,358**	**22,921,561**	**14,097,723**	**22,477,325**	**90,969,789**	**372,834,756**	-

The Group assumes that will be able to obtain sufficient funding from a variety of sources, mainly being drawings on unutilised credit facilities opened by foreign banks and loans from the Parent Company in case of claims under any commitments. Moreover, the Group on a constant basis makes assessments of liquidity risk to avoid any payment shortfalls.

The following table shows liabilities on a consolidated basis by remaining contractual maturity dates as at 31 December 2020. Unrecognised commitments are discussed in Note 34.

	Demand and less than 1 month KZT'000	From 1 to 3 months KZT'000	From 3 to 6 months KZT'000	From 6 to 12 months KZT'000	More than 1 year KZT'000	Total KZT'000	Carrying amount KZT'000
Non-derivative financial liabilities							
Current accounts and deposits from customers	988,543	-	225,000	2,713,264	16,349,442	20,276,249	15,793,749
Loans from SWF "Samruk-Kazyna"	-	-	12,915,163	27,809	17,815,899	30,758,871	27,966,887
Loans from the Parent Company	9,750	1,206,542	1,687,282	4,082,029	476,543,532	483,529,135	227,596,965
Loans from banks and other financial institutions.	20,247,901	2,274,429	19,142,116	41,034,809	680,002,852	762,702,107	640,007,969
Debt securities issued	6,180,350	7,294,506	35,920,608	49,395,464	1,692,282,014	1,791,072,942	1,241,012,715
Subordinated debt	-	118,243	75,000	193,243	370,305,799	370,692,285	111,163,010
Other financial liabilities	21,187,055	369,915	47,972	205,549	306,657	22,117,148	22,117,148
Derivative financial instruments							
Addition	(21,045,500)	-	-	-	-	(21,045,500)	(11,489,170)
Disposal	9,382,500	-	-	-	-	9,382,500	-
Total liabilities	**36,950,599**	**11,263,635**	**70,013,141**	**97,652,167**	**3,253,606,195**	**3,469,485,737**	**2,274,169,273**
Credit related commitments	**75,039,369**	**43,741,179**	**6,513,770**	**26,662,395**	**58,261,700**	**210,218,413**	**-**

(e) Maturity

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2021.

	On demand KZT'000	Less than 1 month KZT'000	From 1 to 3 months KZT'000	From 3 months to 1 year KZT'000	From 1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Assets									
Cash and cash equivalents	154,158,354	171,989,001	-	-	-	-	-	-	326,147,355
Placements with banks and other financial institutions	145,139,374		10,063	25,482,831	-	-	-	-	170,632,268
Loans to banks	-				1,554,401	119,480,236	-	-	121,034,637
Loans to customers	-	909,315	21,162,729	96,889,187	594,897,210	1,173,106,455	-	5,543,101	1,892,507,997
Finance lease receivables	-	7,610,235	8,668,434	57,281,002	214,236,385	163,267,280	-	1,040,380	452,103,716
Debt securities	-	-	3,497,335	44,178	100,508,311	440,469,098	-	-	544,518,922
Equity investments	-	-	-	-	-	-	35,687,437	-	35,687,437
Investment property	-	-	-	-	-	-	217,830	-	217,830
Property, plant and equipment and intangible assets	-	-	-	-	-	-	5,988,816	-	5,988,816
Advances paid under finance lease agreements	-	-	417,810	40,385,807	118,291,662	7,309,787	-	-	166,405,056
Assets to be transferred under finance lease agreements	-	-	-	3,709,493	1,916,434	-	-	-	5,625,927
Other assets	389,500	58,624	153,006	336,183	8,139,450	-	1,669,795	234,615	10,981,173
Current tax asset	-	-	136	7,244,386	-	-	-	-	7,244,522
Deferred tax asset	-	-	-	-	-	2,733,734	-	-	2,733,734
Total assets	**299,687,228**	**180,567,175**	**33,909,513**	**231,373,067**	**1,039,543,853**	**1,906,366,590**	**43,563,878**	**6,818,096**	**3,741,829,400**

	On demand KZT'000	Less than 1 month KZT'000	From 1 to 3 months KZT'000	From 3 months to 1 year KZT'000	From 1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Liabilities									
Current accounts and deposits from customers	25,607,904	-	-	4,642,114	1,561	160,547	-	-	30,412,126
Loans from SWF "Samruk-Kazyna"	-	-	-	6,286,402	2,898,579	2,010,685	-	-	11,195,666
Loans from the Parent Company	-	-	7,826	-	5,255,474	278,074,756	-	-	283,338,056
Amounts payable under repurchase agreements		43,189,663							43,189,663
Loans from banks and other financial institutions.	-	73,524	133,514	2,745,865	97,886,680	455,830,398	-	-	556,669,981
Government grants	-	1,498,787	2,899,201	12,307,418	73,008,559	211,426,644	-	-	301,140,609
Debt securities issued	-	-	1,613,194	555,430,020	566,707,617	592,997,901	-	-	1,716,748,732
Subordinated debt	-	-	-	-	-	118,216,761	-	-	118,216,761
Other liabilities	82,332,258	1,067,427	7,028,202	6,714,109	13,039,481	1,290,612	-	8,272	111,480,361
Reserves	-	-	10,759	10,035,325	2,563,080	-	-	-	12,609,164
Total liabilities	**107,940,162**	**45,829,401**	**11,692,696**	**598,161,253**	**761,361,031**	**1,660,008,304**	**-**	**8,272**	**3,185,001,119**
Net position as at 31 December 2021	**191,747,066**	**134,737,774**	**22,216,817**	**(366,788,186)**	**278,182,822**	**246,358,286**	**43,563,878**	**6,809,824**	**556,828,281**

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2020.

	On demand KZT'000	Less than 1 month KZT'000	From 1 to 3 months KZT'000	From 3 months to 1 year KZT'000	From 1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Assets									
Cash and cash equivalents	218,440,937	24,345,200	-	-	-	-	-	-	242,786,137
Placements with banks and other financial institutions	-	104,762,109	-	16,870,258	147,135	-	-	-	121,779,502
Loans to banks	-				1,916,208	122,894,482	-	-	124,810,690
Loans to customers	-	542,493	20,732,441	76,798,435	477,049,191	1,264,370,167	-	6,423,488	1,845,916,215
Finance lease receivables	-	4,728,245	6,454,673	43,286,910	155,320,068	112,095,471	-	4,654,494	326,539,861
Debt securities	-	10,945,383	-	44,178	7,673,095	190,595,023	-	-	209,257,679
Equity investments	-	-	-	-	-	-	14,841,000	-	14,841,000
Investment property	-	-	-	-	-	-	222,507	-	222,507
Property, plant and equipment and intangible assets	-	-	-	-	-	-	5,991,289	-	5,991,289
Advances paid under finance lease agreements	-	494,361	36,439,172	22,786,261	63,439,203	-	-	-	123,158,997
Assets to be transferred under finance lease agreements	-	1,039,023	18,703,788	8,112,614	-	-	-	-	27,855,425
Other assets	486,628	6,731,286	150,033	298,031	22,432,860	-	1,221,685	7,258	31,327,781
Current tax asset	-	-	30	963,496	-	-	-	-	963,526
Deferred tax asset	-	-	-	-	-	1,040,108	-	-	1,040,108
Derivative financial instruments	-	-	-	-	11,489,170	-	-	-	11,489,170
Total assets	**218,927,565**	**153,588,100**	**82,480,137**	**169,160,183**	**739,466,930**	**1,690,995,251**	**22,276,481**	**11,085,240**	**3,087,979,887**

	On demand KZT'000	Less than 1 month KZT'000	From 1 to 3 months KZT'000	From 3 months to 1 year KZT'000	From 1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Liabilities									
Current accounts and deposits from customers	763,543	-	-	2,263,264	10,226,946	2,539,996	-	-	15,793,749
Loans from SWF "Samruk-Kazyna"	-	-	-	12,306,991	13,459,146	2,200,750	-	-	27,966,887
Loans from the Parent Company	-	-	-	-	-	227,596,965	-	-	227,596,965
Loans from banks and other financial institutions.	-	73,962	1,729,928	2,448,989	242,446,844	393,308,246	-	-	640,007,969
Government grants	-	1,154,261	2,233,873	9,212,063	55,706,901	193,531,895	-	-	261,838,993
Debt securities issued	-	-	-	803,056	855,746,006	384,463,653	-	-	1,241,012,715
Subordinated debt	-	-	-	-	-	111,163,010	-	-	111,163,010
Other liabilities	21,353,966	1,601,967	11,834,276	11,091,392	897,661	961,849	-	-	47,741,111
Reserves	-	-	845,539	1,651,068	328,831	-	-	-	2,825,438
Total liabilities	**22,117,509**	**2,830,190**	**16,643,616**	**39,776,823**	**1,178,812,335**	**1,315,766,364**	**-**	**-**	**2,575,946,837**
Net position as at 31 December 2020	**196,810,056**	**150,757,910**	**65,836,521**	**129,383,360**	**(439,345,405)**	**375,228,887**	**22,276,481**	**11,085,240**	**512,033,050**

33 Capital management

The Group defines capital as its total equity measured in accordance with IFRS.

In accordance with legislation, as at 31 December 2021 and 2020 the Group was not subject to capital requirements set by the National Bank of the Republic of Kazakhstan.

The Group is subject to minimum capital and maximum debt-to-equity ratio requirements established by covenants under certain liabilities incurred by the Group. As at 31 December 2021 and 31 December 2020, the Group complied with all externally imposed capital adequacy requirements.

34 Credit related commitments

At any time, the Group has outstanding credit related commitments to extend credit. These credit related commitments take the form of approved loans and overdrafts, and are cancellable on certain conditions. The Group plans to fund these commitments with the issue of debt securities, loans from the Parent Company and a number of foreign counterparties.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The 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 letters of credit represent the maximum accounting loss that would be recognised at the consolidated statement of financial position date if counterparties failed completely to perform as contracted.

	31 December 2021 KZT'000	31 December 2020 KZT'000
Contracted amount		
Loan and finance lease commitments	367,631,083	204,832,389
Letters of credit, guarantees and other commitments related to settlement operations	5,203,673	5,386,024

The Group uses the same credit control and management policies in undertaking unrecognised commitments as it does for recognised operations.

As at 31 December 2021, included in loan, credit line and finance lease commitments related to settlement operations is the amount of KZT 166,244,374 thousand, related to twelve borrowers (2020: KZT 48,168,567 thousand, related to four borrowers), which, if aggregated with current amount of loans in the amount of KZT 551,030,492 thousand (2020: KZT 369,113,733 thousand), carrying value will comprise a significant credit exposure.

The total outstanding credit related contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

35 Contingencies

(a) 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 Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigations

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions or the results of future operations.

(c) 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, in particular recognition of income, expenses and other items of the financial statements under IFRS. 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.

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

36 Related party transactions

(a) Control relationships

As at 31 December 2021 and 31 December 2020 the Group's controlling party is National Management Holding "Baiterek" JSC. The party with ultimate control over the Group is the Government of the Republic of Kazakhstan.

Publicly available financial statements will be produced by the Group's Parent Company; however, no publicly available financial statements are produced by the Group's ultimate controlling party.

(b) Transactions with the members of the Board of Directors and the Management Board, Managing Directors

Total remuneration included in payroll and related taxes (refer to Note 9) is as follows:

	2021 KZT'000	2020 KZT'000
Members of the Board of Directors and the Management Board, Managing Directors	586,691	632,794

The above amounts include cash benefits in respect of the members of the Board of Directors and the Management Board, Managing Directors.

(c) Transactions with other related parties

Other related parties comprise the State, national companies and organisations, including the National Bank of the Republic of Kazakhstan, the Ministry of Finance of the Republic of Kazakhstan, SWF "Samruk-Kazyna" and its subsidiaries.

The outstanding balances and the related average contractual interest rates as at 31 December 2021 and 2020 and related profit or loss amounts of transactions for the years ended 31 December 2021 and 2020 with other related parties are as follows.

31 December 2021	Parent Company		Other subsidiaries of the Parent Company		Other companies and state organisations		Total
	KZT'000	Average nominal interest rate	KZT'000	Average nominal interest rate	KZT'000	Average nominal interest rate	KZT'000
Statement of financial position							
ASSETS							
Cash and cash equivalents	-	-	-	-	183,055,699	-	183,055,699
Placements with banks and other financial institutions	-	-	126,445,531	8.25	-	-	126,445,531
Loans to customers	-	-	134,042	-	341,031,660	9.57	341,165,702
Finance lease receivables	-	-	147,447	-	273,051,962	8.32	273,199,409
Debt securities	-	-	-	-	31,670,671	0.77	31,670,671
Equity investments	-	-	35,687,437	-	-	-	35,687,437
Advances paid under finance lease agreements	-	-	-	-	19,838,093	-	19,838,093
Current tax asset	-	-	-	-	7,244,522	-	7,244,522
Other assets	48,510	-	1,047	-	615,044	-	664,601
Deferred tax assets	-	-	-	-	2,733,734	-	2,733,734
LIABILITIES							
Current accounts and deposits from customers	-	-	301,282	-	143,847	-	445,129
Loans from SWF "Samruk-Kazyna"	-	-	-	-	11,195,666	0.30	11,195,666
Loans from the Parent Company	283,338,056	0.13	-	-	-	-	283,338,056
Loans from banks and other financial institutions.	-	-	17,001,554	1.00	-	-	17,001,554
Amounts payable under repurchase agreements	-	-	-	-	43,189,663	0.75	43,189,663
Government grants	-	-	884,878	-	300,255,731	-	301,140,609
Debt securities issued	219,141,952	10.66	26,783,399	10.79	275,340,317	10.21	521,265,668
Subordinated debt	110,714,610	0.15	-	-	7,502,151	0.01	118,216,761
Other liabilities	-	-	11,012	-	7,455,509	-	7,466,521

2021	Parent Company	Other subsidiaries of the Parent Company	Other companies and state organisations	Total
	KZT'000	KZT'000	KZT'000	KZT'000
Profit				
Interest income calculated using the effective interest method	-	6,374,309	54,328,170	60,702,479
Other interest income	-	-	21,810,222	21,810,222
Interest expense	(53,629,429)	(2,287,038)	(32,421,273)	(88,337,740)
Fee and commission income	-	-	541,634	541,634
Fee and commission expense	(42,293)	-	(161,507)	(203,800)
Net foreign exchange gain	-	6,255	187,386	193,641
Net receipts from financial instruments at fair value through profit or loss	-	331,539	110,730	442,269
Impairment losses on debt financial assets	-	(292,297)	(34,339,446)	(34,631,743)
Impairment losses on loan commitments and financial guarantee contracts	-	-	(144,739)	(144,739)
Other income/(expenses)	-	(414,779)	23,412,480	22,997,701
General administrative expenses	-	(1,373)	(901,573)	(902,946)
Income tax expense	-	-	(2,534,407)	(2,534,407)

During the year ended 31 December 2021 the amount of KZT 24,956,278 thousand was transferred to profit or loss to compensate the Group's losses incurred as a result of issuance of loans at lower than market rates in accordance with the conditions of the Government Programmes (Note 26).

As at 31 December 2021, the Group obtained as collateral from other subsidiaries of the Parent Company the insurance contracts and guarantees for the total amount of KZT 117,432,795 thousand to secure loans to customers and from other companies and state organisations for the total amount of KZT 495,804,683 thousand (2020: KZT 52,315,467 thousand and KZT 534,742,863 thousand, respectively).

31 December 2020	**Parent Company**		**Other subsidiaries of the Parent Company**		**Other companies and state organisations**		**Total**
	KZT'000	**Average nominal interest rate**	**KZT'000**	**Average nominal interest rate**	**KZT'000**	**Average nominal interest rate**	**KZT'000**
Statement of financial position							
ASSETS							
Cash and cash equivalents	-	-	-	-	139,506,705	-	139,506,705
Placements with banks and other financial institutions	-	-	25,722,872	7.50	-	-	25,722,872
Loans to customers	-	-	134,042	-	467,753,389	8.86	467,887,431
Finance lease receivables	-	-	193,566	-	197,784,202	6.00	197,977,768
Debt securities	-	-	-	-	16,608,246	0.38	16,608,246
Equity investments	-	-	14,841,000	-	-	-	14,841,000
Advances paid under finance lease agreements	-	-	-	-	36,078,383	-	36,078,383
Current tax asset	-	-	-	-	963,526	-	963,526
Other assets	6,614,284	-	22,351,193	-	452,497	-	29,417,974
Deferred tax assets	-	-	-	-	1,040,108	-	1,040,108
Derivative financial instruments	-	-	11,489,170	-	-	-	11,489,170
LIABILITIES							
Current accounts and deposits from customers	-	-	10,591,260	9.00	116,755	-	10,708,015
Loans from SWF "Samruk-Kazyna"	-	-	-	-	27,966,887	0.27	27,966,887
Loans from the Parent Company	227,596,965	0.13	-	-	-	-	227,596,965
Loans from banks and other financial institutions.	-	-	16,067,732	1.00	-	-	16,067,732
Government grants	-	-	1,070,889	-	260,768,104	-	261,838,993
Debt securities issued	144,183,028	11.80	16,463,932	6.90	272,822,694	10.20	433,469,654
Subordinated debt	104,171,061	0.15	-	-	6,991,949	0.01	111,163,010
Reserves	-	-	-	-	841,685	-	841,685
Other liabilities	-	-	933	-	9,768,661	-	9,769,594

2020	Parent Company	Other subsidiaries of the Parent Company	Other companies and state organisations	Total
	KZT'000	KZT'000	KZT'000	KZT'000
Profit				
Interest income calculated using the effective interest method	-	5,360,465	40,164,621	45,525,086
Other interest income	-	-	11,641,155	11,641,155
Interest expense	(25,290,719)	(3,209,741)	(32,307,422)	(60,807,882)
Fee and commission income	-	-	16,814	16,814
Fee and commission expense	(38,358)	-	(32,787)	(71,145)
Net foreign exchange loss	-	900	8,872,863	8,873,763
Net realised gain on debt securities at FVOCI	-	-	292,502	292,502
Net receipts from financial instruments at fair value through profit or loss	-	660,679	11,827	672,506
Net gain arising from derecognition of financial assets measured at amortised cost	-	-	216,855	216,855
Impairment losses on debt financial assets	-	(2,269,312)	(11,861,799)	(14,131,111)
Impairment losses on loan commitments and financial guarantee contracts	-	-	11,538	11,538
Impairment losses on other non-financial assets	-	-	(165)	(165)
Other income	-	1,169,685	29,084,675	30,254,360
General administrative expenses	-	(2,273)	(822,855)	(825,128)
Income tax expense	-	-	(869,805)	(869,805)

During the year ended 31 December 2020 the amount of KZT 40,590,502 thousand was transferred to profit or loss to compensate the Group's losses incurred as a result of issuance of loans at lower than market rates in accordance with the conditions of the Government Programmes (Note 26).

37 Analysis by segments

The Group has two reportable segments, as described below, which are the Group's main components. The components offer different types services and are managed separately. For each of the segment, management of the Group reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Bank lending.* Includes financing of investment projects and export operations, interbank lending and other operations of the Bank, which is a national development institution.
- *Leasing activities.* Includes leases, which mainly represent leasing of machinery, equipment and vehicles that act as collateral.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies, of these consolidated financial statements. Management of the Group reviews discrete financial information for each of its segments, including measures of operating income, which do not include the effects of intercompany eliminations.

Information on operating segments is presented below.

	Bank lending	Leasing activities	Total For the year ended 31 December 2021
Interest income calculated using the effective interest method	202,445,441	11,131,391	213,576,832
Other interest income	7,689,101	36,378,097	44,067,198
Interest expense	(162,348,480)	(31,230,271)	(193,578,751)
Impairment losses on debt financial assets	(30,289,758)	(3,283,590)	(33,573,348)
Net non-interest income/(expense)	12,274,937	(2,517,605)	9,757,332
General administrative expenses	(6,232,444)	(1,507,264)	(7,739,708)
Income tax expense	(1,763,861)	(770,546)	(2,534,407)
Financial results of segments	**21,774,936**	**8,200,212**	**29,975,148**

	Bank lending	Leasing activities	Total 31 December 2021
Segments assets	3,401,617,659	889,527,699	4,291,145,358
Segments liabilities	2,844,485,852	752,757,012	3,597,242,864

	Bank lending	Leasing activities	Total For the year ended 31 December 2020
Interest income calculated using the effective interest method	174,915,776	6,474,423	181,390,199
Other interest income	8,222,840	24,669,020	32,891,860
Interest expense	(142,055,601)	(18,214,159)	(160,269,760)
Impairment losses on debt financial assets	(29,315,191)	(8,274,146)	(37,589,337)
Net non-interest income	10,656,364	5,841,789	16,498,153
General administrative expenses	(5,816,764)	(1,430,849)	(7,247,613)
Income tax (expense)/benefit	(1,401,379)	1,105,134	(296,245)
Financial results of segments	**15,206,045**	**10,171,212**	**25,377,257**

	Bank lending	Leasing activities	Total 31 December 2020
Segments assets	2,923,071,425	641,643,809	3,564,715,234
Segments liabilities	2,404,474,207	527,954,420	2,932,428,627

Reconciliations of reportable segment net interest income and profit or loss may be presented as follows:

	2021	2020
Reportable segment revenue	64,065,279	54,012,299
Consolidation effect	622,482	369,743
Total revenue	**64,687,761**	**54,382,042**

	2021	2020
Reportable segment profit	29,975,148	24,429,728
Consolidation effect	1,524,523	(2,059,886)
Total profit	**31,499,671**	**22,369,842**

Consolidation effect occurs due to the fact that management of the Group reviews internal reports on a stand-alone basis.

Reconciliations of reportable segment total assets and total liabilities may be presented as follows:

	31 December 2021	31 December 2020
Total assets for reportable segments	4,291,145,358	3,564,715,234
Consolidation effect	(549,315,958)	(476,735,347)
Total assets	**3,741,829,400**	**3,087,979,887**

	31 December 2021	31 December 2020
Total liabilities for reportable segments	3,597,242,864	2,932,428,627
Consolidation effect	(412,241,745)	(356,481,790)
Total liabilities	**3,185,001,119**	**2,575,946,837**

Information about major customers and geographical areas

For the year ended 31 December 2021, there are no revenues from large customers individually exceed 10% of total revenue (31 December 2020: none).

The Group's assets are concentrated in the Republic of Kazakhstan and the Group derives income from operations mainly performed in the Republic of Kazakhstan.

38 Fair values of financial instruments

(a) Determining fair values

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 judgement, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value measurement 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, Black-Scholes and polynomial option pricing models 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.

The Group 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 judgement 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.

The following assumptions are used by management to estimate the fair values of financial instruments:

- Discount rates of 2.13% to 9.11% p.a. for USD and of 10.53% to 24.79% p.a. for KZT are used for discounting future cash flows on loans to customers (31 December 2020: 2.96% to 16.57% p.a. for USD and 10.61% to 26.76% p.a. for KZT).
- Discount rates of 1.70% p.a. for USD and 10.42% to 13.90% p.a. for KZT are used for discounting future cash flows on debt securities measured at amortised cost (31 December 2020: 2.09% p.a. for USD and 13.23% to 14.84% p.a. for KZT).
- Discount rate of 11.00% to 15.03% p.a. is used for discounting future cash flows on loans to banks (31 December 2020: 12.94% to 15.37% p.a.).
- Discount rate of 11.00% to 27.17% p.a. is used for discounting future cash flows on finance lease receivables (31 December 2020: 11.39% to 22.37% p.a.).
- Discount rates of 10.62% to 13.49% p.a. for KZT are used for discounting future cash flows on debt securities issued (31 December 2020: 10.80% to 13.11% p.a. for KZT).
- Discount rates of 10.42% to 10.80% p.a. are used for discounting future cash flows on subordinated debt (31 December 2020: 11.76% to 11.64% p.a.).
- Discount rates of 10.64% to 13.93% p.a. are used for discounting future cash flows on loans from the Parent Company (31 December 2020: 11.30% to 11.83% p.a.).
- Discount rates of 1.70% to 11.03% p.a. for foreign currency loans and 10.62% to 12.94% p.a. for KZT loans are used for discounting future cash flows on loans and due from banks and other financial institutions (31 December 2020: 2.09% to 8.96% p.a. for foreign currency loans and 11.15% to 12.66% p.a. for KZT loans).
- Discount rates of 10.62% to 10.68% p.a. are used for discounting future cash flows on loans from SWF "Samruk-Kazyna" (31 December 2020: 10.80% to 11.43% p.a.).
- At 31 December 2020, a rate of 11.25% p.a. was used for discounting future cash flows on deposits from customers.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within 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 data.

- 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.

The control framework implemented by the Group includes preparation of fair value measurements by the responsible front-office specialists and subsequent review by the relevant unit responsible for control over the determination of the fair value of financial instruments. Specific controls implemented by the Group include:

- verification of observable pricing
- a review and approval process for new models and changes to models;
- a review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous reporting period.

(i) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at 31 December 2021, 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 statement of financial position:

	Note	Level 1 KZT'000	Level 2 KZT'000	Level 3 KZT'000	Total KZT'000
Assets					
Debt securities	16	523,672,345	7,313,738	1,087,523	532,073,606
Loans to customers	14	-	-	144,110,433	144,110,433
Equity investments	18	-	-	35,687,437	35,687,437
Other assets	19	4,115	-	-	4,115
Embedded derivatives	15	-	-	1,267,117	1,267,117
		523,676,460	**7,313,738**	**182,152,510**	**713,142,708**

The table below analyses financial instruments measured at fair value at 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 statement of financial position:

	Note	Level 1 KZT'000	Level 2 KZT'000	Level 3 KZT'000	Total KZT'000
Assets					
Debt securities	16	191,136,108	5,476,016	947,067	197,559,191
Loans to customers	14	-	-	79,061,993	79,061,993
Equity investments	18	-	-	14,841,000	14,841,000
Other assets	19	4,070	9,989	-	14,059
Derivative financial instruments	21	-	11,489,170	-	11,489,170
Embedded derivatives	15	-	-	2,617,752	2,617,752
		191,140,178	**16,975,175**	**97,467,812**	**305,583,165**

The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2021:

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Range of estimates (weighted average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Equity investments	35,687,437	Adjusted net asset method	Value of net assets	13.70%-21.96%	Increase in discount rate would result in lower fair value
Loans to customers measured at fair value through profit or loss	144,110,433	Discounted cash flow	Discount rate	USD 2.04%, KZT: 12.97%-14.88%	Increase in discount rate would result in lower fair value
Embedded derivative	1,267,117	Option model	Volatility of foreign exchange rate	RUB: 6.41%	Increase in volatility would result in higher fair value
Debt securities measured at fair value through profit or loss	1,087,523	Discounted cash flow	Discount rate	12.96%	Increase in discount rate would result in lower fair value

The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2020:

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Range of estimates (weighted average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Equity investments	14,841,000	Discounted cash flow	Discount rate	15.71-18.00%	Increase in discount rate would result in lower fair value
Loans to customers measured at fair value through profit or loss	79,061,993	Discounted cash flow	Discount rate	USD 2.84%, KZT: 13.90%-14.81%	Increase in discount rate would result in lower fair value
Embedded derivative	2,617,752	Option model	Volatility of foreign exchange rate	RUB: 8.31%	Increase in volatility would result in higher fair value
Debt securities measured at fair value through profit or loss	947,067	Discounted cash flow	Discount rate	13.59%	Increase in discount rate would result in lower fair value

The financial assets at FVOCI with fair values determined using valuation techniques that use observable inputs were classified into Level 2. Observable inputs included transaction prices in markets that are active for similar, but not identical, instruments and transaction prices in markets that are not active for identical instruments. Although all the instruments are listed on KASE, management believes that the market for these identical instruments is not active.

The Group applies discounted cash flow methodology in respect of valuation of impaired financial assets, for which fair values cannot be determined based on observable market inputs.

For impaired debt securities cash flow projections were based on publicly available information on expected post-restructuring payoff schedule for each respective type of security. Assumptions on discount rates were made based on issuers' credit risk premiums implied by market quotes of the issues on which the trades were not suspended.

Certain assets measured at FVOCI that do not have observable market prices and cannot be valued based on observable market inputs were also valued applying discounted cash flow methodology. Forecasts for such securities were based on the contractual repayment schedule. Assumptions regarding discount rates were made based on quoted prices in active markets of similar instruments of an issuer with adjacent credit rating adjusted to the difference in credit ratings.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy for the period ended 31 December 2021:

	Loans to customers measured at fair value through profit or loss	**Debt securities measured at fair value through profit or loss KZT'000**	**Equity investments KZT'000**	**Embedded derivative KZT'000**
Balance at 1 January	**79,061,993**	**947,067**	**14,841,000**	**2,617,752**
Total gain or loss:				
- net gain recognised in profit or loss	10,691,553	317,969	-	(1,195,613)
Other comprehensive income	-	-	7,488,797	-
Repayments	(30,344,799)	(177,513)	-	(155,022)
Acquisition	84,701,686	-	13,357,640	-
Balance at 31 December	**144,110,433**	**1,087,523**	**35,687,437**	**1,267,117**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy for the period ended 31 December 2020:

	Loans to customers measured at fair value through profit or loss	**Debt securities measured at fair value through profit or loss KZT'000**	**Equity investments KZT'000**	**Embedded derivative KZT'000**
Balance at 1 January	**68,893,053**	**929,906**	**19,506,343**	**6,651,931**
Total gain or loss:				
- net gain recognised in profit or loss	10,070,933	234,855	960,312	2,103,761
Other comprehensive income	-	-	(459,387)	-
Repayments	(11,540,129)	(217,694)	(5,166,268)	(2,062,612)
Acquisition	11,638,136	-	-	-
Settlement of receivables	-	-	-	(4,196,970)
Acquisition as part of finance lease receivable	-	-	-	121,642
Balance at 31 December	**79,061,993**	**947,067**	**14,841,000**	**2,617,752**

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects as at 31 December 2021:

KZT'000	**Effect on profit or loss**		**Effect on other comprehensive income**	
	Favourable	**Unfavourable**	**Favourable**	**Unfavourable**
Debt securities	19,385	(18,879)	-	-
Equity investments	-	-	3,568,744	(3,568,744)
Loans to customers	5,088,095	(4,759,588)	-	-
Finance lease receivables				
- Embedded derivative	403,775	(331,228)	-	-
Total	**5,511,255**	**(5,109,695)**	**3,568,744**	**(3,568,744)**

For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects as at 31 December 2020:

KZT'000	**Effect on profit or loss**		**Effect on other comprehensive income**	
	Favourable	**Unfavourable**	**Favourable**	**Unfavourable**
Debt securities	25,341	(24,467)	-	-
Equity investments	-	-	1,484,100	(1,484,100)
Loans to customers	2,002,322	(1,908,028)	-	-
Finance lease receivables				
- Embedded derivative	578,187	(420,457)	-	-
Total	**2,605,850**	**(2,352,952)**	**1,484,100**	**(1,484,100)**

The favourable and unfavourable effects of using reasonably possible alternative assumptions are calculated by recalibrating the model values.

- for embedded derivatives: using unobservable inputs based on averages of the upper and lower quartiles respectively of the Group's ranges of possible estimates. Key inputs and assumptions used in the models as at 31 December 2021 and 31 December 2020:

- Changing the volatility of USD/RUB exchange rates by 50%;
- Changing in spread between risk-free rates in KZT and USD/RUB by 0.5%;
- Changing the estimated discount rate by 100 basis points.

- for loans to customers measured at FVTPL: decrease and increase of the discount rate by 1%;
- for derivatives: increase of the estimated transaction terms by 3 months and decrease of the estimated transaction terms by 3 months;
- for equity investments: change in fair value of net assets of the Fund by 10%;
- for debt securities: changes of the discount rate by 100 bp.

(ii) Financial instruments not measured at fair value

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2021.

KZT'000	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS					
Cash and cash equivalents	-	326,147,355	-	326,147,355	326,147,355
Placements with banks and other financial institutions	-	170,632,268	-	170,632,268	170,632,268
Loans to banks	-	103,867,559	2,549,348	106,416,907	121,034,637
Loans to customers	-	1,638,700,842	42,027,569	1,680,728,411	1,748,397,564
Finance lease receivables (except for embedded derivative)	-	364,140,941	6,175,093	370,316,034	450,836,599
Debt securities	-	7,146,364	1,098,279	8,244,643	12,445,316
Other financial assets	-	8,426,891	11,259	8,438,150	8,299,322
LIABILITIES					
Current accounts and deposits from customers	-	30,412,126	-	30,412,126	30,412,126
Loans from SWF "Samruk-Kazyna"	-	10,568,752	-	10,568,752	11,195,666
Loans from the Parent Company	-	272,634,564	-	272,634,564	283,338,056
Loans from banks and other financial institutions	-	555,845,324	-	555,845,324	556,669,981
Amounts payable under repurchase agreements	-	43,151,639	-	43,151,639	43,189,663
Debt securities issued	1,089,196,564	676,584,883	-	1,765,781,447	1,716,748,732
Subordinated debt	-	70,517,362	-	70,517,362	118,216,761
Other financial liabilities	-	82,047,919	-	82,047,919	82,047,919

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2020.

KZT'000	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS					
Cash and cash equivalents	-	242,786,137	-	242,786,137	242,786,137
Placements with banks and other financial institutions	-	121,779,502	-	121,779,502	121,779,502
Loans to banks	-	98,944,557	2,212,775	101,157,332	124,810,690
Loans to customers	-	1,638,292,924	50,517,944	1,688,810,868	1,766,854,222
Finance lease receivables (except for embedded derivative)	-	248,516,216	8,513,219	257,029,435	323,922,109
Debt securities	-	5,452,199	871,369	6,323,568	11,698,488
Other financial assets	-	25,343,870	50,270	25,394,140	22,743,554
LIABILITIES					
Current accounts and deposits from customers	-	15,103,529	-	15,103,529	15,793,749
Loans from SWF "Samruk-Kazyna"	-	26,006,124	-	26,006,124	27,966,887
Loans from the Parent Company	-	205,553,456	-	205,553,456	227,596,965
Loans from banks and other financial institutions	-	639,528,510	-	639,528,510	640,007,969
Debt securities issued	829,038,190	472,537,152	-	1,301,575,342	1,241,012,715
Subordinated debt	-	56,411,137	-	56,411,137	111,163,010
Other financial liabilities	-	22,117,148	-	22,117,148	22,117,148

The following tables show the valuation techniques used in measuring Level 3 fair values as at 31 December 2021:

Financial instruments not measured at fair value

Type of instrument	Valuation technique	Significant unobservable inputs
Loans to banks	Discounted cash flows	Expected cash flows
Loans to customers	Discounted cash flows	Expected cash flows
Finance lease receivables (except for embedded derivative)	Discounted cash flows	Expected cash flows
Debt securities	Discounted cash flows	Expected cash flows
Other financial assets	Discounted cash flows	Expected cash flows

The following tables show the valuation techniques used in measuring Level 3 fair values as at 31 December 2020:

Financial instruments not measured at fair value

Type of instrument	Valuation technique	Significant unobservable inputs
Loans to banks	Discounted cash flows	Expected cash flows
Loans to customers	Discounted cash flows	Expected cash flows
Finance lease receivables (except for embedded derivative)	Discounted cash flows	Expected cash flows
Debt securities	Discounted cash flows	Expected cash flows
Other financial assets	Discounted cash flows	Expected cash flows

39 Subsequent events

On 2 January 2022 protests started in the West of Kazakhstan related to an increase in the LNG price from 60 tenge per litre to 120 tenge per litre. These protests spread to other cities and resulted in looting and loss of life. On 5 January the government declared a state of emergency. As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including additional taxes. On 19 January 2022 the state of emergency was lifted.

In January 2022, the President of Kazakhstan drew attention to the fact that the Group provided services to large enterprises that enjoyed special privileges thus stifling competition and preventing implementation of reforms.

Then, the Chairman of the Management Board of the Bank changed.

At the meeting of the Government held in February 2022, it was announced that as part of the reforms, the Group would be more focused on financing large-scaled and capital-intensive investment projects with long payback periods, which are of strategic and economic significance for the country and on the industrial productions, keep working on improving transparency of operations, optimising and digitalising business processes and expanding access to the Group's services.

Due to economic and political sanctions against the Russian Federation imposed by the USA, Japan, the EU and other countries since February 2022, the USD exchange rate strengthened, which resulted in devaluation of KZT by 18.4%. The NBRK urgently increased the base rate from 10.25% to 13.5%. Sensitivity analysis to change in exchange rates is set out in Note 30 (b)(ii). Sensitivity analysis of the fair value of the instruments allocated to Level 3 of fair value hierarchy to changes in discount rates is set out in Note 38 (b) (i).

Additionally, as at 31 December 2021 the Group had loans to banks issued to subsidiaries of Russian banks in the total amount of KZT 21,220,931 thousand.

Currently, due to ongoing geopolitical uncertainty around Russia and Ukraine, incomplete process of determining sanctions applicable to the Russian Federation and its entities as well as in view of lack of certainty as regards the ability of the Russian Federation to mitigate adverse effects on the economy and macroeconomic indicators, the Group is unable to quantify the impact on the Group's financial position of new measures, if any, which have been taken or to be taken by the Government, or what impact the above said developments will have on the economy of Kazakhstan.

At the same time, the Group is monitoring the events and performs stress testing for obvious negative consequences, including testing for foreign currency risk, and takes the necessary measures, including working with subsidiaries of Russian banks included in the sanctions lists and preparing response measures to mitigate possible negative effects.

40 Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(a) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. 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.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Interest income and expense

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 credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For 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.

Amortised cost versus 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.

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 40(e)(iv).

Presentation

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

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at fair value through other comprehensive income.

Other interest income presented in the consolidated statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL and net investment in finance lease.

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

(d) 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 40(c)).

Other fee and commission income – including account servicing fees, letters of credit, servicing of tied borrowings – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

The contract with a customer, which resulted in a financial instrument recognised in the consolidated financial statements of the Group may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. In this case, the Group first applies IFRS 9 to separate and measure the part of the contract, which is within the scope of IFRS 9 and then applies IFRS 15 to the remaining part of this contract.

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

(e) Financial assets and financial liabilities

(i) Classification of financial instruments

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated 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.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- 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.

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 income calculated using the effective interest method;
- expected credit losses and reversals; and
- foreign exchange gains and losses.

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.

On initial recognition of an equity investment that is not held for trading, the Group 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 on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group 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 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;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.
- 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group 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, the Group considers:

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

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion.

The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Reclassification

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

(ii) Derecognition

Financial assets

The Group 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 Group 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.

The Group 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.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Group 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 Group 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.

The Group 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 Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. 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 Group analogises to the guidance on the derecognition of financial liabilities.

The Group 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 borrower 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. If the Group 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 Group 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 Group 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.

Financial liabilities

The Group 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 Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion feature;
- change in the subordination of the financial liability.

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.

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 3.

The Group 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;
- net investments in finance lease;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

Loss allowance for expected credit losses for lease receivables are always measured at an amount equal to lifetime ECLs.

The Group considers a debt 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, other than purchased or originated credit-impaired assets, for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

Measurement of ECL

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

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

See also Note 3.

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 borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

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

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;
- *loan commitments and financial guarantee contracts*: generally, as a provision; and
- *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 for expected credit losses is disclosed and is recognised in the fair value reserve.

Write-offs

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 Group determines that the borrower 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 'impairment losses on financial assets' in the consolidated statement of profit or loss and other comprehensive income.

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

(f) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(g) Loans to customers

'Loans to customers' caption in the consolidated statement of financial position includes:

- loans to customers measured at amortised cost (see Note 40(e)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.
- loans to customers mandatorily measured at FVTPL due to non-compliance with the SPPI-criterion (see Note 40(e)(i)); these are measured at fair value with changes recognised immediately in profit or loss.

(h) Debt securities

The 'debt securities' caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost (see Note 40(e)(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 (see Note 40(e)(i));
- debt securities measured at FVOCI (see Note 40(e)(i)).

(i) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with NBRK, and highly liquid financial assets with original maturities of less than three months, which are not subject to significant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(j) Placements with banks and other financial institutions

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at amortised cost based on expected maturities. Amounts due from credit institutions are carried net of a loss allowance for expected credit losses, if any.

(k) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently they are measured at the higher of the loss allowance for expected credit losses determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

For other loan commitments the Group recognises the loss allowance for expected credit losses.

Financial liabilities arising from financial guarantees and loan commitments are included within provisions.

(l) Non-financial assets

Other non-financial assets, other than deferred tax assets, 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 reversed is only reversed 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..

(m) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated financial statements at cost less accumulated amortisation and impairment losses.

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

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives of different items of property, plant and equipment are as follows:

Land	not depreciated;
Buildings and constructions	8-100 years;
Vehicles	5-7 years;
Office and computer equipment	2-10 years;
Other	3-20 years.

(n) Intangible assets

Intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life of intangible assets ranges from 3 to 5 years.

(o) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for the use by the Group.

Investment property is initially measured at cost less accumulated depreciation and impairment allowance, if any.

(p) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at FVTPL.

(q) Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. If there are conditions that may require repayment, the grant is recognised as a "deferred income" in other liabilities.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and the proceeds received.

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as expenses on a systematic basis in the same periods in which the expenses are recognised.

(r) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees.

Provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except commitments to provide a loan at a below-market interest rate.

(s) Income tax

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 comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively 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 in respect of temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is 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.

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

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(t) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

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

(i) *As a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group 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. 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured subsequently at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) ***As a lessor***

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

(u) Share capital

(i) ***Ordinary shares***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ii) ***Dividends***

The ability of the Group to declare and pay dividends is subject to the rules and regulations of Kazakhstan legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(v) Financial assets or liabilities originated at below market interest rates in transactions with the Parent Company

Financial assets or liabilities originated at below market interest rates in transactions with the Parent Company are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference between the fair value and consideration received is recognized as a contribution directly in equity when the Parent Company acts in its capacity as a shareholder.

(w) Segment reporting

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

(x) New standards and interpretations

New standards and interpretations not yet adopted

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

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

- 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).
- Annual Improvements to IFRS Standards, 2018-2020 Cycle– various standards.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 Property, Plant and Equipment).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

New interpretations effective from 1 January 2021

A number of new interpretations are effective for annual periods beginning after 1 January 2021; The interpretation did not have a material impact on the consolidated financial statements of the Group.

Development Bank of Kazakhstan JSC

Consolidated Financial Statements

for the year ended 31 December 2020

Content

«КПМГ Аудит» жауапкершілігі шектеулі серіктестік
Қазақстан, A25D6T5, Алматы,
Достық д-лы, 180,
Тел.: +7 (727) 298-08-98

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

Independent Auditors' Report

To the Board of Directors of Development Bank of Kazakhstan JSC

Opinion

We have audited the consolidated financial statements of Development Bank of Kazakhstan JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

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

Expected credit losses for loans to customers and finance lease receivables	
Please refer to the Notes 3(e)(iv), 4,16, 17 and 32(a) in the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
Loans to customers measured at amortised cost and finance lease receivables represent 57% and 11% of total assets, respectively. Loans to customers and finance lease receivables are stated net of allowance for expected credit losses (ECL) that is estimated on a regular basis and is sensitive to assumptions used. The Group applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9 Financial Instruments); - assessment of probability of default (PD) and loss given default (LGD); - assessment of add-on adjustment to account for different scenarios and forward-looking information; - assessment of expected cash flows forecast for loans to customers and finance lease receivables which are classified as credit-impaired. There is an increased risk of material misstatement of expected credit losses in the current year due to the higher uncertainty related to judgements and estimates resulting from COVID-19. Due to the significant volume of loans to customers and finance lease receivables and related estimation uncertainty, this area is a key audit matter.	We analysed the key aspects of the Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, with the involvement of financial risks management specialists. We tested the principle of operation of the respective models used by the Group. To analyse the adequacy of professional judgement and assumptions made by the Group in relation to the allowance for ECL estimate, we performed the following: - We tested the design and implementation of the controls used over allocation of loans to customers and finance lease receivables by the credit risk stages; - For a sample of loans to customers and finance lease receivables, for which potential changes in ECL estimate may have a significant impact on the consolidated financial statements, we tested whether stages are correctly assigned by the Group and tested overall adequacy of the rating assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgements applied. We paid attention to the allocation by credit risk stages of the loans that were restructured as a result of COVID-19 outbreak, as well as of the counterparties related to the industries particularly affected by COVID-19; - For a sample of loans to customers and finance lease receivables we critically assessed the assumptions used by the Group to assess LGD, including cash flows from collateral received, based on our understanding and available market information; - Regarding loans issued to customers and finance lease receivables, we agree input data used in the models on a sample basis; - We also analysed the overall adequacy of the adjustment to account for various scenarios and forward-looking information and compared it with our estimates taking into account the current and future economic situation and operating conditions of borrowers and debtors. As part of this work we tested the appropriateness of the Group's assessment of the economic uncertainty related to COVID-19;

	- For a sample of stage 3 loans and finance lease receivables we assessed adequacy of ECL allowance by critically assessing assumptions used by the Group to value expected cash flows, including estimated proceeds from realisation of collateral and their timing. We compared assumptions used by the Group for these loans with industry, financial and economic data from available public sources. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Government grants

Please refer to the Notes 3(q), 5, 9, 25, 26 and 27 in the consolidated financial statements.

Key audit matter	**How the matter was addressed in our audit**
During 2020 the Group received loans from the Parent Company in the amount of KZT 116,200,000 thousand, that bore interest rates ranging from 0.08% p.a. to 0.15% p.a. and issued debt securities with the total nominal value of KZT 20,000,000 thousand bearing an interest rate of 0.15 p.a. At initial recognition these loans and debt securities were recognised at fair values measured by applying relevant market interest rates to discount the contractual future cash flows. The difference between the fair value and the nominal value received of KZT 76,891,125 thousand and KZT 18,456,560, respectively, was recognised as a government grant, which is subsequently amortised in profit or loss. In addition, during 2020 the Group recognised a government grant receivable of KZT 6,567,443 thousand in relation to one of the objects of financing under implementation. We focused on the estimate of the fair value of the loans received due to significant judgment involved in arriving at the estimate.	Our audit procedures included assessing whether the difference between the fair value and nominal value of the loans received and debt securities issued represent government grant. We compared the management's estimates of market rates applied to calculate fair values of the loans received and debt securities issued and compared them to available market information. We assessed the appropriateness of methods used to amortise government grants. We also assessed whether the financial statement disclosures appropriately reflect the information in relation to government grants recognised in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for 2020 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group for 2020 year 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.We communicate with 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, related safeguards.

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.

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
МФ-0000096 of 27 August 2012

KPMG Audit LLC

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

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

1 March 2021

	Note	For the year ended 31 December 2020 KZT'000	For the year ended 31 December 2019 KZT'000
Interest income calculated using the effective interest method	5	155,607,219	144,098,438
Other interest income	5	43,310,879	30,354,669
Interest expense	5	(144,536,056)	(123,647,472)
Net interest income		**54,382,042**	**50,805,635**
Fee and commission income	6	727,240	3,699,481
Fee and commission expense	6	(960,119)	(3,010,132)
Net commission (expense)/income		**(232,879)**	**689,349**
Net foreign exchange loss	7	(2,179,832)	(1,487,076)
Net realised gain/(loss) on debt securities at fair value through other comprehensive income		6,808,483	(61,823)
Net gain on financial instruments at fair value through profit or loss	8	6,459,130	936,632
Net loss resulting from derecognition of financial assets measured at amortised cost		(266,162)	(1,550,426)
Other expenses, net	9	(4,462,205)	(1,996,581)
Operating income		**60,508,577**	**47,335,710**
Impairment losses on debt financial assets	10	(37,207,877)	(20,907,251)
Recovery of impairment losses on loan commitments and financial guarantee contracts	10	1,763,517	1,744,902
Recovery/(charge) of impairment losses on other non-financial assets	10	5,270,199	(5,927,239)
General administrative expenses	11	(7,094,769)	(7,204,437)
Profit before income tax		**23,239,647**	**15,041,685**
Income tax expense	12	(869,805)	(4,083,209)
Profit for the year		**22,369,842**	**10,958,476**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (debt instruments):			
Net change in fair value		7,565,416	5,296,345
Net amount reclassified to profit or loss		(6,808,483)	61,823
Other comprehensive income for the year		**756,933**	**5,358,168**
Total comprehensive income for the year		**23,126,775**	**16,316,644**

The consolidated financial statements as set out on pages 8 to 104 were approved by the Management Board of the Bank on 1 March 2021 and were signed on its behalf by:

Abay Serikovich Sarkulov
Chairman of the Management Board

Saule Mamyrovna Mamekova
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Note	31 December 2020 KZT'000	31 December 2019 KZT'000
ASSETS			
Cash and cash equivalents	13	242,786,137	144,173,738
Placements with banks and other financial institutions	14	121,779,502	91,562,878
Loans to banks	15	124,810,690	110,945,839
Loans to customers	16	1,845,916,215	1,618,204,464
Finance lease receivables	17	326,539,861	190,340,340
Debt securities	18	209,257,679	225,466,058
Advances paid under finance lease agreements	19	123,158,997	133,273,093
Assets to be transferred under finance lease agreements		27,855,425	14,822,012
Equity investments	20	14,841,000	19,506,343
Investment property		222,507	227,181
Property, plant and equipment and intangible assets		5,991,289	5,951,423
Other assets	21	31,327,781	26,056,766
Current tax asset		963,526	124,719
Deferred tax assets	30	1,040,108	-
Derivative financial instruments	22	11,489,170	10,160,691
Total assets		**3,087,979,887**	**2,590,815,545**
LIABILITIES			
Current accounts and deposits from customers	23	15,793,749	17,236,307
Loans from SWF "Samruk-Kazyna" JSC		27,966,887	26,986,268
Loans and deposits from banks and other financial institutions	24	640,007,969	540,295,369
Loans from the Parent Company	25	227,596,965	175,228,967
Government grants	26	261,838,993	210,933,386
Debt securities issued	27	1,241,012,715	1,051,544,268
Subordinated debt	28	111,163,010	104,534,649
Other liabilities	29	47,741,111	27,916,528
Provisions		2,825,438	7,563,543
Deferred tax liabilities	30	-	198,412
Total liabilities		**2,575,946,837**	**2,162,437,697**
EQUITY			
Share capital	31	503,667,511	445,667,511
Revaluation reserve for changes in fair value of securities		(1,380,134)	(2,137,067)
Additional paid-in capital		34,239,190	28,423,220
Accumulated losses		(24,493,517)	(43,575,816)
Total equity		**512,033,050**	**428,377,848**
Total liabilities and equity		**3,087,979,887**	**2,590,815,545**

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The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	For the year ended 31 December 2020 KZT'000	For the year ended 31 December 2019 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	142,769,972	141,834,400
Interest payments	(105,078,969)	(99,792,950)
Fee and commission receipts	826,348	3,487,717
Fee and commission payments	(375,449)	(2,974,092)
Net receipts/(payments) from foreign exchange	21,846	(220,350)
Net gain on financial instruments at fair value through profit or loss	2,074,100	558,114
Other receipts, net	160,822	273,189
General administrative payments	(5,791,526)	(6,779,197)
	34,607,144	**36,386,831**
Decrease/(increase) in operating assets		
Placements with banks and other financial institutions	(29,487,974)	(21,431,841)
Loans to banks	(20,474,180)	(75,905,425)
Loans to customers	(201,545,550)	2,167,933
Finance lease receivables	28,362,035	13,865,518
Advances paid under finance lease agreements	(170,314,926)	(163,149,973)
Derivative financial instruments	(816,278)	(816,278)
Other assets	399,629	959,778
Increase/(decrease) in operating liabilities		
Current accounts and deposits from customers	(1,627,659)	(2,603,764)
Loans from Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna" JSC	(333,333)	(9,262,333)
Loans from the Parent Company	112,533,334	93,879,333
Government grants received in the form of discount on debt securities issued at below market rate (Note 26)	18,456,560	17,096,041
Loans and deposits from banks and other financial institutions	72,911,512	(174,611,240)
Other liabilities	24,239,507	1,174,120
Net cash used in operating activities before income tax	**(133,090,179)**	**(282,251,300)**
Income tax paid	(4,438,490)	(6,093,203)
Net cash flows used in operating activities	**(137,528,669)**	**(288,344,503)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	For the year ended 31 December 2020 KZT'000	For the year ended 31 December 2019 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment and intangible assets, investment property	(546,721)	(890,463)
Disposal of property, plant and equipment and intangible assets	26,919	2,574
Redemption/(acquisition) of equity investments (Note 20)	4,205,956	(10,134,676)
Acquisition of debt securities	(417,844,713)	(169,639,637)
Disposal and redemption of debt securities	439,618,680	181,293,161
Dividends received	960,312	-
Net cash flows from investing activities	**26,420,433**	**630,959**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued (Note 31)	58,000,000	37,000,000
Proceeds from debt securities issued (Note 27)	274,121,565	101,387,959
Repurchase/redemption of debt securities issued (Note 27)	(140,861,000)	-
Dividends paid (Note 31)	(3,287,543)	(973,143)
Net cash flows from financing activities	**187,973,022**	**137,414,816**
Net increase/(decrease) in cash and cash equivalents	**76,864,786**	**(150,298,728)**
Effect of movements in exchange rates on cash and cash equivalents	21,747,634	4,291,672
Effect of changes in impairment allowance on cash and cash equivalents	21	12,385
Cash and cash equivalents at the beginning of the year	144,173,738	290,168,409
Cash and cash equivalents at the end of the year (Note 13)	**242,786,137**	**144,173,738**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Share capital KZT'000	Revaluation reserve for changes in fair value of securities KZT'000	Additional paid-in capital KZT'000	Accumulated losses KZT'000	Total equity KZT'000
Balance at 1 January 2020	**445,667,511**	**(2,137,067)**	**28,423,220**	**(43,575,816)**	**428,377,848**
Profit for the year	-	-	-	22,369,842	22,369,842
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value	-	7,565,416	-	-	7,565,416
Net amount reclassified to profit or loss	-	(6,808,483)	-	-	(6,808,483)
Total other comprehensive income	-	756,933	-	-	756,933
Total comprehensive income for the year	**-**	**756,933**	**-**	**22,369,842**	**23,126,775**
Transactions with owners recorded directly in equity					
Shares issued (Note 31)	58,000,000	-	-	-	58,000,000
Dividends declared and paid (Note 31)	-	-	-	(3,287,543)	(3,287,543)
Discount on debt securities issued, net of taxes of KZT 1,453,993 thousand	-	-	5,815,970	-	5,815,970
Total transactions with owners, recorded directly in equity	**58,000,000**	**-**	**5,815,970**	**(3,287,543)**	**60,528,427**
Balance at 31 December 2020	**503,667,511**	**(1,380,134)**	**34,239,190**	**(24,493,517)**	**512,033,050**
Balance at 1 January 2019	**408,667,511**	**(7,495,235)**	**28,423,220**	**(53,561,149)**	**376,034,347**
Profit for the year	-	-	-	10,958,476	10,958,476
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value	-	5,296,345	-	-	5,296,345
Net amount reclassified to profit or loss	-	61,823	-	-	61,823
Total other comprehensive income	-	5,358,168	-	-	5,358,168
Total comprehensive income for the year	**-**	**5,358,168**	**-**	**10,958,476**	**16,316,644**
Transactions with owners recorded directly in equity					
Shares issued (Note 31)	37,000,000	-	-	-	37,000,000
Dividends declared and paid (Note 31)	-	-	-	(973,143)	(973,143)
Total transactions with owners, recorded directly in equity	**37,000,000**	**-**	**-**	**(973,143)**	**36,026,857**
Balance at 31 December 2019	**445,667,511**	**(2,137,067)**	**28,423,220**	**(43,575,816)**	**428,377,848**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

1 Background

(a) Principal activities

These consolidated financial statements include the financial statements of the Development Bank of Kazakhstan JSC (the "Bank") and its subsidiaries, Industrial Development Fund JSC and DBK Capital Structure Fund B.V. (the "Group").

Development Bank of Kazakhstan JSC was established in the Republic of Kazakhstan as a closed joint-stock company as defined in the Civil Code of the Republic of Kazakhstan, in accordance with the legislation of the Republic of Kazakhstan. The Bank was established in 2001 in accordance with the Law of the Republic of Kazakhstan "On the Development Bank of Kazakhstan" No.178-II dated 25 April 2001 (the "Law"). On 18 August 2003, the Bank underwent the state re-registration procedure due to change of its name – from Development Bank of Kazakhstan CJSC to Development Bank of Kazakhstan JSC. The Bank operates in accordance with the Law of the Republic of Kazakhstan dated 31 August 1995 "On Banks and Banking Activity in the Republic of Kazakhstan", the Law of the Republic of Kazakhstan dated 13 May 2003 "On Joint-Stock Companies", the Charter of the Development Bank of Kazakhstan JSC approved by the Resolution of the Management Board of National Management Holding "Baiterek" JSC No.41/14 dated 24 December 2014; Credit Policy Memorandum of the Development Bank of Kazakhstan JSC approved by the decisions of the Management Board of the National Managing Holding "Baiterek JSC No. 43/16 dated 27 October 2016, other legal acts of the Republic of Kazakhstan and internal regulations of the Bank.

The Bank is a national development institution. The main purpose of the Bank is to improve and increase the efficiency of state investment activity, promote the development of production infrastructure and processing industry and assist in attraction of external and internal investments to the national economy of the Republic of Kazakhstan.

The Bank's registered office is: n-r. pr. 15, building 55A Mangilik El Avenue, Yessil district, Nur-Sultan city, Republic of Kazakhstan.

As at 31 December 2020 the Bank is the parent company of two wholly owned subsidiaries (the "Subsidiaries").

DBK-Leasing JSC was established on 6 September 2005 in accordance with legislation of the Republic of Kazakhstan. Pursuant to the Decree No.521 of the Government of the Republic of Kazakhstan dated 18 August 2020 "On Establishment of the Industrial Development Fund," the Board of Directors of the Bank by its resolution No. 243-2020-14 dated 21 September 2020 changed the brand name of "DBK-Leasing" JSC (Subsidiary of "Development Bank of Kazakhstan" JSC) to the name "Industrial Development Fund JSC" (hereinafter, "IDF JSC"). IDF JSC principal activities are leasing operations, realisation of industrial-innovative development strategy and stimulation of leasing in the following industries: machinery construction, and metalworking production, chemical and pharmaceutical industry, production of construction supplies, light and woodworking industry, transportation and warehousing.

DBK Capital Structure Fund B.V. (a closed private limited company) was established in the Netherlands on 19 July 2017. The principal activity of DBK Capital Structure Fund B.V. is participation as a limited partner in the direct investment funds or other companies through cash payments for subsequent investing thereof in the charter capitals of the companies as part of financing of the investment projects of the Bank and IDF JSC.

Eurobonds issued by the Bank and IDF JSC are listed on London Stock Exchange, Luxembourg Stock Exchange and Kazakhstan Stock Exchange (the "KASE").

(b) Shareholders

As at 31 December 2012, the sole shareholder of the Bank was Sovereign Wealth Fund "Samruk-Kazyna" JSC (SWF "Samruk-Kazyna"). In accordance with the Decree of the President of the Republic of Kazakhstan No.136 dated 10 August 2011 "On Measures for Further Improvement of the Public Management System of the Republic of Kazakhstan" the entire block of ordinary shares of the Bank was transferred under trust management to the Ministry of Industry and New Technologies of the Republic of Kazakhstan.

In accordance with the Decree of the President of the Republic of Kazakhstan No.571 dated 22 May 2013 "On Certain Measures for Optimisation of the System of Management of the Development Institutions, Financial Organisations and for Development of the National Economy", the entire block of ordinary shares of the Bank and risks and control associated therewith were transferred as a payment of the charter capital of Baiterek National Managing Holding JSC. As at 31 December 2020 and 31 December 2019 the Group's sole shareholder was Baiterek National Managing Holding JSC (the "Parent Company" or Baiterek). The ultimate controlling party is the Government of the Republic of Kazakhstan (the "Government"). Related party transactions are detailed in Note 36.

(c) Kazakhstan business environment

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

In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic. Responding to the potentially serious threat the COVID-19 presents to public health, for the purpose of protection of life and health of the citizens, the Government of the Republic of Kazakhstan, pursuant to the legislation of the Republic of Kazakhstan, has imposed state of emergency throughout the Republic of Kazakhstan for the period from 16 March 2020 to 12 May 2020. During the state of emergency period, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities.

Due to business disruption and lockdown in many countries, global oil demand has drastically decreased leading to oversupply and sharp fall in oil prices. On 12 April 2020, major global oil producers including Kazakhstan agreed to a record cut in crude oil production for stabilizing the oil market, which, however, has not been able to reverse the downward pressure on the oil market. Sharp decrease in oil prices and production volumes results in corresponding decrease of oil producers' income and payments to the republican budget, which is likely to have major economic and social consequences and unavoidably affect public sector spending.

To continue as a going concern, the Group 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 Group's premises.

Taking into account the Group's current operational and financial performance along with other currently available public information, during the year ended 31 December 2020 the Group adjusted macroeconomic indicators in estimates of expected credit losses. However, management cannot preclude the possibility that extended lockdown periods, an escalation in severity of such measures, or a consequential adverse impact of such measures on the economic environment will have an adverse effect on the Group in the medium and longer term. Moreover, the Group also considers negative development scenarios and is ready to adapt its operational plans accordingly. The Group continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

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 Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

(c) Functional and presentation currency

The functional currency of the 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 KZT 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 judgments

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

Judgements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- setting the criteria to assess whether credit risk on the financial asset has increased significantly since initial recognition including methodology of incorporation of forward-looking information in the measurement of ECL – Note 4;
- initial recognition of debt securities issued - Note 27.

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.

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 2020 is included in the following notes:

- Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Notes 4, 15, 16 and 17;
- initial recognition of the borrowings and investments under the state economic development programs in 2020 – Notes 3(q), 5, 9, 15, 16, 25-28;
- Estimates of fair values of financial assets and liabilities – Note 38.

The Group has reassessed the expected credit losses, having updated the models of macro-adjustments to reflect the current economic conditions. Increase in the average point-in-time probability of default due to macro-adjustments is 108%.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

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.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Interest income and expense

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 credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For 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.

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.

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 3(e)(iv).

Presentation

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

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at fair value through other comprehensive income.

Other interest income presented in the consolidated statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL and net investment in finance lease.

Interest expense presented in the consolidated statement of profit or loss and other comprehensive income includes interest expense on financial liabilities measures at amortised cost.

(d) Fee and commission income and expense

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(c)).

Other fee and commission income – including account servicing fees, letters of credit, servicing of tied borrowings – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

The contract with a customer, which resulted in a financial instrument recognised in the consolidated financial statements of the Group may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. In this case, the Group first applies IFRS 9 to separate and measure the part of the contract, which is within the scope of IFRS 9 and then applies IFRS 15 to the remaining part of this contract.

Other fee and commission expense includes mostly the service costs, which are expenses as soon as the respective services are received.

(e) Financial assets and financial liabilities

(i) Classification of financial instruments

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 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.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- 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.

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;
- ECL and reversals; and
- foreign exchange gains and losses.

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.

On initial recognition of an equity investment that is not held for trading, the Group 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 on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group 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 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;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group 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, the Group considers:

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

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion.

The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Reclassification

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

(ii) Derecognition

Financial assets

The Group 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 Group 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.

The Group 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.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Group 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 Group 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.

The Group 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 Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. 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 Group analogises to the guidance on the derecognition of financial liabilities.

The Group 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 borrower 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. If the Group 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 Group 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 Group 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.

Financial liabilities

The Group 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 Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion feature;
- change the subordination of the financial liability.

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.

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 Group 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;
- net investments in finance lease;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECLs.

The Group considers a debt 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, other than purchased or originated credit-impaired assets, for which a lifetime ECL is recognised are referred to as ‘Stage 2’ financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and ‘Stage 3’ financial instruments (if the financial instruments are credit-impaired).

Measurement of ECL

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

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

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 borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

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

Credit-impaired financial assets

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

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

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;
- *loan commitments and financial guarantee contracts*: generally, as a provision;
- *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-offs

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 Group determines that the borrower 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 'impairment losses on financial assets' in the consolidated statement of profit or loss and other comprehensive income.

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

(f) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(g) Loans to customers

'Loans to customers' caption in the consolidated interim statement of financial position include:

- loans to customers measured at amortised cost (see Note 3(e)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.
- loans to customers mandatory measured at FVTPL due to non-compliance with the SPPI-criterion (see Note 3(e)(i)); these are measured at fair value with changes recognised immediately in profit or loss.

(h) Debt securities

The ‘debt securities’ caption in the consolidated interim statement of financial position includes:

- debt investment securities measured at amortised cost (see Note 3(e)(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 (see Note 3(e)(i));
- debt securities measured at FVOCI (see Note 3(e)(i)).

(i) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with NBRK, and highly liquid financial assets with original maturities of less than three months, which are not subject to significant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(j) Placements with banks and other financial institutions

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at amortised cost based on expected maturities. Amounts due from credit institutions are carried net of an allowance for impairment losses, if any.

(k) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. *Subsequently they are measure*d at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

For other loan commitments the Group recognises loss allowance.

Financial liabilities arising from financial guarantees and loan commitments are included within provisions.

(l) Non-financial assets

Other non-financial assets, other than deferred tax assets, 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 reversed is only reversed 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.

(m) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated financial statements at cost less accumulated amortisation and impairment losses.

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

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Land	not depreciated;
Buildings and constructions	8-100 years;
Vehicles	5-7 years;
Office and computer equipment	2-10 years;
Other	3-20 years.

(n) Intangible assets

Intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life of intangible assets ranges from 3 to 5 years.

(o) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for the use by the Group.

Investment property is initially measured at cost less accumulated depreciation and impairment allowance, if any.

(p) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at FVTPL.

(q) Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. If there are conditions that may require repayment, the grant is recognised as a “deferred income” in other liabilities.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and the proceeds received.

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as expenses on a systematic basis in the same periods in which the expenses are recognised.

(r) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees.

Provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except commitments to provide a loan at a below-market interest rate.

(s) Income tax

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 comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively 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 in respect of temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is 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.

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

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(t) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

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

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group 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. 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured subsequently at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

(u) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of Kazakhstan legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(v) Financial assets or liabilities originated at below market interest rates in transactions with the Parent Bank

Financial assets or liabilities originated at below market interest rates in transactions with the Parent Company are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference between the fair value and consideration received is recognized as a contribution directly in equity when the Parent Company acts in its capacity as a shareholder.

(w) Segment reporting

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

(x) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 with earlier application permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments, lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate. When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption.

Other standards

The following standards or amended standards are not expected to have a significant impact on the Group’s consolidated financial statements:

– *COVID-19 Related Rent Concessions (*Amendment to IFRS 16*).*
– *Property, Plant and Equipment: Proceeds before Intended Use (*Amendments to IAS 16 *Property, Plant and Equipment).*
– *Reference to Conceptual Framework* (Amendments to IFRS 3).
– *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1).
– *Onerous contracts - Cost of Fulfilling a Contract* (Amendments to IAS 37).
– *IFRS 17 Insurance Contracts.*

4 Financial risk review

This note presents information about the Group’s exposure to financial risks. For information on the Group’s financial risk management framework, see Note 32.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The 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; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

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

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The monitoring typically involves use of the following data.

- Information obtained during periodic review of counterparties' files – e.g. audited financial statements, management accounts, budgets and projections;
- Payment record – this includes overdue status;
- Data from credit reference agencies, press articles, changes in external credit ratings;
- Requests for and granting of forbearance;
- Quoted bond 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 issuer 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 Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region, type of product and counterparty as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Group 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.

The criteria for determining whether credit risk has increased significantly depends on the portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The Group considers credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if the issuer's credit rating decreased by 2 points and more since initial recognition.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain hightened risk criteria. Such qualitative factors are based on its expert judgement and relevant historical experience.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the counterparty.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payments, directed for repayment in the amount of not less than 25% of the gross carrying amount of the financial asset as at the date when the terms have been modified, against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (Stage 1) and lifetime ECL measurements (stage 2).

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a counterparty is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

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

Incorporating of forward-looking information

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

The Group formulates a base scenario of future development of relevant economic variables and also considers a presented selection of other forecast scenarios. This process involves developing two or more additional economic scenarios and considering the appropriate probabilities of occurring of each scenario. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, such international organisations as the OECD, International Monetary Fund.

A base scenario is the most likely to occur and it is aligned with information used by the Group for other purposes, such as strategic planning and budget formation. Other are less likely to occur scenarios where some are upside and other downside scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses.

The key driver is GDP forecasts. The economic scenarios include the following key indicators for the Republic of Kazakhstan for 2021-2025.

	2021	**2022**	**2023**	**2024**	**2025**
GDP growth (upside scenario)	4.40%	4.80%	4.60%	4.70%	4.70%
GDP growth (base scenario)	3.57%	4.27%	3.85%	4.00%	4.16%
GDP growth (downside scenario)	2.80%	3.60%	3.10%	3.26%	3.43%

Taking into account lack of sufficient historical default data, the Group determined that the data provided by rating agencies would serve as a source of information for economic scenarios. Scenarios are updated on a regular basis and used in assessment of credit risks.

Modified financial assets and financial lease

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

If the modification is not an individual lease and the lease has not been classified as operating lease, and if the modification had been effective at the inception date, the lessor accounts for the modification of finance lease under IFRS 9.

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 or finance lease is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers or finance leases in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan or finance lease forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets and finance lease modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A counterparty needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of expected credit losses

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default represents the expected exposure in the event of a default.

The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of a loan or terminate a loan commitment.

For portfolios in respect of which the Group has limited historical data, external benchmark information will be used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECLs are as follows.

		External benchmarks used	
	Carrying amount as at 31 December 2020	**PD**	**LGD**
Placements with banks and other financial institutions	121,779,502	S&P default studies	70%
Loans to banks	124,810,690	S&P default studies	70%
Debt securities	208,310,612	S&P default studies	Moody's recovery studies

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments as at 31 December 2020 and 31 December 2019. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired financial assets are included in Note 3(e)(iv).

	31 December 2020			
'000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents				
- rated from AA- to AA+	44,765,922	-	-	44,765,922
- rated from A- to A+	308,591	-	-	308,591
- rated from BBB- to BBB+	129,521,987	-	-	129,521,987
- rated from BB- to BB+	39,405,203	-	-	39,405,203
- rated from B- to B+	117	-	-	117
- not rated	28,784,338	-	-	28,784,338
	242,786,158	**-**	**-**	**242,786,158**
	(21)	-	-	(21)
Total cash and cash equivalents	**242,786,137**	**-**	**-**	**242,786,137**

	31 December 2019			
'000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents				
- rated from AA- to AA+	7,902,112	-	-	7,902,112
- rated from A- to A+	20,098,178	-	-	20,098,178
- rated from BBB- to BBB+	94,479,378	-	-	94,479,378
- rated from BB- to BB+	14,728,173	-	-	14,728,173
- rated from B- to B+	100	-	-	100
- not rated	6,965,797	-	-	6,965,797
Total cash and cash equivalents	**144,173,738**	**-**	**-**	**144,173,738**

	31 December 2020			
'000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Placements with banks and other financial institutions				
- rated from BBB- to BBB+	66,468,205	-	-	66,468,205
- rated from BB- to BB+	55,352,521	-	40,745	55,393,266
- not rated	-	-	395,997	395,997
	121,820,726	**-**	**436,742**	**122,257,468**
Loss allowance	(41,224)	-	(436,742)	(477,966)
Total placements with banks and other financial institutions	**121,779,502**	**-**	**-**	**121,779,502**

	31 December 2019			
'000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Placements with banks and other financial institutions				
- rated from BBB- to BBB+	56,491,019	-	-	56,491,019
- rated from BB- to BB+	35,039,929	-	45,335	35,085,264
- rated from B- to B+	35,300	-	-	35,300
- not rated	-	-	402,576	402,576
	91,566,248	**-**	**447,911**	**92,014,159**
Loss allowance	(3,370)	-	(447,911)	(451,281)
Total placements with banks and other financial institutions	**91,562,878**	**-**	**-**	**91,562,878**

	31 December 2020				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to banks					
- rated from BB- to BB+	46,194,114	-	-	-	46,194,114
- rated from B- to B+	72,190,551	6,670,022	-	1,680,682	80,541,255
- not rated	-	-	3,770,771	-	3,770,771
	118,384,665	**6,670,022**	**3,770,771**	**1,680,682**	**130,506,140**
Loss allowance	(975,790)	(948,889)	(3,770,771)	-	(5,695,450)
Total loans to banks	**117,408,875**	**5,721,133**	**-**	**1,680,682**	**124,810,690**

	31 December 2019				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to banks					
- rated from BB- to BB+	38,435,865	-		-	38,435,865
- rated from B- to B+	64,420,201	3,618,243	4,868,912	1,609,498	74,516,854
- not rated	-	-	3,875,728	-	3,875,728
	102,856,066	**3,618,243**	**8,744,640**	**1,609,498**	**116,828,447**
Loss allowance	(592,629)	(700,219)	(4,589,760)	-	(5,882,608)
Total loans to banks	**102,263,437**	**2,918,024**	**4,154,880**	**1,609,498**	**110,945,839**

	31 December 2020				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to customers measured at amortised cost					
- rated from BBB- to BBB+	305,879,515	87,154,058	-	-	393,033,573
- rated from BB- to BB+	252,723,754	11,055,344	-	-	263,779,098
- rated from B- to B+	863,257,395	114,870,653	-	965,289	979,093,337
- rated from CCC- to CCC+	10,261,522	86,018,081	22,836,242	8,931,991	128,047,836
- rated D	-	-	110,056,709	3,891,662	113,948,371
- not rated	244,373	-	-	-	244,373
	1,432,366,559	**299,098,136**	**132,892,951**	**13,788,942**	**1,878,146,588**
Loss allowance	(15,699,426)	(19,951,453)	(72,201,227)	(3,440,260)	(111,292,366)
Total loans to customers measured at amortised cost	**1,416,667,133**	**279,146,683**	**60,691,724**	**10,348,682**	**1,766,854,222**

’000 KZT	31 December 2019				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to customers measured at amortised cost					
- rated from BBB- to BBB+	322,226,325	63,833,960	-	-	386,060,285
- rated from BB- to BB+	498,715,553	7,799,743	-	-	506,515,296
- rated from B- to B+	371,163,353	129,149,492	-	-	500,312,845
- rated from CCC- to CCC+	2,175,525	124,589,960	38,956,295	9,729,767	175,451,547
- rated D	-	-	54,997,730	4,768,089	59,765,819
- not rated	293,359	-	-	-	293,359
	1,194,574,115	**325,373,155**	**93,954,025**	**14,497,856**	**1,628,399,151**
Loss allowance	(4,933,654)	(25,669,725)	(44,155,856)	(4,328,505)	(79,087,740)
Total loans to customers measured at amortised cost	**1,189,640,461**	**299,703,430**	**49,798,169**	**10,169,351**	**1,549,311,411**

	31 December 2020				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL (embedded derivative)**	**Total**
Finance lease receivables					
With externally rated credit risk					
- rated from BBB- to BBB+	89,691,733	-	-	-	89,691,733
- rated from B- to B+	866,488	-	-	-	866,488
With internally rated credit risk					
- rated from BB- to BB+	56,211,918	3,884,401	-	559,358	60,655,677
- rated from B- to B+	84,316,197	2,708,484	50,117	2,058,394	89,133,192
- rated CCC+	20,939,396	8,321,445	-	-	29,260,841
- rated from CCC- to CCC	14,474,140	42,476,891	12,757,816	-	69,708,847
- rated D	-	-	7,750,843	-	7,750,843
	266,499,872	**57,391,221**	**20,558,776**	**2,617,752**	**347,067,621**
Loss allowance	(5,005,407)	(4,922,573)	(10,599,780)	-	(20,527,760)
Total finance lease receivables	**261,494,465**	**52,468,648**	**9,958,996**	**2,617,752**	**326,539,861**

	31 December 2019				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL (embedded derivative)**	**Total**
Finance lease receivables					
With externally rated credit risk					
- rated from BBB- to BBB+	61,324,574	-	-	-	61,324,574
- rated from B- to B+	6,750,757	-	-	3,094,473	9,845,230
With internally rated credit risk					
- rated from BB- to BB+	21,507,292	-	136,350	619,194	22,262,836
- rated from B- to B+	64,216,948	9,085,963	-	2,938,264	76,241,175
- rated CCC+	3,830,140	-	819,798	-	4,649,938
- rated from CCC- to CCC	7,640,208	-	2,155,051	-	9,795,259
- rated D	-	-	18,120,744	-	18,120,744
	165,269,919	**9,085,963**	**21,231,943**	**6,651,931**	**202,239,756**
Loss allowance	(2,702,783)	(74,558)	(9,122,075)	-	(11,899,416)
Total finance lease receivables	**162,567,136**	**9,011,405**	**12,109,868**	**6,651,931**	**190,340,340**

	31 December 2020				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Debt securities measured at fair value through other comprehensive income					
- rated from AA- to AA+	38,446,137	-	-	-	38,446,137
- rated from A- to A+	67,710,185	-	-	-	67,710,185
- rated from BBB- to BBB+	72,726,749	-	-	-	72,726,749
- rated from BB- to BB+	17,729,053	-	-	-	17,729,053
	196,612,124	**-**	**-**	**-**	**196,612,124**
Loss allowance	(31,873)	-	-	-	(31,873)
Gross carrying amount	**197,445,907**	**-**	**-**	**-**	**197,445,907**
Total debt securities at FVOCI	**196,612,124**	**-**	**-**	**-**	**196,612,124**

	31 December 2019				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Debt securities measured at fair value through other comprehensive income					
- rated from AA- to AA+	87,835,700	-	-	-	87,835,700
- rated from A- to A+	17,751,952	-	-	-	17,751,952
- rated from BBB- to BBB+	37,678,389	-	-	-	37,678,389
- rated from BB- to BB+	67,628,701	-	-	-	67,628,701
- rated from B- to B+	-	2,898,797	-	-	2,898,797
	210,894,742	**2,898,797**	**-**	**-**	**213,793,539**
Loss allowance	(50,775)	(211,159)	-	-	(261,934)
Gross carrying amount	**213,132,343**	**3,257,974**	**-**	**-**	**216,390,317**
Total debt securities at FVOCI	**210,894,742**	**2,898,797**	**-**	**-**	**213,793,539**

	31 December 2020				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Debt securities at amortised cost					
- rated from BBB- to BBB+	4,147,789	-	-	-	4,147,789
- rated from BB- to BB+	6,991,949	-	-	-	6,991,949
- rated from B- to B+	-	-	-	1,976,863	1,976,863
	11,139,738	**-**	**-**	**1,976,863**	**13,116,601**
Loss allowance	(9,707)	-	-	(1,408,406)	(1,418,113)
Total debt securities at amortised cost	**11,130,031**	**-**	**-**	**568,457**	**11,698,488**

	31 December 2019				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Debt securities at amortised cost					
- rated from BBB- to BBB+	3,747,747	-	-	-	3,747,747
- rated from BB- to BB+	6,516,175	-	-	-	6,516,175
- rated from B- to B+	-	-	-	1,891,309	1,891,309
	10,263,922	**-**	**-**	**1,891,309**	**12,155,231**
Loss allowance	(4,212)	-	-	(1,408,406)	(1,412,618)
Total debt securities at amortised cost	**10,259,710**	**-**	**-**	**482,903**	**10,742,613**

’000 KZT	31 December 2020				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loan commitments					
- rated from BBB- to BBB+	58,577,932	-	-	-	58,577,932
- rated from BB- to BB+	10,023,791	-	-	-	10,023,791
Total loan commitments	**68,601,723**	**-**	**-**	**-**	**68,601,723**
Loss allowance	**529,106**	**-**	**-**	**-**	**529,106**

’000 KZT	**31 December 2019**				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loan commitments					
- rated from BBB- to BBB+	46,061,800	-	-	-	46,061,800
- rated from BB- to BB+	111,656,667	-	-	-	111,656,667
- rated from B- to B+	129,239,272	-	-	-	129,239,272
- rated from CCC- to CCC+	-	331,491	-	-	331,491
Total loan commitments	**286,957,739**	**331,491**	**-**	**-**	**287,289,230**
Loss allowance	**2,029,985**	**-**	**-**	**-**	**2,029,985**

’000 KZT	**31 December 2020**				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Financial guarantee contracts					
- rated from B- to B+	5,386,024	-	-	-	5,386,024
Loss allowance	**20,994**	**-**	**-**	**-**	**20,994**

’000 KZT	**31 December 2019**				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Financial guarantee contracts					
- rated from B- to B+	8,570,443	-	-	-	8,570,443
Loss allowance	**84,634**	**-**	**-**	**-**	**84,634**

The following table sets out information about overdue status of loans to customers and finance lease receivables by credit quality stages.

’000 KZT	**31 December 2020**				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to customers measured at amortised cost					
- not overdue	1,432,366,559	299,098,136	75,889,234	9,897,280	1,817,251,209
- overdue less than 90 days	-	-	33,455,811	-	33,455,811
- overdue more than 90 days and less than 180 days	-	-	-	240,244	240,244
- overdue more than1 year	-	-	23,547,906	3,651,418	27,199,324
	1,432,366,559	**299,098,136**	**132,892,951**	**13,788,942**	**1,878,146,588**
Loss allowance	(15,699,426)	(19,951,453)	(72,201,227)	(3,440,260)	(111,292,366)
Total loans to customers measured at amortised cost	**1,416,667,133**	**279,146,683**	**60,691,724**	**10,348,682**	**1,766,854,222**

’000 KZT	**31 December 2019**				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Loans to customers measured at amortised cost					
- not overdue	1,194,574,115	325,373,155	61,206,416	9,729,767	1,590,883,453
- overdue less than 90 days	-	-	10,582,431	-	10,582,431
- overdue more than 180 days but less than 1 year	-	-	22,165,178	-	22,165,178
- overdue more than1 year	-	-	-	4,768,089	4,768,089
	1,194,574,115	**325,373,155**	**93,954,025**	**14,497,856**	**1,628,399,151**
Loss allowance	(4,933,654)	(25,669,725)	(44,155,856)	(4,328,505)	(79,087,740)
Total loans to customers measured at amortised cost	**1,189,640,461**	**299,703,430**	**49,798,169**	**10,169,351**	**1,549,311,411**

	31 December 2020				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL (embedded derivative)**	**Total**
Finance lease receivables					
- not overdue	262,014,420	23,788,348	12,757,815	2,617,752	301,178,335
- overdue less than 30 days	4,310,865	8,552	38,850	-	4,358,267
- overdue 30-89 days	174,587	3,056,405	11,268	-	3,242,260
- overdue 90-360 days	-	30,537,916	4,872,434	-	35,410,350
- overdue more than 360 days	-	-	2,878,409	-	2,878,409
	266,499,872	**57,391,221**	**20,558,776**	**2,617,752**	**347,067,621**
Loss allowance	(5,005,407)	(4,922,573)	(10,599,780)	-	(20,527,760)
Total finance lease receivables	**261,494,465**	**52,468,648**	**9,958,996**	**2,617,752**	**326,539,861**

	31 December 2019				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL (embedded derivative)**	**Total**
Finance lease receivables					
- not overdue	160,973,718	7,646,802	3,963,165	6,651,931	179,235,616
- overdue less than 30 days	4,291,283	-	14,167,493	-	18,458,776
- overdue 30-89 days	4,918	1,439,161	260,981	-	1,705,060
- overdue 90-360 days	-	-	1,073,566	-	1,073,566
- overdue more than 360 days	-	-	1,766,738	-	1,766,738
	165,269,919	**9,085,963**	**21,231,943**	**6,651,931**	**202,239,756**
Loss allowance	(2,702,783)	(74,558)	(9,122,075)	-	(11,899,416)
Total finance lease receivables	**162,567,136**	**9,011,405**	**12,109,868**	**6,651,931**	**190,340,340**

5 Net interest income

	For the year ended 31 December 2020 ’000 KZT	For the year ended 31 December 2019 ’000 KZT
Interest income calculated using effective interest rate method		
Loans to customers	124,466,818	106,262,427
Loans to banks	11,840,786	7,243,237
Placements with banks and other financial institutions	7,708,531	6,668,857
Debt securities	6,299,546	6,547,990
Cash and cash equivalents	3,131,110	15,410,804
Other financial assets	2,160,428	1,965,123
	155,607,219	**144,098,438**
Other interest income		
Finance lease receivables	35,088,039	24,422,267
Loans to customers	8,091,516	5,707,697
Debt securities measured at fair value through profit or loss	131,324	224,705
	43,310,879	**30,354,669**

	For the year ended 31 December 2020 ’000 KZT	For the year ended 31 December 2019 ’000 KZT
Interest expense		
Debt securities issued	(93,014,664)	(74,616,647)
Loans and borrowings from banks and other financial institutions	(24,974,485)	(27,492,779)
Loans from the Parent Company	(17,236,408)	(12,697,610)
Subordinated debt	(7,014,847)	(6,579,121)
Loans from SWF “Samruk-Kazyna”	(1,395,652)	(1,364,615)
Current accounts and deposits from customers	(900,000)	(896,700)
	(144,536,056)	**(123,647,472)**

Included within various line items under interest income on finance lease receivables is a total of KZT 10,419,019 thousand of government grant amortisation (2019: KZT 7,198,444 thousand).

6 Net fee and commission (expense)/income

	For the year ended 31 December 2020 ’000 KZT	For the year ended 31 December 2019 ’000 KZT
Fee and commission income		
Fee and commission on loans to customers	490,093	3,222,926
Letters of credit and guarantees	197,635	464,176
Other	39,512	12,379
	727,240	**3,699,481**
Fee and commission expense		
Write-off of commission for provisioning of cash under unused credit limit due to expiry of the availability period	(547,493)	-
Fees for early loan repayments	(277,628)	(2,803,844)
Services of professional participants of the securities market	(50,344)	(87,241)
Commission expenses on guarantees	(38,357)	(37,250)
Custodian services	(24,449)	(23,128)
Maintenance of current accounts	(6,926)	(35,977)
Commissions for confirming letter of credit	(2,056)	(7,374)
Other	(12,866)	(15,318)
	(960,119)	**(3,010,132)**

Net fees and commission income includes income of KZT 611,310 thousand (2019: KZT 3,427,740 thousand) relating to financial assets not measured at fair value through profit or loss. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets.

Net fee and commission expense for 2019 includes fee and commission expense of KZT 2,803,844 thousand for partial early repayment of the loan from a foreign bank (Note 24). In addition, during 2019, the Group recognised income of KZT 2,801,622 thousand related to reimbursement of these expenses within fee and commissions on loans to customers.

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

’000 KZT	31 December 2020	31 December 2019
Receivables, which are included in ‘other assets’	347,289	331,398
Contract liabilities, which are included in ‘other liabilities’	6,304	23,080

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The Group provides services related to provision of financial guarantees and letters of credit. Fees for provision of guarantees are charged on a quarterly basis. Revenues is recognised by the Group over time as the services are provided.

7 Net foreign exchange loss

	For the year ended 31 December 2020 ’000 KZT	For the year ended 31 December 2019 ’000 KZT
Translation differences, net	(2,189,078)	(1,266,461)
Dealing operations, net	9,246	(220,615)
	(2,179,832)	**(1,487,076)**

8 Net gain on financial instruments at fair value through profit or loss

	For the year ended 31 December 2020 ’000 KZT	For the year ended 31 December 2019 ’000 KZT
Unrealised gain/(loss) on revaluation of financial instruments at fair value through profit or loss		
Loans to customers	2,796,280	(2,884,312)
Derivative financial instruments	1,590,061	3,952,705
Debt securities	(72,636)	(36,303)
Realised gain/(loss) on financial instruments at fair value through profit or loss		
Derivative financial instruments	1,246,334	(383,834)
Debt securities	187,655	288,376
Loans to customers	711,436	-
	6,459,130	**936,632**

In determining the fair value of financial derivatives management determined that the following rates are appropriate: ranging from 10.92% in KZT, 2.58% in USD (2019: ranging from 10.08% to 15.67% in KZT, 2.32% in USD).

9 Other expenses, net

	For the year ended 31 December 2020 ’000 KZT	For the year ended 31 December 2019 ’000 KZT
Other income from utilisation of government grants	40,590,502	26,742,526
Income from initial recognition of debt liabilities acquired	23,922,634	-
Income from partial early repayments of loans issued	2,042,011	6,045,211
Dividend income	960,312	-
Fines and penalties received	108,033	266,749
Rental income from property	27,939	43,700
Net gain on disposal of property, plant and equipment	26,919	-
Income from reversal of reserve due to expiry of the contract term of credit line upon derecognition of estimated loan commitment at below-market interest rate	-	10,966,934
Loss on early repayment of loans from banks and other financial institutions	(353,434)	(2,712,811)
Restructuring (expense)/income	(645,735)	80,198
Loss on derecognition of finance lease receivables	(2,321,403)	-
Expense on valuation of liabilities on provision of loans at below market rates	(21,801,435)	(8,686,364)
Losses arising on initial recognition of loans issued	(47,504,168)	(35,546,442)
Other income	485,620	803,718
	(4,462,205)	**(1,996,581)**

Other income from utilisation of government grants was recognised as income based on the results of compliance with the terms of the relevant government programs in the amount of KZT 40,590,502 thousand (2019: KZT 37,709,460 thousand) (Note 26).

During 2019, expenses on estimation of provision in relation to loan commitments to provide loans at below market rates that were recognised the year before in the amount of KZT 10,966,934 thousand have been recovered. The respective amount of government grant recognised in 2018 within other income has been reversed within the government grant liabilities.

During 2020, the Group recognised income of KZT 23,922,634 thousand from initial recognition of financial liabilities at the below market rate including that from obtaining tied loans from a foreign bank in the amount of KZT 22,617,282 thousand (Note 24) and from issue of bonds in the amount of KZT 1,305,352 thousand (Note 27). The funds of the tied loan were used to extend loans to customers. During 2020, loss on initial recognition of the loans to customers was KZT 19,252,316 thousand. As at 31 December 2020, the Group recognises commitment to provide a loan at below market interest rate of KZT 328,831 thousand for unused limit of credit facility issued to such borrowers.

During 2020, due to a partial early repayment of the loans issued, the Group recognised income of KZT 2,042,011 thousand as a result of revision of repayment schedule (2019: KZT 6,045,211 thousand).

During 2020, the Group recognised expense of KZT 47,504,168 thousand (2019: KZT 35,546,442 thousand) upon initial recognition of the value of loans issued at below market rates. This amount includes expense of KZT 17,838,458 thousand arising from initial recognitions of loans to banks (2019: KZT 31,402,922 thousand) and expense of KZT 29,665,710 thousand arising from initial recognitions of loans to customers (2019: KZT 4,143,520 thousand).

During 2020 expense at initial recognition of loans to banks arose from issue of loans with a nominal interest rate of 1.0% per annum, the market interest rates of which ranged from 15.45% to 18.67% per annum (2019: nominal rate from 1.0% to 8.0%, the market rates on which ranged from 8.5% to 14.5%).

During 2020 expense at initial recognition of loans to customers arose from issue of loans with a nominal interest rate from 6.0% to 15.0% per annum, the market interest rates of which ranged from 9.23% to 18.29% per annum (2019: nominal rate ranging from 6.0% to 11.0% per annum, the market rates on which ranged from 6.3% to 15.7% per annum).

During 2020, the Group recognised expense of KZT 21,801,435 thousand (2019: KZT 10,968,511 thousand) upon initial recognition of the fair value of liabilities on provision of loans at below market rates.

Included in expenses arising at initial recognition of loans issued and on assessment of commitments to extend loans at below market rates is expense of KZT 9,462,785 thousand not associated with obtaining and issue of tied loans and use of government grants (2019: KZT 6,523,346 thousand).

During 2020, the Group recognised loss on derecognition of KZT 2,321,403 thousand due to early repayment of finance lease receivables (Note 17).

10 Impairment losses

	For the year ended 31 December 2020 '000 KZT	For the year ended 31 December 2019 '000 KZT
Losses on impairment of debt financial assets		
Loans to customers (Note 16)	(27,026,059)	(19,681,241)
Finance lease receivables (Note 17)	(8,629,752)	(1,093,825)
Other financial assets (Note 21)	(1,926,102)	98,405
Placements with banks and other financial institutions (Note 14)	(26,685)	234,250
Cash and cash equivalents	(21)	12,344
Loans to banks (Note 15)	176,176	(352,149)
Debt securities	224,566	(125,035)
	(37,207,877)	**(20,907,251)**
Reversal of loss on impairment of loan commitments and financial guarantee contracts		
Loan commitments	1,687,722	1,790,655
Financial guarantee contracts	75,795	(45,753)
	1,763,517	**1,744,902**
Reversal of impairment losses/(impairment losses) on other non-financial assets		
Advances paid under finance lease agreements (Note 19)	5,449,844	(5,463,509)
Other assets	(179,645)	(453,164)
Assets to be transferred under finance lease agreements	-	(10,566)
	5,270,199	**(5,927,239)**

11 General administrative expenses

	For the year ended 31 December 2020 '000 KZT	For the year ended 31 December 2019 '000 KZT
Wages and salaries	(3,560,392)	(3,623,104)
Taxes other than income tax	(451,129)	(419,147)
Maintenance and repair of property, plant and equipment and intangible assets	(431,687)	(335,593)
Consulting services	(416,398)	(431,365)
Administrative expense of the Board of Directors	(322,260)	(352,596)
Depreciation of property, plant and equipment, intangible assets and investment property	(291,694)	(236,949)
Recruiting of the outsourcing unit's employees - expenses and deductions	(269,335)	(332,049)
Wagebill deduction	(254,648)	(332,349)
Information services	(215,317)	(209,632)
Amortisation of intangible assets	(213,868)	(142,238)
Communication services	(126,875)	(30,042)
Rating services	(123,942)	(120,385)
Social expenditure	(71,668)	(70,021)
Audit expenses	(70,000)	(72,200)
Marketing and advertising expenses	(59,440)	(97,456)
Employee training and advanced training	(50,415)	(87,069)
Travel expenses	(30,830)	(103,417)
Charity and sponsorship expenses	(19,288)	-
Office rental	(17,931)	(21,639)
Insurance	(16,505)	(5,230)
Inventories	(12,174)	(1,657)
Occupational health and safety	(6,827)	-
Transport services	(4,454)	(9,027)
Banking services	(4,234)	(2,293)
Office supplies and printing expenses	(2,901)	(20,528)
Holding festive, entertainment and sports events	(2,840)	(2,500)
Security services	(2,616)	(2,645)
Other	(45,101)	(143,306)
	(7,094,769)	**(7,204,437)**

12 Income tax expense

	For the year ended 31 December 2020 '000 KZT	For the year ended 31 December 2019 '000 KZT
Current year tax expense		
Current period	(3,367,209)	(6,011,376)
Income tax overprovided in prior periods	727,310	583,802
Income tax withheld at the source of payment	(922,419)	(1,041,939)
	(3,562,318)	**(6,469,513)**
Deferred income tax benefit		
Origination and reversal of temporary differences	1,731,964	2,068,350
Movement in unrecognised deferred tax asset	960,549	317,954
	2,692,513	**2,386,304**
Total income tax expense	**(869,805)**	**(4,083,209)**

The applicable tax rate for current and deferred tax of the Group is 20% (2019: 20%).

Reconciliation of effective tax rate

	For the year ended 31 December 2020 '000 KZT	%	For the year ended 31 December 2019 '000 KZT	%
Profit before income tax	**23,239,647**	**100**	**15,041,685**	**100**
Income tax at the applicable tax rate	(4,647,929)	(20)	(3,008,337)	(20)
Non-deductible expenses	(835,705)	(4)	(1,140,192)	(8)
Non-taxable income on securities	447,438	2	1,284,636	9
Non-deductible impairment loss	(309,616)	(1)	(2,423,765)	(16)
Non-taxable income/(non-deductible expense) on revaluation of loans measured at fair value through profit or loss	559,256	2	(576,862)	(4)
Tax exempt interest on finance lease receivables	3,151,311	14	1,921,494	13
Change in unrecognised deferred tax assets and liabilities	960,549	4	317,954	2
Income tax overprovided in prior periods	727,310	3	583,802	4
Income tax withheld at the source of payment	(922,419)	(4)	(1,041,939)	(7)
	(869,805)	**(4)**	**(4,083,209)**	**(27)**

13 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows comprise the following:

	31 December 2020 '000 KZT	31 December 2019 '000 KZT
Demand deposits		
National Bank of the Republic of Kazakhstan	1,927,579	2,989,994
Total demand deposits	**1,927,579**	**2,989,994**
Current bank accounts balances		
National Bank of the Republic of Kazakhstan	127,580,592	91,470,715
Other banks		
- rated from AA- to AA+	44,765,922	7,902,112
- rated from A- to A+	308,591	20,098,178
- rated from BBB- to BBB+	13,816	18,669
- rated from BB- to BB+	39,405,203	14,728,173
- rated from B- to B+	117	100
- not rated	4,438,752	2,740
Total current bank accounts balances	**216,512,993**	**134,220,687**
Reverse repurchase agreements with original maturities of less than three months	24,345,200	6,962,855
Cash on hand	386	202
Gross cash and cash equivalents	**242,786,158**	**144,173,738**
Loss allowance	(21)	-
Net cash and cash equivalents	**242,786,137**	**144,173,738**

As at 31 December 2020, the Group entered into reverse repurchase agreements at Kazakhstan Stock Exchange. The subject of these agreements were treasury notes of the Ministry of finance issued by the Government of the Republic of Kazakhstan and discount notes issued by the National Bank of the Republic of Kazakhstan. The carrying amount of those agreements and fair value of securities pledged amounted to KZT 24,345,200 thousand and KZT 24,338,488 thousand, respectively (31 December 2019: KZT 6,962,855 thousand and KZT 7,187,725 thousand, respectively).

The credit ratings are presented by reference to the credit ratings of Standard & Poor's rating agency or analogues of similar rating agencies. None of cash and cash equivalents are past due.

Concentration of cash and cash equivalents

As at 31 December 2020 the Group had one bank (31 December 2019: one bank), whose balances exceeded 10% of equity. The gross value of these balances as of 31 December 2020 and 31 December 2019 was KZT 129,508,171 thousand and KZT 94,460,709 thousand, respectively.

14 Placements with banks and other financial institutions

	31 December 2020 ‘000 KZT	31 December 2019 ’000 KZT
Placements with banks and other financial institutions		
rated from BBB- to BBB+	66,468,205	56,491,019
rated from BB- to BB+	55,393,266	35,085,264
rated from B- to B+	-	35,300
not rated	395,997	402,576
Gross placements with banks other financial institutions	**122,257,468**	**92,014,159**
Loss allowance	(477,966)	(451,281)
Net placements with banks other financial institutions	**121,779,502**	**91,562,878**

The above table is based on the credit ratings assigned by Standard & Poor’s or other agencies converted into Standard & Poor’s scale.

Concentration of placements with banks

As at 31 December 2020 the Group had no banks (31 December 2019: one bank), whose balances exceeded 10% of equity. The gross value of such balance as at 31 December 2019 is KZT 56,491,019 thousand.

Movements in the loss allowance on placements with banks and other financial institutions for the twelve months ended 31 December 2020 and 31 December 2019 are as follows:

Analysis of movements in loss allowance

	2020		
’000 KZT	**Stage 1 12-month expected credit losses**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**Total**
Balance at the beginning of the reporting period	(3,370)	(447,911)	(451,281)
Net recovery of loss allowance	(37,854)	11,169	(26,685)
Balance at the end of the reporting period	**(41,224)**	**(436,742)**	**(477,966)**

	2019		
’000 KZT	**Stage 1 12-month expected credit losses**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**Total**
Balance at the beginning of the period	(218,956)	(466,688)	(685,644)
Net recovery of loss allowance	215,473	18,777	234,250
Foreign exchange differences	113	-	113
Balance at the end of the period	**(3,370)**	**(447,911)**	**(451,281)**

As at 31 December 2020 the Group had deposit with one bank that was fully impaired (31 December 2019: with one bank).

15 Loans to banks

	31 December 2020 ‘000 KZT	31 December 2019 ’000 KZT
Loans to banks		
rated from BB- to BB+	46,194,114	38,435,865
rated from B- to B+	80,541,255	74,516,854
not rated	3,770,771	3,875,728
Gross loans to banks	**130,506,140**	**116,828,447**
Loss allowance	(5,695,450)	(5,882,608)
Net loans to banks	**124,810,690**	**110,945,839**

As at 31 December 2020 the Group had no outstanding balances of loans issued to banks whose balances exceeded 10% of equity (31 December 2019: one bank). The gross value of these balances as at 31 December 2019 is KZT 44,631,904 thousand.

(a) Analysis of movements in the loss allowance on loans to banks

Movements in the loss allowance for loans to banks for the years ended 31 December 2020 and 31 December 2019 are as follows:

	2020			
’000 KZT	**Stage 1 12-month expected credit losses**	**Stage 2 Life-time expected credit losses for credit unimpaired assets**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**Total**
Balance at the beginning of the period	(592,629)	(700,219)	(4,589,760)	(5,882,608)
Transfer to Stage 2	-	(343,974)	343,974	-
New financial assets originated or purchased	(8,606)	-	-	(8,606)
Net recovery/(charge) for the period	(374,555)	95,304	464,033	184,782
Write off	-	-	14,790	14,790
Unwinding of discount on present value of ECLs	-	-	(3,808)	(3,808)
Balance at the end of the period	**(975,790)**	**(948,889)**	**(3,770,771)**	**(5,695,450)**

	2019			
’000 KZT	**Stage 1 12-month expected credit losses**	**Stage 2 Life-time expected credit losses for credit unimpaired assets**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**Total**
Balance at the beginning of the period	(709,955)	-	(6,663,736)	(7,373,691)
Transfer to Stage 2	153,049	(153,049)	-	-
New financial assets originated or purchased	(318,724)	-	-	(318,724)
Net recovery/(charge) for the period	283,001	(547,170)	230,744	(33,425)
Write off	-	-	1,854,214	1,854,214
Unwinding of discount on present value of ECLs	-	-	(10,982)	(10,982)
Balance at the end of the period	**(592,629)**	**(700,219)**	**(4,589,760)**	**(5,882,608)**

(b) Analysis of movements in gross carrying amounts

The note further explains how significant movements in the gross carrying amounts of loans to banks have contributed to changes in loss allowances for expected credit losses.

Transfer from 12-months ECL stage in the amount of KZT 3,581,633 thousand to lifetime ECL for assets not credit-impaired stage for 2019 increased expected credit losses by KZT 547,170 thousand.

During 2019 issue of new loans resulted in increase of gross carrying amount of loans to banks by KZT 64,613,772 thousand and increase in expected credit loss allowance by KZT 318,724 thousand.

During 2019 the Group issued a loan of KZT 51,000,000 thousand to Eurasian Development Bank (hereinafter -EADB), which bears a nominal interest rate of 8% per annum, for subsequent financing of Astana Gas KMG JSC, to implement the project of provision of gas supply in the city of Nur-Sultan, as well as to implement other programmes for development of gas industry. Fair value of this financial asset on initial recognition amounted to KZT 42,288,117 thousand and was calculated using a discount rate of 11.8% per annum. On initial recognition of this financial asset the Group recognised an allowance for expected credit losses of KZT 44,966 thousand. With regard to this loan the Group applies a credit rating of Astana Gas KMG JSC (B+) to manage the financial risks. In the event of default of Astana Gas KMG JSC, the rights of claim held by EADB against Astana Gas KMG JSC will be transferred to the Group for repayment of liabilities of EADB to the Group.

As at 22 January 2019, debt of First Heartland Jýsan Bank JSC (formerly, Tsesnabank JSC) owed to the Group amounted to KZT 8,407,990 thousand. As at that date, the claims were restructured in accordance with the terms and conditions of the Framework Agreement. Under the restructuring scheme, use of loan proceeds for intended purposes was excluded, and the nominal interest rate on loans was lowered from 2.0% to 0.1%. The carrying amount of the claims before restructuring was KZT 2,338,433 thousand. The fair value of a new financial asset recognised as credit-impaired on initial recognition amounted to KZT 788,007 thousand, which was calculated using a discounting rate of 16.8% per annum. As a result, during 2019, the Group recognised loss of KZT 1,550,426 thousand in profit or loss, resulting from derecognition of financial assets measured at amortised cost. During 2019, write-off of claims in the amount of KZT 1,854,214 thousand resulted in decrease of expected credit losses by KZT 1,854,214 thousand.

16 Loans to customers

	31 December 2020 ’000 KZT	31 December 2019 ’000 KZT
Loans to customers measured at amortised cost		
Loans to corporate customers	1,764,252,815	1,534,219,887
Mortgage loans	110,331	159,318
Accrued interest	113,783,442	94,019,946
Gross loans to customers measured at amortised cost	**1,878,146,588**	**1,628,399,151**
Loss allowance	(111,292,366)	(79,087,740)
Net loans to customers measured at amortised cost	**1,766,854,222**	**1,549,311,411**
Loans to customers measured at fair value through profit or loss	**79,061,993**	**68,893,053**
Total loans to customers	**1,845,916,215**	**1,618,204,464**

To estimate the fair value of loans to customers measured at fair value through profit or loss, management made an assumption that the following market rates would be appropriate to be used by the Group: from 13.90% to 14.81% in KZT and 2.84% in USD (2019: from 12.60% to 15.92% in KZT and 5.26% in USD). None of the loans to customers measured at fair value through profit or loss are past due.

(a) Analysis of movements in loss allowance on loans to customers

Movements in loss allowance on loans to customers for the years ended 31 December 2020 and 31 December 2019 are presented as follows:

	2020				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Assets credit-impaired on initial recognition**	**Total**
Balance at the beginning of the period	**(4,933,654)**	**(25,669,725)**	**(44,155,856)**	**(4,328,505)**	**(79,087,740)**
Transfer to Stage 1	15,167	(15,167)	-	-	-
Transfer to Stage 2	-	(976,292)	976,292	-	-
Transfer to Stage 3	-	5,151,630	(5,151,630)	-	-
New financial assets originated or purchased	(7,565,056)	-	-	-	(7,565,056)
Net recovery/(charge) for the period	(2,723,407)	1,882,335	(18,464,500)	(155,431)	(19,461,003)
Write off	-	-	-	1,160,933	1,160,933
Unwinding of discount on present value of ECLs	-	-	(4,265,335)	-	(4,265,335)
Effect of changes in foreign exchange rates	(492,476)	(324,234)	(1,140,198)	(117,257)	(2,074,165)
Balance at the end of the period	**(15,699,426)**	**(19,951,453)**	**(72,201,227)**	**(3,440,260)**	**(111,292,366)**

	2019				
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Assets credit-impaired on initial recognition**	**Total**
Balance at the beginning of the period	**(5,230,127)**	**(28,389,683)**	**(18,359,190)**	**(6,528,377)**	**(58,507,377)**
Transfer to Stage 1	(73,362)	73,362	-	-	-
Transfer to Stage 2	400,086	(400,086)	-	-	-
Transfer to Stage 3	-	10,351,113	(10,351,113)	-	-
New financial assets originated or purchased	(2,518,348)	-	-	-	(2,518,348)
Net recovery/(charge) for the period	2,462,829	(7,354,605)	(14,446,013)	2,174,896	(17,162,893)
Unwinding of discount on present value of ECLs	-	-	(1,173,516)	-	(1,173,516)
Effect of changes in foreign exchange rates	25,268	50,174	173,976	24,976	274,394
Balance at the end of the period	**(4,933,654)**	**(25,669,725)**	**(44,155,856)**	**(4,328,505)**	**(79,087,740)**

(b) Analysis of movements in gross carrying amounts

The note further explains how significant movements in the gross carrying amounts of loans to customers have contributed to changes in loss allowances for expected credit losses.

During 2020, the high volume of loans originated resulted in the increase of the gross carrying amount of loans to customers by KZT 450,370,281 (2019: 426,211,338 thousand) with a corresponding increase in loss allowance measured on a 12-month basis by KZT 7,565,056 thousand (during 2019: KZT 2,518,348 thousand).

During 2020, transfer of the loans issued to customers from Stage 1 to Stage 2, with gross carrying amount of KZT 41,239,713 thousand (in 2019: KZT 10,604,499 thousand) contributed to increase in allowance for expected credit losses of KZT 1,943,659 thousand (in 2019: KZT 479,835 thousand).

During 2020, loans to customers with the gross carrying amount of KZT 38,596,200 thousand (in 2019: KZT 43,682,444 thousand) were transferred from Stage 2 to Stage 3. During 2020, the Group increased allowance for expected credit losses on these loans for a total amount of KZT 14,973,731 thousand (in 2019: KZT 18,942,587 thousand).

Analysis of collateral

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

31 December 2020 '000 KZT	Carrying amount of loans to customers	Fair value of collateral: for collateral assessed during the reporting period	Fair value of collateral: for collateral assessed before the reporting period
Stage 1 (12-month expected credit losses)			
Cash and deposits	3,792,528	3,792,528	-
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	433,561,215	-	-
Bank guarantees and guarantees received from legal entities (not rated)	346,445,864	-	-
The Government guarantees	3,004,953	3,004,953	
Vehicles	20,845,409	992,207	19,853,202
Real estate	182,355,066	59,549,115	122,805,951
Equipment	8,051,225	6,628,761	1,422,464
Shares, equity share	8,180,242	8,180,242	-
Other collateral	123,499,594	25,057,376	98,442,218
Future assets	286,931,037	63,655,649	223,275,388
Total Stage 1 (12-month expected credit losses)	**1,416,667,133**	**170,860,831**	**465,799,223**
Stage 2 (Lifetime expected credit losses on assets not credit-impaired)			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	132,736,952	-	-
Vehicles	323,684	-	323,684
Real estate	102,209,652	51,564,973	50,644,679
Equipment	43,876,395	18,878,231	24,998,164
Total Stage 2 (Lifetime expected credit losses on assets not credit-impaired)	**279,146,683**	**70,443,204**	**75,966,527**
Stage 3 (Lifetime expected credit losses on assets credit-impaired)			
Cash and deposits	2,539,996	2,539,996	-
Bank guarantees and guarantees received from legal entities (not rated)	3,005,338	-	-
Real estate	52,058,934	13,411,139	38,647,795
Equipment	3,087,456	3,087,456	-
Total Stage 3 (Lifetime expected credit losses on assets credit-impaired)	**60,691,724**	**19,038,591**	**38,647,795**
POCI-assets			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	1,768,442	-	-
Vehicles	489,048	198,661	290,387
Real estate	7,324,564	-	7,324,564
Other collateral	766,628	766,628	-
Total POCI-assets	**10,348,682**	**965,289**	**7,614,951**

31 December 2019 '000 KZT	**Carrying amount of loans to customers**	**Fair value of collateral: for collateral assessed during the reporting period**	**Fair value of collateral: for collateral assessed before the reporting period**
Stage 1 (12-month expected credit losses)			
Cash and deposits	295,947	295,947	-
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	443,996,879	-	-
Bank guarantees and guarantees received from legal entities (not rated)	236,582,027	-	-
Vehicles	659,478	563,793	95,685
Real estate	171,512,135	169,657,861	1,854,274
Equipment	4,102,469	3,413,677	688,792
Shares, equity share	1,370,470	1,370,470	-
Other collateral	104,178,751	6,719,444	97,459,307
Future assets	226,942,305	46,437,845	180,504,460
Total Stage 1	**1,189,640,461**	**228,459,037**	**280,602,518**
Stage 2 (Lifetime expected credit losses on assets not credit-impaired)			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	110,489,013	-	-
Vehicles	346,041	81,036	265,005
Real estate	135,780,688	69,969,835	65,810,853
Equipment	53,087,688	16,323,275	36,764,413
Total Stage 2	**299,703,430**	**86,374,146**	**102,840,271**
Stage 3 (Lifetime expected credit losses on assets credit-impaired)			
Cash and deposits	2,308,753	2,308,753	-
Bank guarantees and guarantees received from legal entities (not rated)	7,127,929	-	-
Real estate	25,628,242	6,329,045	19,299,197
Equipment	13,256,861	13,256,861	-
No collateral or other credit enhancements	1,476,384	-	-
Total Stage 3 (Lifetime expected credit losses on assets credit-impaired)	**49,798,169**	**21,894,659**	**19,299,197**
POCI-assets			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	1,468,027	-	-
Vehicles	572,411	571,559	852
Real estate	7,381,748	6,295,599	1,086,149
Other collateral	747,165	747,165	-
Total POCI-assets	**10,169,351**	**7,614,323**	**1,087,001**

The tables above exclude overcollateralisation. For loans secured by multiple types of collateral, collateral that is most relevant for assessment of impairment is disclosed. Certain guarantees and sureties received from individuals, such as shareholders of borrowers, are not considered for impairment assessment purposes.

The recoverability of loans to corporate customers, which are not credit - impaired, is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

(c) Industry analysis of the loan portfolio

Loans were issued to customers located within the Republic of Kazakhstan, which operate in the following economic sectors:

	31 December 2020 ’000 KZT	31 December 2019 ’000 KZT
Petrochemicals manufacturing	585,581,324	531,518,483
Metal industry	334,248,733	348,927,074
Mining	297,412,792	212,440,584
Electric power supply, and gas and steam supply, and air conditioning	234,712,997	271,162,155
Transportation and warehousing	112,478,652	59,040,108
Machinery manufacturing	92,982,506	71,598,611
Catering and accommodation services	77,382,674	40,198,872
Information and telecommunications	66,354,734	61,029,363
Chemical	56,585,736	60,096,905
Foodstuff manufacturing	42,340,618	36,218,600
The arts; entertainment and leisure industry	29,443,874	-
Construction materials manufacturing	27,439,568	4,768,089
Financial services	244,373	293,360
	1,957,208,581	**1,697,292,204**
Loss allowance for expected credit losses	(111,292,366)	(79,087,740)
Total loans to customers	**1,845,916,215**	**1,618,204,464**

(d) Significant credit exposures

As at 31 December 2020, the Group had six borrowers (31 December 2019: eight borrowers) whose balances exceeded 10% of equity. The net carrying value of these loans as at 31 December 2020 was KZT 1,080,742,887 thousand (31 December 2019: KZT 1,060,862,682 thousand).

(e) Loan maturities

The maturity of the Group’s loan portfolio is presented in Note 32(e), which shows the remaining period from the reporting date to the contractual maturity of the loans.

17 Finance lease receivables

The components of net investments in finance lease as at 31 December 2020 and 31 December 2019 are presented as follows:

‘000 KZT	**31 December 2020**	**31 December 2019**
Less than 1 year	95,247,727	43,037,080
From 1 to 2 years	73,071,897	49,613,311
From 2 to 3 years	61,410,937	36,566,992
From 3 to 4 years	58,944,968	28,412,243
From 4 to 5 years	52,610,912	28,962,943
More than 5 years	165,260,785	129,159,473
Minimum lease payments	**506,547,226**	**315,752,042**
Less unearned finance income:		
Less than 1 year	(24,867,538)	(16,760,681)
From 1 to 5 years	(84,981,851)	(66,351,258)
More than 5 years	(52,247,968)	(37,052,278)
Less unearned finance income, total	**(162,097,357)**	**(120,164,217)**
Loss allowance	(20,527,760)	(11,899,416)
Net investment in finance lease	**323,922,109**	**183,688,409**
Embedded derivative financial instrument at fair value through profit or loss	2,617,752	6,651,931
Finance lease receivables	**326,539,861**	**190,340,340**

'000 KZT	31 December 2020	31 December 2019
Leases to large corporates	140,916,183	99,339,088
Leases to small- and medium-sized companies	203,533,686	96,248,737
Loss allowance	(20,527,760)	(11,899,416)
Net investment in finance lease	**323,922,109**	**183,688,409**
Embedded derivative financial instrument at fair value through profit or loss	2,617,752	6,651,931
Finance lease receivables	**326,539,861**	**190,340,340**

Finance lease origination fees, lease servicing fees and other fees, differences between the actual cost of the lease items and cost of the lease items at the time of their transfer under the finance lease agreement are recognised as deferred income and amortised to interest income over the estimated life of the financial instrument in the amount of KZT 1,801,075 thousand (31 December 2019: KZT 1,876,569 thousand), that is considered to be integral part of the finance lease.

As at 31 December 2020 the Group has 18 lessees or 3 groups of related lessees, whose balances make over 37% of total carrying amount of the lease receivables. As at 31 December 2020 the total carrying amount of receivables from these lessees is KZT 120,197,059 thousand (31 December 2019: KZT 91,678,358 thousand). Up to 85% of the total carrying amount relate to the group of National Company "Kazakhstan Temir Zholy" JSC ("KTZh") and the company, which is economically dependent on KTZh, for the total amount of KZT 102,396,675 thousand that gives rise to risk of credit concentration due to the nature of their business activity and industry specifics.

Movements in loss allowance under finance lease agreements for the years ended 31 December 2020 and 2019 are as follows:

	2020			
'000 KZT	Stage 1 12-month expected credit losses	Stage 2 Life-time expected credit losses for assets not credit impaired	Stage 3 Life-time expected credit losses for credit-impaired assets	Total
Finance lease receivables				
Balance at the beginning of the year	(2,702,783)	(74,558)	(9,122,075)	(11,899,416)
Transfer to Stage 2	1,238,209	(1,238,209)	-	-
Transfer from Stage 3	-	(630,001)	630,001	-
Net remeasurement of loss allowance	(3,540,833)	(2,979,805)	(2,109,114)	(8,629,752)
Unwinding of discount for the year	-	-	1,408	1,408
Balance at the end of the year	**(5,005,407)**	**(4,922,573)**	**(10,599,780)**	**(20,527,760)**

	2019			
'000 KZT	Stage 1 12-month expected credit losses	Stage 2 Life-time expected credit losses for assets not credit impaired	Stage 3 Life-time expected credit losses for credit-impaired assets	Total
Finance lease receivables				
Balance at the beginning of the year	(2,966,742)	(135,588)	(8,799,909)	(11,902,239)
Transfer to Stage 2	35,880	(35,880)	-	-
Transfer to Stage 3	57,649	154,446	(212,095)	-
Net remeasurement of loss allowance	170,445	(57,536)	(1,206,734)	(1,093,825)
Recovery of the previously written-off amount	-	-	(54)	(54)
Transfer to other assets	-	-	471,671	471,671
Transfer of allowance to other assets for foreclosed leased items	-	-	753,015	753,015
Unwinding of discount for the year	(15)	-	(127,969)	(127,984)
Balance at the end of the year	**(2,702,783)**	**(74,558)**	**(9,122,075)**	**(11,899,416)**

Analysis of movements in gross carrying amount

Increase in financing of lease transactions for 2020 caused increase in gross carrying amount of lease portfolio for the total amount of KZT 181,607,618 thousand and appropriate increase in loss allowance for the portfolio by KZT 9,874,926 thousand.

- Stage 1: increase in gross carrying amount of lease portfolio for KZT 129,281,222 thousand and increase in loss allowance for the portfolio by KZT 3,839,648 thousand;
- Stage 2: increase in gross carrying amount of lease portfolio by KZT 48,355,945 thousand resulted in increase in loss allowance by KZT 2,979,805 thousand;
- Stage 3: increase in gross carrying amount of lease portfolio by KZT 3,970,451 thousand and increase in loss allowance by KZT 3,055,473 thousand.

Decrease in the receivables of gross carrying amount of KZT 36,779,753 thousand resulted in decrease in loss allowance for the portfolio by KZT 1,245,174 thousand, including by stages :

- Stage 1: decrease in gross carrying amount of lease portfolio by KZT 32,085,447 thousand and decrease in loss allowance by KZT 298,815 thousand;
- Stage 2: decrease in gross carrying amount of lease portfolio by KZT 50,687 thousand and not any movements in loss allowance;
- Stage 3: decrease in gross carrying amount of lease portfolio by KZT 4,643,619 thousand and decrease in loss allowance by KZT 946,359 thousand.

Embedded derivative financial instrument

The repayment of investment in finance leases of KZT 15,893,577 thousand is linked to appreciation of the rate of the Russian rouble (RUB) against KZT (2019: KZT 7,908,031 thousand and KZT 14,980,142 is linked to appreciation of the US dollar and the Russian rouble against KZT). If the rate of RUB rises, the amount receivable is increased by the respective index. If the rate of RUB goes down, the amount receivable is not adjusted below the original amount in KZT. The base for calculation of the embedded derivative includes all future payments under finance lease agreements and contingent liabilities linked to appreciation of RUB against KZT and as at 31 December 2020 amounts to KZT 22,482,285 thousand (31 December 2019: KZT 10,100,626 thousand linked to appreciation of USD against KZT and KZT 23,639,588 thousand linked to appreciation of RUB against KZT).

These embedded derivatives were recorded at fair value in the financial statements in finance lease receivables. The estimated amount of the embedded derivatives, which is included in finance lease receivables as at 31 December 2020 is KZT 2,617,752 thousand (31 December 2019: KZT 6,651,931 thousand). Fair value is calculated using a model based on the Black-Scholes option pricing model.

The management uses the following assumptions for valuation of the embedded derivatives:

- risk-free rates are estimated using yield curves for respective currencies and range from 4.808% to 7.155% for RUB, and from 8.995% to 9.943% for KZT (31 December 2019: from 1.581% to 1.851%for USD, from 6.431% to 6.726% for RUB and from 9.058% to 9.149% for KZT);
- volatility in the model is defined based on the historical half-year observations of fluctuations in actual foreign exchange rates;
- no transaction cost is included in the model.

If the spreads between KZT and RUB risk-free rates narrows by 0.5% under all the contracts, the fair value of the derivatives would increase by KZT 226,386 thousand. Decline in volatility of RUB rates by 50% would result in decrease of the fair value of embedded derivative by KZT 194,071 thousand.

Due to early repayment of finance lease receivables by Eastcomtrans LLP on 26 August 2020, according to the decision of the Credit Committee of IDF JSC of 24 August 2020, the Group recognised loss on derecognition of KZT 2,321,403 thousand (Note 9).

Credit quality of finance lease portfolio

The following table sets out information about the credit quality of the finance lease portfolio as at 31 December 2020:

'000 KZT	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime expected credit losses on assets not credit-impaired	Stage 3 Lifetime expected credit losses on assets credit-impaired	At fair value through profit or loss (embedded derivative financial instrument)	Total
Leases to large corporates					
- not overdue	124,963,487	4,021,692	11,596,278	1,867,642	142,449,099
- overdue 90-360 days	-	334,726	-	-	334,726
Total gross leases to large corporates	**124,963,487**	**4,356,418**	**11,596,278**	**1,867,642**	**142,783,825**
Loss allowance	**(1,056,901)**	**(117,370)**	**(6,702,924)**	**-**	**(7,877,195)**
Total leases to large corporates	**123,906,586**	**4,239,048**	**4,893,354**	**1,867,642**	**134,906,630**
Leases to small- and medium-sized companies					
- not overdue	137,050,933	19,766,656	1,161,537	750,110	158,729,236
- overdue up to 30 days	4,310,865	8,552	38,850	-	4,358,267
- overdue 30-89 days	174,587	3,056,405	11,268	-	3,242,260
- overdue 90-360 days	-	30,203,190	4,872,434	-	35,075,624
- overdue more than 360 days	-	-	2,878,409	-	2,878,409
Total gross leases to small- and medium-sized companies	**141,536,385**	**53,034,803**	**8,962,498**	**750,110**	**204,283,796**
Loss allowance	**(3,948,506)**	**(4,805,203)**	**(3,896,856)**	**-**	**(12,650,565)**
Total leases to small- and medium-sized companies	**137,587,879**	**48,229,600**	**5,065,642**	**750,110**	**191,633,231**
Total finance leases	**261,494,465**	**52,468,648**	**9,958,996**	**2,617,752**	**326,539,861**

The Group had not classified separate projects overdue more than 90 days into Stage 3 due to the following reasons:

1. Social Entrepreneurial Corporation "Shymkent" JSC (SEC "Shymkent" JSC) (a leaseholder), with a credit rating of "Lower than CCC", 100% subsidiary of the City Administration (Akimat) of Shymkent city, is engaged, jointly with the Group, in phased implementation of projects related to renewal of bus fleet of Shymkent city. The Group, the leaseholder and Akimat of Shymkent city signed a project support agreement under which Akimat undertakes to take all measures to ensure the financial stability of the project.

   As to the first phase of the project: a finance lease agreement was concluded in 2018, the city purchased 300 buses; operation of buses has started along the regular routes; the carriers have been receiving subsidies to reduce their costs; lease payments are being made regularly; the amount due as at 31 December 2020 was KZT 7,596,115 thousand. The receivables is included in 'not overdue' category of Stage 2 in the table above.

   As to the second phase of the project: a finance lease agreement was concluded in 2019; the city purchased 590 buses; the amount due as at 31 December 2020 was KZT 28,709,898 thousand; lease payments were overdue 92 days at the year-end due to completion of relevant technical and budgetary procedures:

   – Significant cash proceeds under the project are funded by the budget subsidies. To get an approval on subsidies to passenger services takes at least 6 months, and requires that a carrier has operated buses on the routes at least within 1 month, calculated the amount of a subsidy and proved it at tariff commission, obtained a decision of the City Council agreed on the social importance of the route, and the amount of the subsidy has to be approved to be included in the city budget.

– To optimise tax payments and reduce the monopoly share in the passenger services market, SEC "Shymkent" JSC is planning to transfer all leased items to private carriers in Shymkent city under secondary lease agreements (the current leasing structure is based on the joint operation agreement signed between the leaseholder and private carriers).

Taking into account the above factors, the Group completed technical restructuring of the second phase of the project of SEC "Shymkent" JSC, and is considering implementing the secondary leasing structure against guarantees of SEC "Shymkent" JSC and conclusion of agreements with the Akimat of Shymkent city for the latter to support the project if new leaseholders are having financial difficulties.

The Group has been transacting with SEC "Shymkent" JSC under the finance lease agreements since 2018, and in the past periods, all overdue payments of principal and interest were repaid. Based on the above, SEC "Shymkent" JSC is not considered 'a default risk'.

2. Kompaniya KHOZU-AVTO LLP has a credit rating of 'Lower than CCC'; the amount due as at 31 December 2020 was KZT 1,381,718 thousand, and lease payments were overdue 95 days; the project had been commissioned. The restrictions brought about by coronavirus caused that the deliveries of leased items to the leaseholder planned for 2020, funded with the republican budget, had been put back to 2021. The leaseholder applied to the Group on 4 December 2020 for postponing lease payments under the project and the Group's competent body approved the decision on the issue in January 2021. The Group has been transacting with Kompaniya KHOZU-AVTO LLP under the finance lease agreements since 2014. In the past periods, all overdue payments of principal and interest were repaid by the leaseholder. Based on the above, Kompaniya KHOZU-AVTO LLP is not considered 'a default risk'.

The following table sets out information about the credit quality of the finance lease portfolio as at 31 December 2019:

'000 KZT	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime expected credit losses on assets not credit-impaired	Stage 3 Lifetime expected credit losses on assets that are credit-impaired	At fair value through profit or loss (embedded derivative financial instrument)	Total
Leases to large corporates					
- not overdue	86,943,033	-	-	5,504,617	92,447,650
- overdue up to 30 days	-	-	11,316,289	-	11,316,289
- overdue more than 360 days	-	-	1,079,766	-	1,079,766
Total gross leases to large corporates	**86,943,033**	**-**	**12,396,055**	**5,504,617**	**104,843,705**
Loss allowance	**(687,158)**	**-**	**(6,624,756)**	**-**	**(7,311,914)**
Total leases to large corporates	**86,255,875**	**-**	**5,771,299**	**5,504,617**	**97,531,791**
Leases to small- and medium-sized companies					
- not overdue	74,030,685	7,646,802	3,963,165	1,147,314	86,787,966
- overdue up to 30 days	4,291,283	-	2,851,204	-	7,142,487
- overdue 30-89 days	4,918	1,439,161	260,981	-	1,705,060
- overdue 90-360 days	-	-	1,073,566	-	1,073,566
- overdue more than 360 days	-	-	686,972	-	686,972
Total gross leases to small- and medium-sized companies	**78,326,886**	**9,085,963**	**8,835,888**	**1,147,314**	**97,396,051**
Loss allowance	**(2,015,625)**	**(74,558)**	**(2,497,319)**	**-**	**(4,587,502)**
Total leases to small- and medium-sized companies	**76,311,261**	**9,011,405**	**6,338,569**	**1,147,314**	**92,808,549**
Total finance leases	**162,567,136**	**9,011,405**	**12,109,868**	**6,651,931**	**190,340,340**

Analysis of collateral

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables (net of loss allowance and excluding embedded derivative) as at 31 December 2020, by types of collateral:

31 December 2020 '000 KZT	Finance lease receivables, carrying amount	Fair value of collateral: for collateral assessed as of reporting date
Leases for which ECL are measured at the amount up to 12-month ECL:		
Real estate	2,316,128	2,316,128
Vehicles	189,330,919	189,330,919
Equipment	39,988,684	39,988,684
Guarantees from legal entities (rated from BB- to BB+)	27,612,776	-
No collateral or other credit enhancements	2,245,958	-
Total leases for which ECL are measured at the amount up to 12-month ECL:	**261,494,465**	**231,635,731**
Leases for which ECL are measured at an amount equal to lifetime ECL for assets that are not credit-impaired:		
Real estate	3,689,290	3,689,290
Vehicles	41,992,418	41,992,418
Equipment	6,785,767	6,785,767
No collateral or other credit enhancements	1,173	-
Total leases for which ECL are measured at an amount equal to lifetime ECL for assets that are not credit-impaired	**52,468,648**	**52,467,475**
Leases for which ECL are measured at an amount equal to lifetime ECL for assets that are credit-impaired:		
Real estate	1,027,900	1,027,900
Vehicles	3,817,954	3,817,954
Equipment	5,113,142	5,113,142
Total leases for which ECL are measured at an amount equal to lifetime ECL for assets that are credit-impaired	**9,958,996**	**9,958,996**
Total finance lease receivables	**323,922,109**	**294,062,202**

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables, net of impairment allowance, as at 31 December 2019, by types of collateral.

31 December 2019 '000 KZT	**Finance lease receivables, carrying amount**	**Fair value of collateral: for collateral assessed as of reporting date**
Leases for which ECL are measured at the amount up to 12-month ECL:		
Real estate	3,170,630	3,170,630
Vehicles	115,186,711	115,186,711
Equipment	27,279,858	27,279,858
Guarantees from legal entities (rated from BB- to BB+)	16,306,103	-
No collateral or other credit enhancements	623,834	-
Total leases for which ECL are measured at the amount up to 12-month ECL:	**162,567,136**	**145,637,199**
Leases for which ECL are measured at an amount equal to lifetime ECL for assets that are not credit-impaired:		
Real estate	479,480	479,480
Vehicles	8,340,927	8,340,927
No collateral or other credit enhancements	190,998	-
Total leases for which ECL are measured at an amount equal to lifetime ECL for assets that are not credit-impaired	**9,011,405**	**8,820,407**
Leases for which ECL are measured at an amount equal to lifetime ECL for assets that are credit-impaired:		
Real estate	2,654,403	2,654,403
Vehicles	2,636,013	2,636,013
Equipment	6,819,452	6,819,452
Total leases for which ECL are measured at an amount equal to lifetime ECL for assets that are credit-impaired	**12,109,868**	**12,109,868**
Total finance lease receivables	**183,688,409**	**166,567,474**

The tables above exclude overcollateralisation.

The Group has no finance lease receivables, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and finance lease receivables for which the fair value of collateral is not determined, except guarantees from legal entities. Information on the valuation of collateral is based on when this estimate was made, if any.

For finance lease receivables secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties received from individuals, such as shareholders of small- and medium-sized leaseholders, are not considered for impairment assessment purposes. Therefore, such finance lease receivables and unsecured portions of partially secured exposures are presented as leases without collateral or other credit enhancement.

The recoverability of finance lease receivables, which are neither past due nor credit -impaired, primarily depends on the creditworthiness of lessees rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

As at 31 December 2020, the gross carrying amount of credit-impaired finance lease receivables was KZT 20,558,776 thousand, while value of collateral (mostly equipment) securing these finance lease receivables was KZT 9,958,996 thousand. Fair value of collateral is limited by maximum nominal value of finance lease receivables.

As at 31 December 2019, the gross carrying amount of credit-impaired finance lease receivables was KZT 21,231,943 thousand, while value of collateral (mostly equipment) securing these finance lease receivables was KZT 12,109,868 thousand. Fair value of collateral is limited by maximum nominal value of finance lease receivables.

Foreclosed leased assets

During the year ended 31 December 2020, the Group has not foreclosed on leased items (in 2019: for the amount of KZT 956,836 thousand).

18 Debt securities

	31 December 2020 ’000 KZT	31 December 2019 ’000 KZT
Debt securities measured at fair value through other comprehensive income	196,612,124	213,793,539
Debt securities measured at amortised cost	11,698,488	10,742,613
Debt securities measured at fair value through profit or loss	947,067	929,906
	209,257,679	**225,466,058**

Debt securities measured at fair value through other comprehensive income

	31 December 2020 ‘000 KZT	31 December 2019 ‘000 KZT
Debt securities of the government bodies of other countries	177,507,946	138,633,191
Bonds of Kazakhstan banks	10,945,383	10,307,197
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	5,476,015	6,656,138
Corporate bonds of non-resident issuers	2,682,780	7,940,231
Corporate bonds of Kazakhstan issuers	-	26,465,487
Bonds of the SWF “Samruk-Kazyna” JSC	-	23,791,295
Total debt assets measured at fair value through other comprehensive income	**196,612,124**	**213,793,539**

Debt securities measured at amortised cost

	31 December 2020 ‘000 KZT	31 December 2019 ‘000 KZT
Bonds of the SWF “Samruk-Kazyna” JSC	6,991,949	6,516,175
Corporate bonds of Kazakhstan issuers	4,147,789	3,747,747
Bonds of Kazakhstan banks (POCI-asset)	1,976,863	1,891,309
	13,116,601	**12,155,231**
Loss allowance	(1,418,113)	(1,412,618)
Total debt securities measured at amortised cost	**11,698,488**	**10,742,613**

Debt securities measured at fair value through profit or loss

	31 December 2020 ‘000 KZT	31 December 2019 ‘000 KZT
Corporate bonds (not rated)	947,067	929,906
Total debt securities measured at fair value through profit or loss	**947,067**	**929,906**

19 Advances paid under finance lease agreements

	31 December 2020 ‘000 KZT	31 December 2019 ‘000 KZT
Advances paid to suppliers of equipment under finance lease agreements	112,000,242	107,306,831
Cash placed under irrevocable letters of credits	11,172,420	31,429,544
Other	-	227
	123,172,662	**138,736,602**
Loss allowance	(13,665)	(5,463,509)
Total advances paid under finance lease agreements	**123,158,997**	**133,273,093**

As at 31 December 2020, an impairment allowance of KZT 13,665 thousand was recognised for advances paid under finance lease agreement, related to cash placed under irrevocable letters of credits (31 December 2019: an impairment allowance of KZT 5,451,754 thousand was recognised for advances paid under finance lease agreement in the amount of KZT 6,487,178 thousand with respect to one supplier), which took into account the terms of restructuring, the financial condition of the counteragent and availability of finished goods for transfer.

In 2019, the Group recognised an impairment allowance of KZT 5,451,754 thousand for advances paid to Ziksto JSC, supplier of leased items, due the fact the supplier failed to deliver leased items to the Group’s customer.

In calculating the allowance for advances paid under finance lease agreements, the following assumptions were made:

— the supplier of rail cars Ziksto JSC (the counteragent) was internally rated D, based on the analysis of its financial position and considering the delay in delivery of leased items;

— the amount of loss, net of value of finished goods to be shipped, is equal to 84% of the advance paid or KZT 5,451,754 thousand.

In 2020, Ziksto JSC repaid the advance and the Group reversed the impairment allowance of KZT 5,451,754 thousand.

Movements in the impairment allowance on advances paid under finance lease agreements for the years ended 31 December 2020 and 2019 are as follows:

'000 KZT	**31 December 2020**	**31 December 2019**
Balance at the beginning of the year	**(5,463,509)**	**-**
Net charge for the year	5,449,844	(5,463,509)
Balance at the end of the year	**(13,665)**	**(5,463,509)**

20 Equity investments

'000 KZT	**31 December 2020**	**31 December 2019**
DBK Equity Fund C.V.	14,841,000	19,506,343
	14,841,000	**19,506,343**

In accordance with the terms and conditions of the Agreement on establishment of the limited liability partnership dated 3 November 2017, concluded by BV Management LLP, DBK Capital Structure B.V. and Kazyna Capital Management JSC (the "Agreement"), which jointly established DBK Equity Fund C.V. (the "Fund"), the gross investments contribution to the Fund amounted to KZT 33,515,000 thousand. The share of the contributions held by the parties are as follows:

- The Group (via DBK Capital Structure B.V.) (Limited Partner A)– 97% ownership interest;
- Kazyna Capital Management JSC (Limited Partner B)– 2.99% ownership interest;
- BV Management LLP (General Partner) - 0.01% ownership interest.

The main purpose to have established the Fund is investing in share capital of corporates whose principal activities are development of infrastructure projects in target areas. The Fund's operations are primarily located in Kazakhstan , while the country of incorporation is the Netherlands.

Nature and extent of the Group's involvement

The Group holds a 97% interest in the Fund via DBK Capital Structure B.V., and being a limited liability partner under the Agreement is not involved in the decision-making process related to the Fund's investing activities. The Fund's management company is the General Partner (BV Management LLP) who is responsible for making investing decisions, and governed by the Investment Policy in accordance with the Agreement. The General Partner is free to select assets for capital investment and makes key decisions on the Fund's operating activities and investees' capital, including budgets and key management remuneration.

The Investment Policy is amended by the General Partner subject to approval by the Supervisory Board. The Group has the right to appoint one of the four members of the Supervisory Board. Significant decisions on investment activity are made by the General Partner upon approval by the Investment Committee. The Group has the right to appoint one of the five members of the Investment Committee.

Under the Agreement, the Group has no right to individually make decisions on re-appointment of the General Partner who manages the Fund. Decisions on re-appointment of the General Partner under the Agreement are made upon joint consent by limited partners. Under the terms of the Agreement, there are certain conditions which are attached to the reappointment of the General Partner, including:

- notification of the General Partner 6 month prior to re-appointment;

- searching for a new general partner who is prepared for buy-out of the predecessor General Partner's rights and obligations.
- a new General Partner is appointed by common consent of the limited liability partners.

These conditions make the general partner‘ s reappointment process more difficult.

In accordance with the above, under the IFRS 10 *Consolidated Financial Statements*, the Group has no control over the Fund as at 31 December 2020, does not exercise control over the Fund and does not consolidate the Fund.

As the Fund's Investment Policy has been approved in the Agreement, and the Fund is managed by the General Partner in compliance with such Policy without involvement of the limited partners, the Group believes that it does not have a significant impact on the Fund's activity. Thus, the Group accounts for the Fund in compliance with IFRS 9.

Under IFRS 9, there are exceptions to general requirements to the classification of financial instruments related to investments in equity instruments. On initial recognition of an equity investment that is not held for trading, an entity can make an irrevocable decision to present changes in fair value of such investments in OCI. The Group decided to use such exception. As at 31 December 2020 and 2019 equity investments are recognised by the Group at fair value through other comprehensive income.

During 2020, the Group decreased investments in the Fund by KZT 4,205,956 thousand (in 2019: invested KZT 10,134,676 thousand).

As at 31 December 2020, the fair value of equity investments of KZT 14,841,000 thousand (in 2019: KZT 19,506,343 thousand) was calculated by estimating present value of projected cash flows using market discount rates ranging from 15.71% to 18.00% (as at 31 December 2019: 15.60%-17.94%).

21 Other assets

	31 December 2020 ’000 KZT	31 December 2019 ’000 KZT
Other financial assets measured at amortised cost		
Accounts receivable from IFK JSC	24,724,308	22,346,686
Fee and commission income accrued	347,289	331,398
Trade and other receivables	260,483	116,341
Accounts receivable under legal claims	14,826	222,588
Fee prepaid for an undrawn loan commitment	-	851,684
Interest unpaid on finance leases under which leased items were foreclosed	-	471,671
Other	16,249	5,502
Total other financial assets measured at amortised cost, gross	**25,363,155**	**24,345,870**
Loss allowance	(2,619,601)	(691,324)
Total other financial assets measured at amortised cost, net	**22,743,554**	**23,654,546**
Other assets at fair value through profit or loss	14,059	61,886
Total financial assets	**22,757,613**	**23,716,432**
Government grant receivable (Note 26)	6,567,444	
Assets foreclosed under lease agreements	2,184,721	2,260,183
Prepayments	608,148	537,809
Non-current assets held for sale	420,138	403,416
Assets received as additional collateral	212,817	212,817
Taxes and duties other than income tax	45,174	237,607
Trade and other receivables	26,923	57,961
Raw materials and supplies	26,787	21,937
Other	6,414	18,269
Total other non-financial assets, gross	**10,098,566**	**3,749,999**
Impairment allowance	(1,528,398)	(1,409,665)
Total non-financial assets	**8,570,168**	**2,340,334**
Total other assets	**31,327,781**	**26,056,766**

As at 31 December 2020, net carrying amount of the past due receivables was KZT 7,258 thousand (31 December 2019: KZT 4,133 thousand).

Accounts receivable from IFK JSC were secured as at 31 December 2020 by the term deposit of KZT 10,225,000 thousand (as at 31 December 2019: KZT 10,225,000 thousand) which bears an annual interest rate of 9%. In addition, these accounts receivable are secured by debt securities issued by the Group, the carrying amount of which is KZT 8,887,233 thousand as at 31 December 2020 (31 December 2019: KZT 8,015,729 thousand).

As at 31 December 2020, the Group recognised loss allowance for expected credit losses on the accounts receivable from IFK JSC in the amount equal to lifetime expected credit losses (Stage 2) (31 December 2019: in the amount equal to 12-month expected credit losses).

Analysis of movements in impairment allowance

Movements in loss allowance for other financial assets for the years ended 31 December 2020 and 2019 are presented as follows:

	2020 '000 KZT	2019 '000 KZT
Balance at the beginning of the year	**(691,324)**	**(324,394)**
Net reversal/(charge) of impairment allowance	(1,926,102)	98,405
Transfer from finance lease receivables (Note 17)	-	(471,671)
Other changes	(1,183)	-
Effect of changes in foreign exchange rates	(777)	76
(Reversal)/ write-off for the year	(215)	6,260
Balance at the end of the year	**(2,619,601)**	**(691,324)**

Movements in loss allowance for other financial assets for the years ended 31 December 2020 and 2019 are presented as follows:

	2020 '000 KZT	2019 '000 KZT
Balance at the beginning of the year	**(1,409,665)**	**(671,036)**
Net charge of impairment allowance	(179,645)	(453,164)
Reclassified from assets to be transferred under finance lease agreements	-	(323,174)
Write-off for the year	60,912	37,709
Balance at the end of the year	**(1,528,398)**	**(1,409,665)**

22 Derivative financial instruments

(a) The Group's approach to derivative transactions

As at 31 December 2020 and 2019, the Group had the following derivative financial instruments. For information on the Group's embedded derivatives see Note 17.

Type of instrument	Notional amount	Maturity	Payments made by the Group	Payments received by the Group	31 December 2020 '000 KZT	31 December 2019 '000 KZT
Cross-currency interest rate swap	USD 50,000,000	07/08/2022	Fixed at 8.7% p.a. and KZT 9,382,500 thousand at maturity	USD 50,000,000 at maturity	11,489,170	10,012,213
Options	KZT 3,219,509 thousand	15/06/2020	-	KZT 3,219,509 thousand at maturity	-	148,478
					11,489,170	**10,160,691**

The Group may enter into swap agreements and other types of over-the-counter transactions with broker's dealers or other financial institutions. A swap involves the exchange by the Group with another party of their respective commitments to pay or receive cash flows, e.g. an exchange of floating rate payments for fixed-rate payments.

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Group's exposure to long or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the swap positions would increase or decrease depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Group's investments.

The Group's ability to realise a profit from such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Group. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. In case of default on obligations by the other party to such transaction, the Group will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in case of the counterparty's insolvency.

(b) Significant foreign currency transactions

During the period ended 31 December 2020, management revised assumptions applied to currency swap valuation due to changes in the base market terms. To determine a fair value of the swaps, management made an assumption that the following rates would be appropriate to be used by the Group: 10.92% in KZT and 2.58% in USD (2019: 10.08% in KZT and 2.32% in USD).

None of derivative financial instruments are past due.

In case of default on obligations by the other party to such transaction, the Group will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in case of the counterparty's insolvency.

23 Current accounts and deposits from customers

	31 December 2020 '000 KZT	31 December 2019 '000 KZT
Term deposits from customers	10,225,000	10,225,000
Deposits used as collateral for loans issued to customers	2,807,162	2,604,700
Current accounts and demand deposits	763,544	2,590,467
Deposits pledged as collateral	1,998,043	1,816,140
	15,793,749	**17,236,307**

As at 31 December 2020, current accounts and deposits from customers serve as collateral for loans issued to customers in the amount of KZT 2,807,162 thousand (as at 31 December 2019: KZT 2,604,700 thousand) and for other financial assets in the amount of KZT 10,225,000 thousand (as at 31 December 2019: KZT 10,225,000 thousand).

24 Loans and due from banks and other financial institutions

	31 December 2020 '000 KZT	31 December 2019 '000 KZT
Loans with fixed interest rate		
Loans from the OECD banks	-	11,088,390
Loans from the non-OECD banks	173,962,291	176,983,933
Total loans with fixed interest rate	**173,962,291**	**188,072,323**
Loans with floating interest rate		
Loans from the non-OECD banks	497,585,889	364,305,254
Total loans with floating interest rate	**497,585,889**	**364,305,254**
Unamortised portion of borrowing costs	(31,540,211)	(12,082,208)
	640,007,969	**540,295,369**

In April 2020, the Group raised a loan of USD 80,000 thousand from China Development Bank, bearing an annual interest rate of 2.46% and maturing in November 2034. On initial recognition of the loan the Group recognised gain on the remeasurement of the loan of KZT 7,821,328 thousand in other comprehensive income (Note 9). The fair value of the loan was calculated using the market interest rate of 7.29%. The fair value of the loan on initial recognition was categorised into Level 2 of the fair value hierarchy.

In May 2020, the Group raised a loan of USD 130,000 thousand from the foreign bank China Development Bank, bearing an annual interest rate of 2.91% and with maturity in April 2030. On initial recognition of the loan the Group recognised gain on the remeasurement of the loan of KZT 9,143,917 thousand in other comprehensive income (Note 9). The fair value of the loan on initial recognition was calculated using the market interest rate of 6.75%. The fair value of the loan on initial recognition was categorised into Level 2 of the fair value hierarchy.

In October 2020, the Group raised a loan of USD 100,000 thousand from the foreign bank China Development Bank, bearing an annual interest rate of 2.45% and with maturity in November 2034. On initial recognition of the loan the Group recognised gain on the remeasurement of the loan of KZT 5,652,037 thousand in other comprehensive income (Note 9). The fair value of the loan on initial recognition was calculated using the market interest rate of 4.51%. The fair value of the loan on initial recognition was categorised into Level 2 of the fair value hierarchy.

During the year ended 31 December 2020, the Group repaid in full the loans raised from HSBC Bank Plc in the total amount of EUR 22,266 thousand and China Development Bank in the total amount of USD 12,000 thousand.

During 2020, the Group recognised expenses on early repayment of loans from banks and other financial institutions in the amount of KZT 353,434 thousand (in 2019: KZT 2,712,811 thousand)(Note 9) and fee and commission expense of KZT 277,628 thousand (in 2019: KZT 2,803,844 thousand) repaid by the borrowers under the terms of the loan agreements (Notes 6).

As at 31 December 2020, included in loans and due from banks and other financial institutes is accrued interest expense of KZT 4,110,025 thousand (31 December 2019: KZT 4,136,302 thousand).

25 Loans from the Parent Company

	31 December 2020 ’000 KZT	31 December 2019 ’000 KZT
Loans from the Parent Company	227,596,965	175,228,967
	227,596,965	**175,228,967**

As at 31 December 2020 the loans from the Parent Company comprised twenty-four long-term loans provided by NMH Baiterek JSC (as at 31 December 2019: eighteen long-term loans). The terms of the loans subsequently extended under these agreements are defined by the terms and conditions of the Government programme.

	Loan amount	Nominal interest rate	Effective interest rate	Borrowing date	Maturity date	Carrying amount 31 December 2020	Carrying amount 31 December 2019
1	75,000,000	0.15	9.75	28.10.2016	27.10.2036	36,192,552	33,075,350
2	10,000,000	0.15	10.30	28.10.2016	27.10.2026	6,036,819	6,745,296
3	12,861,805	0.08	9.75	28.10.2016	27.10.2036	6,183,449	5,642,183
4	17,500,000	0.15	9.42	14.04.2017	29.03.2027	11,553,575	12,813,083
5	18,600,000	0.08	8.78	25.04.2017	13.04.2037	9,182,326	8,453,556
6	80,000,000	0.15	8.78	25.04.2017	20.04.2037	39,596,199	36,505,602
7	10,000,000	0.15	8.91	25.12.2017	10.12.2037	4,538,005	4,179,934
8	10,000,000	0.15	8.48	30.05.2018	06.04.2027	7,799,231	7,202,254
9	13,000,000	0.15	8.48	03.08.2018	25.07.2033	7,346,914	6,789,991
10	12,000,000	0.15	8.50	29.08.2018	08.08.2038	5,475,036	5,062,404
11	12,537,182	0.08	8.46	19.12.2018	07.11.2038	5,584,657	5,157,296
12	10,000,000	0.15	8.72	29.04.2019	12.04.2037	4,527,615	4,177,842
13	14,000,000	0.15	8.80	28.06.2019	14.04.2027	10,426,954	9,601,356
14	23,546,000	0.15	10.80	01.07.2019	03.06.2029	14,749,557	13,339,413
15	11,258,978	0.08	10.89	29.07.2019	21.07.2039	3,817,740	3,447,347
16	11,000,000	0.15	10.37	24.09.2019	18.08.2038	4,052,743	3,682,337
17	18,741,022	0.08	10.57	09.12.2019	29.11.2039	6,303,115	5,712,331
18	6,000,000	0.15	10.59	20.12.2019	27.11.2027	4,018,957	3,641,392
19	20,000,000	0.08	13.46	30.04.2020	15.04.2040	4,983,874	-
20	10,000,000	0.15	13.44	12.06.2020	01.06.2035	3,352,918	-
21	30,000,000	0.15	13.08	09.10.2020	17.09.2040	7,477,733	-
22	20,000,000	0.08	11.83	11.12.2020	03.12.2040	5,380,868	-
23	13,700,000	0.15	11.82	20.12.2020	02.12.2035	4,900,128	-
24	22,500,000	0.15	11.36	20.12.2020	03.12.2027	14,116,000	-
Total						**227,596,965**	**175,228,967**

A loan of KZT 20,000,000 thousand was received in April 2020 at the interest rate of 0.08% per annum and matures on 15 April 2040. The loan with an interest rate of 0.10 % per annum was provided to further finance Industrial Development Fund JSC (formerly DBK-Leasing JSC) for the latter to provide financing to Passazhirskiye Perevozki JSC (*Passenger Transportation JSC*) for renewal of its fleet of passenger cars. The loan was initially recognised at fair value estimated by discounting its contractual cash flows using a market interest rate of 13.46%. Discount of KZT 15,411,929 thousand between the fair value and consideration received was recognised as a government grant.

A loan of KZT 10,000,000 thousand was received in June 2020 at the interest rate of 0.15% per annum and matures on 1 June 2035. The loan was issued for financing Industrial Development Fund JSC (formerly DBK-Leasing JSC), at the interest rate of 0.20% per annum, to provide the lease financing to sell or lease buses under the bus fleet renewal programme. The loan was initially recognised at fair value estimated by discounting its contractual cash flows using a market interest rate of 13.44%. Discount of KZT 6,862,289 thousand between the fair value and consideration received was recognised as a government grant.

A loan of KZT 30,000,000 thousand bearing an interest rate of 0.15% per annum and maturing on 17 September 2040 was received in October 2020. The loan is intended to boost export financing (the purchase of iron cast machinery by domestic manufacturers for manufacturing of cast iron products, financed under finance lease agreements). The loan was initially recognised at fair value estimated by discounting its contractual cash flows using a market interest rate of 13.08%. Discount on remeasurement of KZT 22,719,851 thousand between the fair value and consideration received was recognised as a government grant.

A loan of KZT 20,000,000 thousand bearing an interest rate of 0.08% per annum and maturing on 3 December 2040 was received in December 2020. The loan is intended to finance the renewal of passenger car fleet. The loan was initially recognised at fair value estimated by discounting its contractual cash flows, using a market interest rate of 11.83%. Discount on remeasurement of KZT 14,651,466 thousand between the fair value and consideration received was recognised as a government grant.

A loan of KZT 13,700,000 thousand bearing an interest rate of 0.15% per annum and maturing on 2 December 2035 was received in December 2020. The loan is intended to finance the purchase of buses under finance lease agreements. The loan was initially recognised at fair value estimated by discounting its contractual cash flows using a market interest rate of 11.82%. Discount on remeasurement of KZT 8,816,171 thousand between the fair value and consideration received was recognised as a government grant.

A loan of KZT 22,500,000 thousand bearing an interest rate of 0.15% per annum and maturing on 3 December 2027 was received in December 2020. The loan was provided to secure lease financing for the projects realised under the State Programme of Industrial and Innovative Development of the Republic of Kazakhstan for 2020-2025. The loan was initially recognised at fair value estimated by discounting its contractual cash flows, using a market interest rate of 11.36%. Discount on remeasurement of KZT 8,429,419 thousand between the fair value and consideration received was recognised as a government grant.

26 Government grants

The Group recorded as government grants the benefits obtained by means of low-interest rates borne by loans from the Parent Company, Baiterek Development JSC and SWF "Samruk-Kazyna".

	2020 '000 KZT	**2019 '000 KZT**
Balance at the beginning of the year	**210,933,386**	**175,264,813**
A government grant on loans received from the Government through the Parent Company	83,458,568	52,513,502
A government grant received from the National Bank of the RK by means of issuing bonds (Note 27)	18,456,560	17,096,041
Recovery of the allocated amount of the Government grant (Note 9)	-	10,966,934
Use of the Government grant upon issuance of low interest rate loans to commercial banks (Note 9)	(14,524,662)	(26,628,762)
Use of the Government grant upon issuance of loans to other borrowers (Note 9)	(21,218,881)	(6,137,822)
Use of the Government grant for finance lease agreements entered (Note 5)	(10,419,019)	(7,198,444)
Amortisation for the year (Note 9)	(4,846,959)	(4,942,876)
Balance at the end of the year	**261,838,993**	**210,933,386**

The Group bears responsibility for allocation of benefits to the end borrowers through setting low interest rate on loans. Subsequent to initial recognition the Group allocated to profit or loss an amount corresponding to the debt relief provided to the borrowers.

During the year ended 31 December 2020 the Government grants transferred to profit or loss amounted to KZT 40,590,502 thousand (31 December 2019: KZT 37,709,460 thousand) and were included in other expenses (Note 9).

As at 31 December 2020, the Group recognised the amount due of KZT 6,567,444 thousand (as at 31 December 2019: nil) related to government grants in 'other assets'.

During the year ended 31 December 2019, the government grant of KZT 10,966,934 thousand was reversed due to recovery of recognised expenses on estimated liabilities to extend loans at the below-market interest rate, upon expiry of the availability of the credit facility (Note 9).

As at 31 December 2020 and 2019, the government grants broken by the programmes are presented as follows:

	2020 '000 KZT	2019 '000 KZT
Nurly Zhol –lease financing for replacement of passenger cars fleet of Passenger Carriages JSC	69,175,299	42,201,517
Financing of the investment projects under the State Programme of Industrial-Innovative Development of the Republic of Kazakhstan for 2015-2019	68,778,182	90,543,621
Nurly Zhol - financing export and pre-export lending, domestic car and passenger car manufacturers	23,962,929	25,653,104
Long-term lease financing under the Uniform Programme of Business Development and Support "Business Roadmap 2020"	23,642,258	20,995,311
Boosting export financing	22,558,726	-
Lease financing for lease sale of buses, tractors and combine harvesters	21,029,549	6,178,784
Financing the local car manufacturers, through providing the financing under the special terms to commercial banks for the latter to extend loans to individuals--buyers of the locally manufactured cars, and as well as financing legal entities and individual entrepreneurs, which purchase under finance lease agreements motor vehicles and automotive equipment of special purpose, except for agricultural vehicles manufactured in Kazakhstan	15,534,115	11,828,266
Nurly Zhol - financing export and pre-export lending	8,354,344	8,907,917
Financing of the Karavan Saray Multi-Service Tourist Centre project	4,860,818	-
Boosting export of domestic locomotives - by financing export deliveries of Locomotive Kurastyru Zauyty JSC under finance lease agreements	1,546,556	1,793,213
Financing private entrepreneurship projects in the processing industry	1,070,889	1,256,900
Nurly Zhol – lease financing of medium and large businesses (including non-residents), which export domestic goods and import products manufactured in the Republic of Kazakhstan, in manufacturing industry	1,019,969	1,092,400
Financing of a number of industries including textile, gas processing and chemicals	276,183	440,200
Financing, including replacement of sources of financing of the end borrowers which implement investment projects in manufacturing industries	29,176	42,153
Balance at the end of the year	**261,838,993**	**210,933,386**

27 Debt securities issued

	31 December 2020 '000 KZT	31 December 2019 '000 KZT
Debt securities with fixed interest rate		
Eurobonds denominate in USD	573,035,293	559,124,678
Eurobonds denominate in KZT	162,500,000	200,000,000
KZT- denominated bonds	543,042,000	312,492,000
	1,278,577,293	**1,071,616,678**
Unamortised discount, net	(53,986,275)	(30,330,953)
	1,224,591,018	**1,041,285,725**
Accrued interest	16,421,697	10,258,543
	1,241,012,715	**1,051,544,268**

As at 31 December 2020 and 2019, debt securities issued by the Group comprised the following instruments:

Type of instrument	Coupon rate	Effective rate	Date of issue	Maturity date	Carrying amount 31 December 2020	Carrying amount 31 December 2019
Eurobonds XS0220743776	6.50%	6.84%	03.06.2005	03.06.2020	-	38,390,693
Eurobonds XS0248160102	6.00%	6.37%	23.03.2006	23.03.2026	41,183,987	37,359,032
Eurobonds XS0860582435, US25159XAB91	4.125%	5.05%	10.12.2012	10.12.2022	524,929,794	473,453,909
Bonds KZ2C00003002	8.13%	8.30%	29.12.2014	29.12.2024	20,004,846	20,000,651
Bonds KZ2C00003580	14.00%	14.48%	25.05.2016	25.05.2026	65,897,710	65,875,707
Bonds KZ2C00003713	15.00%	15.56%	28.07.2016	28.07.2031	15,949,609	15,944,506
Bonds KZ2C00003648	14.00%	14.49%	01.08.2016	01.08.2026	18,508,203	18,502,142
Bonds KZ2C00003903	10.50%	10.80%	31.05.2017	31.05.2022	20,171,730	20,162,478
Bonds KZ2C00003911	10.50%	10.79%	06.06.2017	06.06.2024	30,199,568	30,189,495
Bonds KZ2C00004000	11.25%	11.57%	22.08.2017	22.08.2032	9,181,762	9,179,384
Bonds KZ2C00004018	11.25%	11.57%	23.08.2017	23.08.2030	9,183,270	9,180,939
Bonds KZ2C00004026	11.00%	11.30%	24.08.2017	24.08.2028	9,171,699	9,169,300
Eurobonds XS1734574137	9.50%	9.78%	14.12.2017	14.12.2020	-	100,148,371
Eurobonds XS1814831563	8.95%	9.54%	04.05.2018	04.05.2023	100,638,352	100,329,440
Bonds KZ2C00005908	10.00%	10.26%	18.06.2019	18.06.2026	27,571,081	27,563,313
Bonds KZ2C00005916	10.27%	10.53%	16.07.2019	16.07.2024	42,923,219	42,912,301
Bonds KZ2C00006286	0.15%	10.64%	07.10.2019	07.10.2039	3,246,794	2,962,155
Bonds KZ2C00004190	11.00%	11.31%	03.12.2019	03.12.2029	30,228,757	30,220,452
Bonds XS2106835262	10.75%	11.38%	12.02.2020	12.02.2025	64,393,630	-
Bonds KZ2C00006765	0.15%	14.50%	14.05.2020	14.05.2040	1,651,514	-
Bonds KZ2C00004273	11.00%	13.73%	18.06.2020	18.06.2030	9,309,296	-
Bonds KZ2C00006864	11.80%	12.15%	28.07.2020	28.07.2025	52,484,867	-
Bonds KZ2C00006898	11.80%	12.15%	09.12.2020	09.12.2030	50,325,017	-
Bonds KZ2C00007102	11.80%	12.16%	09.12.2020	09.12.2027	50,322,348	-
Bonds KZ2C00007011	11.80%	15.14%	11.11.2020	11.11.2030	43,535,662	-
Total					**1,241,012,715**	**1,051,544,268**

On 14 May 2020, the Group issued debt securities of par value of KZT 20,000,000 thousand at the interest rate of 0.15% per annum and with maturity on 14 May 2040. Debt securities were issued for the subsequent lending of the loans provided at a low interest rate under the State Programme "Lending Programmes for Buyers of Motor Vehicles Manufactured in Kazakhstan" approved by the Resolution No. 79 of the Board of the National Bank of the Republic of Kazakhstan dated 31 May 2019 (the "Programme"), intended for designated use of cash funds received from placement of Bonds, for financing second-tier banks through a loan mechanism for lending to individuals - buyers of Kazakhstan made passenger cars - on terms defined by the Programme". On initial recognition, the debt securities issued were recognised at fair value calculated by discounting contractual cash flows on securities using the market interest rate of 13.97%. Discount of KZT 18,456,560 thousand between the fair value and consideration received was recognised as a government grant (Note 26).

On 18 June 2020, the Group issued debt securities of par value of KZT 10,550,000 thousand at the interest rate of 11.0% per annum and with maturity on 18 June 2030. On initial recognition, the debt securities issued were recognised at fair value calculated by discounting contractual cash flows on securities using the market interest rate of 13.27%. On initial recognition, the discount of KZT 1,305,352 thousand was recognised in other income (Note 9). The majority of the funds raised was channelled to finance leasing activities.

On 11 November 2020, the Group issued debt securities of par value of KZT 50,000,000 thousand at the interest rate of 11.8% per annum and with maturity on 11 November 2030. Debt securities were issued to subsequently provide financing under finance lease agreements. On initial recognition, the debt securities were recognised at fair value calculated by discounting contractual cash flows on securities using the market interest rate of 15.14%. The discount of KZT 5,815,970 thousand was recognised as additional paid-in capital (net of the income tax of KZT 1,453,992 thousand) as these financing instruments were provided by the Group at the below-market interest rates, under no additional conditions.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2020 **'000 KZT**	**2019** **'000 KZT**
Balance at 1 January	**1,051,544,268**	**946,066,085**
Changes from financing cash flows		
Proceeds from debt securities issued	274,121,565	101,387,959
Repurchase / repayment of debt securities issued	(140,861,000)	-
Total changes from financing cash flows	**133,260,565**	**101,387,959**
Changes from operating cash flows		
Government grants received in the form of discount on debt securities issued at the below-market interest rate	18,456,560	17,096,041
Total changes from operating cash flows	**18,456,560**	**17,096,041**
Other changes		
Interest expense	93,014,664	74,616,647
Discount on initial recognition	(27,031,874)	(17,096,041)
Interest paid	(81,540,225)	(68,248,163)
Effect of movements in exchange rates	53,308,757	(2,278,260)
Balance at 31 December	**1,241,012,715**	**1,051,544,268**

28 Subordinated debt

	2020 **'000 KZT**	**2019** **'000 KZT**
Subordinated debt with fixed interest rate		
Nominal in KZT	364,859,334	364,859,334
Unamortised discount, net	(253,790,598)	(260,418,959)
	111,068,736	**104,440,375**
Accrued interest	94,274	94,274
	111,163,010	**104,534,649**

In case of bankruptcy, the subordinated debt will be repaid once all other Group's liabilities have been repaid in full.

29 Other liabilities

	31 December 2020 ’000 KZT	31 December 2019 ‘000 KZT
Financial liabilities		
Funds placed by customers as security for letters of credit	20,207,343	1,323,744
Other accrued expenses and accounts payable	1,004,808	833,015
Proceeds from sale of leased items	494,984	395,555
Provision for payments to be made	306,188	672,112
Payables to employees	69,703	59,852
Fee and commission expense accrued	34,122	10,064
Total financial liabilities	**22,117,148**	**3,294,342**
Non-financial liabilities		
Advances received under finance lease agreements	17,750,446	19,146,798
Payables to suppliers of equipment to be transferred under finance lease agreements	2,922,700	1,058,295
Short-term payables under grant funds	2,225,525	1,268,421
Prepayments	1,146,867	2,412,112
Tax liabilities other than income tax	1,098,932	580,205
Provision for interest payments	379,622	-
Liabilities under contracts with customers	6,304	23,080
Other liabilities	93,567	133,275
Total non-financial liabilities	**25,623,963**	**24,622,186**
	47,741,111	**27,916,528**

30 Deferred tax liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax liabilities as at 31 December 2020 and 31 December 2019.

(a) Recognised deferred tax assets and liabilities

Movements in temporary differences for the year ended 31 December 2020 are presented as follows:

‘000 KZT	Balance at 1 January 2020	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2020
Property, plant and equipment and intangible assets	(191,779)	(47,718)	-	(239,497)
Loans to banks	18,540,122	2,278,518	-	20,818,640
Loans to customers	26,117,336	7,900,010	-	34,017,346
Finance lease receivables	-	1,453,993	-	1,453,993
Other assets	3,020,013	(413,951)	-	2,606,062
Loans from the Parent Company	(68,466,511)	4,572,758	-	(63,893,753)
Loans and balances from banks and other financial institutions	(980,800)	(4,064,373)	-	(5,045,173)
Government grants	26,624,393	(8,118,100)	-	18,506,293
Loans received from SWF “Samruk-Kazyna”	(788,627)	262,823	-	(525,804)
Debt securities issued	(3,396,042)	(190,442)	(1,453,993)	(5,040,477)
Derivative financial instruments	(1,904,036)	(295,391)	-	(2,199,427)
Other liabilities	137,734	(85,496)	-	52,238
Provisions	1,089,785	(560,118)	-	529,667
Net deferred liabilities	**(198,412)**	**2,692,513**	**(1,453,993)**	**1,040,108**

Movements in temporary differences for the year ended 31 December 2019 are presented as follows:

'000 KZT	**Balance at 1 January 2019**	**Recognised in profit or loss**	**Balance at 31 December 2019**
Property, plant and equipment and intangible assets	(89,454)	(102,325)	(191,779)
Loans to banks	13,413,494	5,126,628	18,540,122
Loans to customers	19,972,602	6,144,734	26,117,336
Other assets	3,405,592	(385,579)	3,020,013
Loans from the Parent Company	(61,568,821)	(6,897,690)	(68,466,511)
Loans and balances from banks and other financial institutions	(1,143,554)	162,754	(980,800)
Government grants	23,900,891	2,723,502	26,624,393
Loans received from SWF "Samruk-Kazyna"	(1,042,130)	253,503	(788,627)
Debt securities issued	(11,013)	(3,385,029)	(3,396,042)
Derivative financial instruments	(1,653,403)	(250,633)	(1,904,036)
Other liabilities	37,412	100,322	137,734
Provisions	2,193,668	(1,103,883)	1,089,785
Net deferred liabilities	**(2,584,716)**	**2,386,304**	**(198,412)**

(b) Unrecognised 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 net deferred tax assets as at 31 December 2020 and 2019. These deferred tax assets are not recognised in these financial statements. Future tax benefits will only be realised if profits will be available against which unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim deductions in future periods.

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	2020 '000 KZT	**2019 '000 KZT**
Finance lease receivables	1,220,426	2,386,891
Embedded derivative financial instrument	(133,727)	(495,567)
Off-balance interest income on finance lease receivables	64,664	64,664
Other deferred tax assets	27,760	28,930
	1,179,123	**1,984,918**

Temporary differences of KZT 1,179,123 thousand (2019: KZT 1,984,918 thousand) have not been recognised in the financial statements due to uncertainties concerning their realisation.

31 Share capital

(a) Issued share capital

As at 31 December 2020, the issued and authorised share capital comprised 2,107,270 ordinary shares (31 December 2019: 2,107,820 ordinary shares).

During the year ended 31 December 2020, the Group issued 1,450 ordinary shares with a nominal value of KZT 40,000,000 each (31 December 2019: 925 ordinary shares with a nominal value of KZT 40,000,000 each). All ordinary shares were issued at their nominal value.

Nominal values and number of ordinary shares as at 31 December were as follows:

2020	**Number of ordinary shares**	**Nominal value per share KZT**	**Paid-up capital '000 KZT**
Ordinary shares	1,819,519	50,000	90,975,950
Ordinary shares	250,000	668,000	167,000,000
Ordinary shares	30,000	1,000,000	30,000,000
Ordinary shares	5,000	5,000,000	25,000,000
Ordinary shares	1,250	40,000,000	50,000,000
Ordinary shares	1,000	40,000,000	40,000,000
Ordinary shares	625	40,000,000	25,000,000
Ordinary shares	500	40,000,000	20,000,000
Ordinary shares	375	40,000,000	15,000,000
Ordinary shares	300	40,000,000	12,000,000
Ordinary shares	250	40,000,000	10,000,000
Ordinary shares	250	40,000,000	10,000,000
Ordinary shares	200	40,000,000	8,000,000
Ordinary shares	1	691,560,619	691,561
At 31 December 2020	**2,109,270**	**-**	**503,667,511**

2019	**Number of ordinary shares**	**Nominal value per share KZT**	**Paid-up capital '000 KZT**
Ordinary shares	1,819,519	50,000	90,975,950
Ordinary shares	250,000	668,000	167,000,000
Ordinary shares	30,000	1,000,000	30,000,000
Ordinary shares	5,000	5,000,000	25,000,000
Ordinary shares	1,000	40,000,000	40,000,000
Ordinary shares	625	40,000,000	25,000,000
Ordinary shares	500	40,000,000	20,000,000
Ordinary shares	375	40,000,000	15,000,000
Ordinary shares	300	40,000,000	12,000,000
Ordinary shares	250	40,000,000	10,000,000
Ordinary shares	250	40,000,000	10,000,000
Ordinary shares	1	691,560,619	691,561
At 31 December 2019	**2,107,820**	**-**	**445,667,511**

(b) Carrying value of ordinary shares

According to the Listing Rules of Kazakhstan Stock Exchange (the "Rules") the Group discloses the carrying amount of ordinary shares as required by the Rules:

	2020 '000 KZT	**2019 '000 KZT**
Carrying value of ordinary shares	242.35	202.87

The carrying amount of an ordinary share as at 31 December 2020 is estimated as the amount of consolidated capital decreased by the amount of intangible assets that the Group would be unable to sell to third parties in the amount of KZT 511,180,137 thousand (31 December 2019: KZT 427,609,875 thousand) and divided by a number of outstanding ordinary shares, i.e. 2,107,270 ordinary shares (31 December 2019: 2,107,820 ordinary shares).

(c) Dividends

In accordance with Kazakhstan legislation the Group's distributable dividends are limited to the maximum balance of the Group's retained earnings. During the year ended 31 December 2020, the Bank declared and paid dividends of KZT 3,287,543 thousand (2019: KZT 973,143 thousand). Dividends per ordinary share are KZT 1,559.69 (2019: KZT 461.88).

32 Risk Management

Management of risk is fundamental to the business of the Group and is an essential element of the Group's operations. The major (significant) risks faced by the Group are those related to market risk, which includes price, interest rate and currency risks, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits.

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and emerging best practice.

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

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within established risk parameters. The Director of the Risk Management Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks are managed and controlled through a system of Credit and Investment Committees and Assets and Liabilities Management Committee (ALCO).

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Apart from the standard credit and market risk analysis, the designated organisation departments monitor financial and non-financial risks by holding regular meetings with operational units in order to obtain judgments in their areas of expertise.

The Group's Risk Department and internal audit function regularly prepare reports, which cover the Group's significant risks management issues. The reports include observations as to assessment of the effectiveness of the Group's procedures and methodologies, and recommendations for improvement.

To adequately reflect the uncertainty related to drop in market prices for assets and the COVID-19 pandemic, the Group updated the forward- looking information used in ECL models including forecast macro-economic indicators for 2020, considering the following:

- Reduction in economic activity due to decline in income of enterprises and individuals.
- Updated projected prices for fuel and energy resources, and commodities export.
- The impact of changes on various sectors of economy.
- 'Deterioration in liquidity' scenarios, growing costs and drop in revenue generated by leaseholders, according to the survey.

To estimate loss allowance for expected credit losses at 31 December 2020, the Group:

- re-estimated the 12-months and the remaining lifetime PDs by updating risk factors including adjustment of macroeconomic indicators. Deterioration of forecasts for the 12-month risk factors resulted in increase in the 12-month PDs:
- 'GDP growth' projection was revised to negative as compared to GDP growth projection for the Republic of Kazakhstan for 2019.
- Unemployment projection was revised to upward from 5.0% to 7.8%;
- Significant decline in energy index projection from - 4.8% to - 40.1%.
- re-estimated the 12-month and the remaining lifetime PDs;

- transferred some borrowers from Stage 1 to Stage 2;
- revised downward the internal credit ratings of some borrowers.

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The market risk management objectives are to manage and control that exposure to market risk does not fall out of the acceptable parameters, ensuring the optimisation of profitability obtained for risk accepted.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis.

The management of interest rates risk, component of market risk, by monitoring interest rate gap is supplemented by monitoring the sensitivity of the net interest margin to various standard and non-standard interest rate scenarios.

(i) Interest rate risk

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

Interest rate gap analysis

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

31 December 2020 **'000 KZT**	**Non-interest bearing**	**Less than 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Overdue**	**Carrying amount**
ASSETS								
Cash and cash equivalents	134,501,204	108,284,933	-	-	-	-	-	242,786,137
Placements with banks and other financial institutions	745,176	104,016,933	1,592,941	15,277,317	147,135	-	-	121,779,502
Loans to banks	-	-	-	-	1,916,208	122,894,482	-	124,810,690
Loans to customers	-	269,842,520	317,190,099	56,099,004	393,550,373	802,810,731	6,423,488	1,845,916,215
Finance lease receivables	-	11,182,918	12,802,833	30,484,077	155,320,068	112,095,471	4,654,494	326,539,861
Debt securities	-	10,945,383	-	44,178	7,673,095	190,595,023	-	209,257,679
Equity investments	14,841,000	-	-	-	-	-	-	14,841,000
Other financial assets	404,819	--	-	-	22,348,855	-	3,939	22,757,613
	150,492,199	**504,272,687**	**331,585,873**	**101,904,576**	**580,955,734**	**1,228,395,707**	**11,081,921**	**2,908,688,697**
LIABILITIES								
Current accounts and deposits from customers	5,568,749	-	-	-	10,225,000	-	-	15,793,749
Loans from SWF "Samruk-Kazyna"	-	-	12,306,991		13,459,146	2,200,750	-	27,966,887
Loans from the Parent Company	-	-	-	-	-	227,596,965	-	227,596,965
Loans and deposits from banks and other financial institutions	-	198,331,556	276,133,591	1,965,993	159,221,846	4,354,983	-	640,007,969
Debt securities issued	-	-	803,056	-	855,746,006	384,463,653	-	1,241,012,715
Subordinated debt		-	-	-	-	111,163,010	-	111,163,010
Other financial liabilities	22,117,148	-	-	-	-	-	-	22,117,148
	27,685,897	**198,331,556**	**289,243,638**	**1,965,993**	**1,038,651,998**	**729,779,361**	**-**	**2,285,658,443**
	122,806,302	**305,941,131**	**42,342,235**	**99,938,583**	**(457,696,264)**	**498,616,346**	**11,081,921**	**623,030,254**

A summary of the interest gap position for major interest-bearing financial instruments is as follows:

31 December 2019 '000 KZT	**Non-interest bearing**	**Less than 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Overdue**	**Carrying amount**
ASSETS								
Cash and cash equivalents	97,155,814	47,017,924	-	-	-	-	-	144,173,738
Placements with banks and other financial institutions	3,415,266	76,349,964	4,353,011	7,297,442	147,195	-	-	91,562,878
Loans to banks	-	-	-	-	2,240,003	108,705,836	-	110,945,839
Loans to customers	-	233,332,871	249,570,177	53,959,249	253,426,610	825,740,997	2,174,560	1,618,204,464
Finance lease receivables	-	4,960,497	13,682,125	12,303,677	67,638,688	90,810,635	944,718	190,340,340
Debt securities	-	-	-	25,063,209	23,670,745	176,732,104	-	225,466,058
Equity investments	19,506,343	-	-	-	-	-	-	19,506,343
Other financial assets	1,444,936	-	-	-	7,122,142	15,145,403	3,951	23,716,432
	121,522,359	**361,661,256**	**267,605,313**	**98,623,577**	**354,245,383**	**1,217,134,975**	**3,123,229**	**2,423,916,092**
LIABILITIES								
Current accounts and deposits from customers	7,011,307	-	-	-	-	10,225,000	-	17,236,307
Loans from SWF "Samruk-Kazyna"	-	-	-	-	24,606,101	2,380,167	-	26,986,268
Loans from the Parent Company	-	-	-	-	-	175,228,967	-	175,228,967
Loans and deposits from banks and other financial institutions	-	238,796,485	121,876,140	958,095	33,844,957	144,819,692	-	540,295,369
Debt securities issued	-	-	38,390,693	100,148,371	687,048,274	225,956,930	-	1,051,544,268
Subordinated debt	-	-	-	-	-	104,534,649	-	104,534,649
Other financial liabilities	3,294,342	-	-	-	-	-	-	3,294,342
	10,305,649	**238,796,485**	**160,266,833**	**101,106,466**	**745,499,332**	**663,145,405**	**-**	**1,919,120,170**
	111,216,710	**122,864,771**	**107,338,480**	**(2,482,889)**	**(391,253,949)**	**553,989,570**	**3,123,229**	**504,795,922**

Average interest rate

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2020 and 2019.

	31 December 2020 Average effective interest rate, %			31 December 2019 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	8.52%	0.05%	2.00%	7.36%	0.77%	2.00%
Placements with banks and other financial institutions	7.80%	-	-	7.69%	-	4.00%
Loans to banks	10.46%	-	-	10.24%	-	-
Reverse REPO agreements	8.21%	-	-	9.71%	-	-
Loans to customers	10.91%	5.93%	-	9.58%	5.90%	5.90%
Finance lease receivables	6.71%	-	-	6.92%	-	-
Debt securities measured at fair value through other comprehensive income	7.10%	1.71%	-	6.56%	2.87%	-
Debt securities at fair value through profit or loss	12.54%	-	-	12.54%	-	-
Debt securities measured at amortised cost	8.50%	3.97%	-	8.44%	3.97%	-
Interest bearing liabilities						
Current accounts and deposits from customers	9.46%	-	-	9.46%	-	-
Loans from SWF "Samruk-Kazyna"	5.13%	-	-	5.14%	-	-
Loans from the Parent Company	9.89%	-	-	9.39%	-	-
Loans and deposits from banks and other financial institutions	9.15%	4.49%	10.18%	7.00%	4.08%	7.94%
Debt securities issued	11.83%	5.14%		11.08%	5.27%	-
Subordinated debt	6.72%			6.72%	-	-

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Cash flow interest rate sensitivity analysis

An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2020 and 31 December 2019, is as follows:

	31 December 2020		31 December 2019	
'000 KZT	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	2,551,570	2,551,570	1,391,780	1,391,780
100 bp parallel fall	(2,551,570)	(2,551,570)	(1,391,780)	(1,391,780)

Fair value interest rate sensitivity analysis

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of debt securities at FVOCI due to changes in the interest rates, based on positions existing as at 31 December 2020 and 31 December at 2019 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	31 December 2020		31 December 2019	
'000 KZT	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	-	(10,259,850)	-	(11,828,065)
100 bp parallel fall	-	10,982,249	-	12,833,654

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency.

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

	KZT '000 KZT	USD '000 KZT	EUR '000 KZT	Other currencies '000 KZT	Total '000 KZT
Assets					
Cash and cash equivalents	189,859,126	52,411,842	73,628	441,541	242,786,137
Placements with banks and other financial institutions	121,609,724	144,162	25,616	-	121,779,502
Loans to banks	124,810,690	-	-	-	124,810,690
Loans to customers	947,611,605	898,304,610	-	-	1,845,916,215
Finance lease receivables**	326,539,861	-	-	-	326,539,861
Debt securities	13,973,782	195,283,897	-	-	209,257,679
Equity investments	14,841,000	-	-	-	14,841,000
Advances paid under finance lease agreements	123,158,997	-	-	-	123,158,997
Assets to be transferred under finance lease agreements	27,855,425	-	-	-	27,855,425
Investment property	222,507	-	-	-	222,507
Property, plant and equipment and intangible assets	5,991,289	-	-	-	5,991,289
Other assets	22,995,816	8,286,630	45,335	-	31,327,781
Current tax asset	963,526	-	-	-	963,526
Deferred tax asset	1,040,108	-	-	-	1,040,108
Derivative financial instruments*	668,474	-	-	-	668,474
Total assets	**1,922,141,930**	**1,154,431,141**	**144,579**	**441,541**	**3,077,159,191**
Liabilities					
Current accounts and deposits from customers	11,073,483	4,720,253	13	-	15,793,749
Loans from SWF "Samruk-Kazyna"	27,966,887	-	-	-	27,966,887
Loans from the Parent Company	227,596,965	-	-	-	227,596,965
Loans and deposits from banks and other financial institutions	26,362,524	599,892,271	-	13,753,174	640,007,969
Government grants	261,838,993	-	-	-	261,838,993
Debt securities issued	674,898,934	566,113,781	-	-	1,241,012,715
Subordinated debt	111,163,010	-	-	-	111,163,010
Reserves	2,475,613	349,825	-	-	2,825,438
Other liabilities	25,923,890	21,738,902	59,740	18,579	47,741,111
Derivative financial instruments*	-	842,304	-	-	842,304
Total liabilities	**1,369,300,299**	**1,193,657,336**	**59,753**	**13,771,753**	**2,576,789,141**
Net on balance sheet positions as at 31 December 2020	**552,841,631**	**(39,226,195)**	**84,826**	**(13,330,212)**	**500,370,050**
Notional amount of derivative liabilities as at 31 December 2020*	(9,382,500)	21,045,500	-	-	11,663,000
Net on and off balance sheet positions as at 31 December 2020	**543,459,131**	**(18,180,695)**	**84,826**	**(13,330,212)**	**512,033,050**

The following table shows the currency structure of assets and liabilities at 31 December 2019:

	KZT '000 KZT	USD '000 KZT	EUR '000 KZT	Other currencies '000 KZT	Total '000 KZT
Assets					
Cash and cash equivalents	108,913,385	32,782,304	2,084,004	394,045	144,173,738
Placements with banks and other financial institutions	89,054,409	-	2,451,334	57,135	91,562,878
Loans to banks	110,945,839	-	-	-	110,945,839
Loans to customers	806,353,148	800,381,034	11,470,282	-	1,618,204,464
Finance lease receivables**	190,340,340	-	-	-	190,340,340
Debt securities	41,271,003	184,195,055	-	-	225,466,058
Equity investments	19,506,343	-	-	-	19,506,343
Advances paid under finance lease agreements	133,273,093	-	-	-	133,273,093
Assets to be transferred under finance lease agreements	14,822,012				14,822,012
Investment property	227,181	-	-	-	227,181
Property, plant and equipment and intangible assets	5,951,423	-	-	-	5,951,423
Other assets	18,014,762	8,036,711	257	5,036	26,056,766
Current tax asset	124,719	-	-	-	124,719
Derivative financial instruments*	676,316	-	-	-	676,316
Total assets	**1,539,473,973**	**1,025,395,104**	**16,005,877**	**456,216**	**2,581,331,170**
Liabilities					
Current accounts and deposits from customers	11,143,517	4,291,790	1,801,000	-	17,236,307
Loans from SWF "Samruk-Kazyna"	26,986,268	-	-	-	26,986,268
Loans from the Parent Company	175,228,967	-	-	-	175,228,967
Loans and deposits from banks and other financial institutions	15,195,999	498,434,761	10,715,626	15,948,983	540,295,369
Government grants	210,933,386	-	-	-	210,933,386
Debt securities issued	502,340,634	549,203,634	-	-	1,051,544,268
Subordinated debt	104,534,649	-	-	-	104,534,649
Reserves	5,940,728	1,622,815	-	-	7,563,543
Other liabilities	24,062,778	3,824,629	19,053	10,068	27,916,528
Deferred tax liability	198,412	-	-	-	198,412
Derivative financial instruments*	-	262,625	-	-	262,625
Total liabilities	**1,076,565,338**	**1,057,640,254**	**12,535,679**	**15,959,051**	**2,162,700,322**
Net on balance sheet positions as at 31 December 2019	**462,908,635**	**(32,245,150)**	**3,470,198**	**(15,502,835)**	**418,630,848**
Notional amount of derivative liabilities as at 31 December 2019*	(9,382,500)	19,129,500	-	-	9,747,000
Net on and off balance sheet positions as at 31 December 2019	**453,526,135**	**(13,115,650)**	**3,470,198**	**(15,502,835)**	**428,377,848**

*The notional amounts and fair value adjustments of the derivative financial instruments are presented separately as off balance and on balance components, respectively, for better presentation of net positions in foreign currencies that is used as a basis for sensitivity analysis.

** Finance lease receivables for the year ended 31 December 2020 comprise the amount of embedded derivative of KZT 2,617,752 thousand (31 December 2019: KZT 6,651,931 thousand).

An analysis of sensitivity of profit or loss for the year and equity to changes in the foreign currency exchange rates based on positions, and embedded derivatives, existing as at 31 December 2020 and 2019 and a simplified scenario of change in US Dollar, Euro and other currencies to Kazakhstan Tenge exchange rates is as follows:

	2020		2019	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
20% appreciation of USD against KZT	(2,908,911)	(2,908,911)	(2,098,504)	(2,098,504)
5% depreciation of USD against KZT	727,228	727,228	524,626	524,626
20% appreciation of EUR against KZT	13,572	13,572	555,232	555,232
5% depreciation of EUR against KZT	(3,393)	(3,393)	(138,808)	(138,808)
20% appreciation of other currencies against KZT	(2,132,834)	(2,132,834)	(2,480,454)	(2,480,454)
5% depreciation of other currencies against KZT	533,208	533,208	620,113	620,113

This analysis is on a net-of-tax basis, and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance position and off balance position exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. Loans to customers, finance lease receivables, placements with banks and other financial institutions, amounts receivable under reverse repurchase agreements, debt securities at FVOCI and accounts receivable are subject to credit risk. The Group's exposure is monitored on an ongoing basis.

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis, focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Department and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax Departments, depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. Revaluation procedures are based on analysis of the financial statements of the borrower as at the latest reporting date, or other information provided by the borrower itself or otherwise obtained by the Group.

Apart from individual customer analysis, the credit portfolio is assessed by the departments responsible for risk management with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

	2020 '000 KZT	2019 '000 KZT
ASSETS		
Cash and cash equivalents	242,786,137	144,173,536
Placements with banks and other financial institutions	121,779,502	91,562,878
Loans to banks	124,810,690	110,945,839
Loans to customers	1,845,916,215	1,618,204,464
Finance lease receivables	326,539,861	190,340,340
Debt securities	209,257,679	225,466,058
Advances paid under finance lease agreements	123,158,997	133,273,093
Other financial assets	22,757,613	23,716,432
Derivative financial instruments	11,489,170	10,160,691
Total maximum exposure	**3,028,495,864**	**2,547,843,331**

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 34.

Offsetting financial assets and liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position, or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the 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. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

The Group'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 Group's sale and repurchase, reverse sale and repurchase transactions, and securities borrowings and lendings are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

The above ISDA and similar master netting arrangements do not meet the criteria for offsetting 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 Group or the counterparties. In addition the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The following table provides information on financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020:

‘000 KZT

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial asset/liability 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 (including non-cash collateral)	Cash collateral (received)/pledged	
Financial assets						
Reverse repurchase agreements with original maturities of less than three months	24,345,200	-	24,345,200	(24,338,488)	-	6,712
Loans to customers	13,424,436	-	13,424,436	-	(2,807,162)	10,617,274
Other financial assets	22,348,856	-	22,348,856	(8,887,233)	(10,225,000)	3,236,623
Total financial assets	**60,118,492**	**-**	**60,118,492**	**(33,225,721)**	**(13,032,162)**	**13,860,609**
Financial liabilities						
Current accounts and deposits from customers	(13,032,162)	-	(13,032,162)	13,032,162	-	-
Debt securities issued	(8,887,233)	-	(8,887,233)	8,887,233	-	-
Total financial liabilities	**(21,919,395)**	**-**	**(21,919,395)**	**21,919,395**	**-**	**-**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019:

'000 KZT

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial asset/liability 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 (including non-cash collateral)	Cash collateral (received)/pledged	
Financial assets						
Reverse repurchase agreements with original maturities of less than three months	6,962,855	-	6,962,855	(6,962,855)	-	-
Loans to customers	12,106,347	-	12,106,347	-	(2,604,700)	9,501,647
Other financial assets	22,346,686	-	22,346,686	(8,015,719)	(10,225,000)	4,105,967
Total financial assets	**41,415,888**	**-**	**41,415,888**	**(14,978,574)**	**(12,829,700)**	**13,607,614**
Financial liabilities						
Current accounts and deposits from customers	(12,829,700)	-	(12,829,700)	12,829,700	-	-
Debt securities issued	(8,015,719)	-	(8,015,719)	8,015,719	-	-
Total financial liabilities	**(20,845,419)**	**-**	**(20,845,419)**	**20,845,419**	**-**	**-**

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:

- derivative assets and liabilities – fair value;
- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost. The amounts in the above tables that are offset in the consolidated statement of financial position are measured on the same basis.

(d) Liquidity risk

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

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Management Board of the Group has approved Liquidity Management Rules to determine methods and procedures to manage liquidity.

The liquidity management rules require:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flows;
- maintaining liquidity and funding contingency plans.

The Treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored and is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a monthly basis. Decisions on liquidity management are made by ALCO.

The following table shows liabilities on a consolidated basis by remaining contractual maturity dates as at 31 December 2020. Unrecognised commitments are discussed in Note 34.

	Demand and less than 1 month ‘000 KZT	From 1 to 3 months ‘000 KZT	From 3 to 6 months ‘000 KZT	From 6 to 12 months ‘000 KZT	More than 1 year ‘000 KZT	Total ‘000 KZT	Carrying amount ‘000 KZT
Non-derivative financial liabilities							
Current accounts and deposits from customers	988,543	-	225,000	2,713,264	16,349,442	20,276,249	15,793,749
Loans from SWF “Samruk-Kazyna”	-	-	12,915,163	27,809	17,815,899	30,758,871	27,966,887
Loans from the Parent Company	9,750	1,206,542	1,687,282	4,082,029	476,543,532	483,529,135	227,596,965
Loans and deposits from banks and other financial institutions	20,247,901	2,274,429	19,142,116	41,034,809	680,002,852	762,702,107	640,007,969
Debt securities issued	6,180,350	7,294,506	35,920,608	49,395,464	1,692,282,014	1,791,072,942	1,241,012,715
Subordinated debt	-	118,243	75,000	193,243	370,305,799	370,692,285	111,163,010
Other financial liabilities	1,036,830	585,842	47,972	205,549	20,240,955	22,117,148	22,117,148
Derivative financial instruments							
Addition	(21,045,500)	-	-	-	-	(21,045,500)	(11,489,170)
Disposal	9,382,500	-	-	-	-	9,382,500	-
Total liabilities	**16,800,374**	**11,479,562**	**70,013,141**	**97,652,167**	**3,273,540,493**	**3,469,485,737**	**2,274,169,273**
Credit related commitments	**75,039,369**	**43,741,179**	**6,513,770**	**26,662,395**	**58,261,700**	**210,218,413**	**-**

The Group assumes that will be able to obtain sufficient funding from a variety of sources, mainly being drawings on unutilised credit facilities opened by foreign banks and loans from the Parent Company in case of claims under any commitments. Moreover, the Group on a constant basis makes assessments of liquidity risk to avoid any payment shortfalls.

The following table shows liabilities on a consolidated basis by remaining contractual maturity dates as at 31 December 2019. Unrecognised commitments are discussed in Note 34.

	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	Total	Carrying amount
	‘000 KZT	‘000 KZT	‘000 KZT	‘000 KZT	‘000 KZT	‘000 KZT	‘000 KZT
Non-derivative financial liabilities							
Current accounts and deposits from customers	2,815,467	-	225,000	745,687	18,832,653	22,618,807	17,236,307
Loans from SWF “Samruk-Kazyna”	-	-	374,350	40,683	30,758,871	31,173,904	26,986,268
Loans from the Parent Company	9,750	1,192,458	874,867	2,073,600	365,840,820	369,991,495	175,228,967
Loans and deposits from banks and other financial institutions	16,123,012	1,485,655	15,543,193	38,946,638	590,439,030	662,537,528	540,295,369
Debt securities issued	3,230,350	3,823,142	69,728,770	137,279,845	1,206,003,257	1,420,065,364	1,051,544,268
Subordinated debt	-	118,243	75,000	193,243	370,692,285	371,078,771	104,534,649
Other financial liabilities	2,083,842	6,351	64,333	877,615	262,201	3,294,342	3,294,342
Derivative financial instruments							
Addition	-	-	-	(19,129,500)	-	(19,129,500)	(10,160,691)
Disposal	-	-	-	9,382,500	-	9,382,500	-
Total liabilities	**24,262,421**	**6,625,849**	**86,885,513**	**170,410,311**	**2,582,829,117**	**2,871,013,211**	**1,908,959,479**
Credit related commitments	**304,247,168**	**2,440,696**	**45,097,269**	**71,001,493**	**6,308,718**	**429,095,344**	**-**

(e) Maturity

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2020.

	On demand ‘000 KZT	Less than 1 month ‘000 KZT	From 1 to 3 months ‘000 KZT	From 3 months to 1 year ‘000 KZT	From 1 to 5 years ‘000 KZT	More than 5 years ‘000 KZT	No maturity ‘000 KZT	Overdue ‘000 KZT	Total ‘000 KZT
Assets									
Cash and cash equivalents	218,440,937	24,345,200	-	-	-	-	-	-	242,786,137
Placements with banks and other financial institutions	-	104,762,109	-	16,870,258	147,135	-	-	-	121,779,502
Loans to banks	-				1,916,208	122,894,482	-	-	124,810,690
Loans to customers	-	542,493	20,732,441	76,798,435	477,049,191	1,264,370,167	-	6,423,488	1,845,916,215
Finance lease receivables	-	4,728,245	6,454,673	43,286,910	155,320,068	112,095,471	-	4,654,494	326,539,861
Debt securities	-	10,945,383	-	44,178	7,673,095	190,595,023	-	-	209,257,679
Equity investments	-	-	-	-	-	-	14,841,000	-	14,841,000
Investment property	-	-	-	-	-	-	222,507	-	222,507
Property, plant and equipment and intangible assets	-	-	-	-	-	-	5,991,289	-	5,991,289
Advances paid under finance lease agreements	-	494,361	36,439,172	22,786,261	63,439,203	-	-	-	123,158,997
Assets to be transferred under finance lease agreements	-	1,039,023	18,703,788	8,112,614	-	-	-	-	27,855,425
Other assets	486,628	6,731,286	150,033	298,031	22,432,860	-	1,221,685	7,258	31,327,781
Current tax asset	-	-	30	963,496	-	-	-	-	963,526
Deferred tax asset	-	-	-	-	-	1,040,108	-	-	1,040,108
Derivative financial instruments	-	-	-	-	11,489,170	-	-	-	11,489,170
Total assets	**218,927,565**	**153,588,100**	**82,480,137**	**169,160,183**	**739,466,930**	**1,690,995,251**	**22,276,481**	**11,085,240**	**3,087,979,887**

	On demand '000 KZT	Less than 1 month '000 KZT	From 1 to 3 months '000 KZT	From 3 months to 1 year '000 KZT	From 1 to 5 years '000 KZT	More than 5 years '000 KZT	No maturity '000 KZT	Overdue '000 KZT	Total '000 KZT
Liabilities									
Current accounts and deposits from customers	763,543	-	-	2,263,264	10,226,946	2,539,996	-	-	15,793,749
Loans from SWF "Samruk-Kazyna"	-	-	-	12,306,991	13,459,146	2,200,750	-	-	27,966,887
Loans from the Parent Company	-	-	-	-	-	227,596,965	-	-	227,596,965
Loans and deposits from banks and other financial institutions	-	73,962	1,729,928	2,448,989	242,446,844	393,308,246	-	-	640,007,969
Government grants	-	1,154,261	2,233,873	9,212,063	55,706,901	193,531,895	-	-	261,838,993
Debt securities issued	-	-	-	803,056	855,746,006	384,463,653	-	-	1,241,012,715
Subordinated debt	-	-	-	-	-	111,163,010	-	-	111,163,010
Other liabilities	1,146,624	1,659,085	12,050,202	11,091,392	20,831,959	961,849	-	-	47,741,111
Reserves	-	-	845,539	1,651,068	328,831	-	-	-	2,825,438
Total liabilities	**1,910,167**	**2,887,308**	**16,859,542**	**39,776,823**	**1,198,746,633**	**1,315,766,364**	**-**	**-**	**2,575,946,837**
Net position as at 31 December 2020	**217,017,398**	**150,700,792**	**65,620,595**	**129,383,360**	**(459,279,703)**	**375,228,887**	**22,276,481**	**11,085,240**	**512,033,050**

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2019.

	On demand	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
	'000 KZT	**'000 KZT**	**'000 KZT**	**'000 KZT**	**'000 KZT**	**'000 KZT**	**'000 KZT**	**'000 KZT**	**'000 KZT**
Assets									
Cash and cash equivalents	137,210,883	6,962,855	-	-	-	-	-	-	144,173,738
Placements with banks and other financial institutions	-	79,058,725	706,505	11,650,453	147,195	-	-	-	91,562,878
Loans to banks					2,240,003	108,705,836	-	-	110,945,839
Loans to customers	-	-	11,091,395	83,269,443	259,144,279	1,262,524,787	-	2,174,560	1,618,204,464
Finance lease receivables	-	1,393,988	3,937,677	18,120,139	72,628,477	93,315,341	-	944,718	190,340,340
Debt securities	-	-	-	25,063,209	23,670,745	176,732,104	-	-	225,466,058
Equity investments	-	-	-	-	-	-	19,506,343	-	19,506,343
Investment property	-	-	-	-	-	-	227,181	-	227,181
Property, plant and equipment and intangible assets	-	-	-	-	-	-	5,951,423	-	5,951,423
Advances paid under finance lease agreements	-	732,365	3,388,197	82,552,621	46,599,910	-	-	-	133,273,093
Assets to be transferred under finance lease agreements	-	8,524,332	1,098,475	1,476,174	3,723,031	-	-	-	14,822,012
Other assets	467,704	272,664	298,658	1,361,340	7,223,974	15,158,252	1,270,041	4,133	26,056,766
Current tax asset	-	-	124,719	-	-	-	-	-	124,719
Derivative financial instruments	-	-	-	10,160,691	-	-	-	-	10,160,691
Total assets	**137,678,587**	**96,944,929**	**20,645,626**	**233,654,070**	**415,377,614**	**1,656,436,320**	**26,954,988**	**3,123,411**	**2,590,815,545**

	On demand ‘000 KZT	Less than 1 month ‘000 KZT	From 1 to 3 months ‘000 KZT	From 3 months to 1 year ‘000 KZT	From 1 to 5 years ‘000 KZT	More than 5 years ‘000 KZT	No maturity ‘000 KZT	Overdue ‘000 KZT	Total ‘000 KZT
Liabilities									
Current accounts and deposits from customers		-	-	295,687	1,816,400	12,533,753	-	-	17,236,307
Loans from SWF “Samruk-Kazyna”	-	-	-	-	24,606,101	2,380,167	-	-	26,986,268
Loans from the Parent Company	-	-	-	-	-	175,228,967	-	-	175,228,967
Loans and deposits from banks and other financial institutions	-	83,585	148,397	1,420,357	39,576,475	499,066,555	-	-	540,295,369
Government grants	-	803,940	846,251	7,169,126	30,476,648	171,637,421	-	-	210,933,386
Debt securities issued	-	-	-	138,539,064	687,048,274	225,956,930	-	-	1,051,544,268
Subordinated debt	-	-	-	-	-	104,534,649	-	-	104,534,649
Other liabilities	2,417,903	4,883,774	2,740,328	14,675,899	2,662,678	535,170	776	-	27,916,528
Reserves	-	8,533	2,445,563	3,920,335	1,189,112	-	-	-	7,563,543
Deferred tax liability	-	-	-	-	-	198,412	-	-	198,412
Total liabilities	**5,008,370**	**5,779,832**	**6,180,539**	**166,020,468**	**787,375,688**	**1,192,072,024**	**776**	**-**	**2,162,437,697**
Net position as at 31 December 2019	**132,670,217**	**91,165,097**	**14,465,087**	**67,633,602**	**(371,998,074)**	**464,364,296**	**26,954,212**	**3,123,411**	**428,377,848**

33 Capital management

The Group defines capital as its total equity measured in accordance with IFRS.

In accordance with legislation, as at 31 December 2020 and 2019 the Group was not subject to capital requirements set by the National Bank of the Republic of Kazakhstan.

The Group is subject to minimum capital and maximum debt-to-equity ratio requirements established by covenants under certain liabilities incurred by the Group. As at 31 December 2020 and 31 December 2019, the Group complied with all externally imposed capital adequacy requirements.

34 Credit related commitments

At any time, the Group has outstanding credit related commitments to extend credit. These credit related commitments take the form of approved loans and overdrafts, and are cancellable on certain conditions. The Group plans to fund these commitments with the issue of debt securities, loans from the Parent Company and a number of foreign counterparties.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The 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 letters of credit represent the maximum accounting loss that would be recognised at the consolidated statement of financial position date if counterparties failed completely to perform as contracted.

	2020 '000 KZT	**2019 '000 KZT**
Contracted amount		
Loan, credit line and finance lease commitments	204,832,389	420,524,901
Letters of credit, guarantees and other commitments related to settlement operations	5,386,024	8,570,443

The Group uses the same credit control and management policies in undertaking unrecognised commitments as it does for recognised operations.

As at 31 December 2020, included in loan, credit line and finance lease commitments related to settlement operations is the amount of KZT 48,168,567 thousand, related to four borrowers (2019: KZT 270,704,270 thousand, related to ten borrowers), which, if aggregated with current amount of loans in the amount of KZT 369,113,73 thousand (2019: KZT 932,697,752 thousand), carrying value will comprise a significant credit exposure.

The total outstanding credit related contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

35 Contingencies

(a) 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 Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigations

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions or the results of future operations.

(c) 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, in particular recognition of income, expenses and other items of the financial statements under IFRS. 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.

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

36 Related party transactions

(a) Control relationships

As at 31 December 2020 and 31 December 2019 the Group's controlling party is National Management Holding "Baiterek" JSC. The party with ultimate control over the Group is the Government of the Republic of Kazakhstan.

Publicly available financial statements will be produced by the Group's Parent Company, however, no publicly available financial statements are produced by the Group's ultimate controlling party.

(b) Transactions with the members of the Board of Directors and the Management Board, Managing Directors

Total remuneration included in payroll and related taxes (refer to Note 11) is as follows:

	2020 '000 KZT	2019 '000 KZT
Members of the Board of Directors and the Management Board, Managing Directors	816,704	824,927

The above amounts include cash benefits in respect of the members of the Board of Directors and the Management Board, Managing Directors.

(c) Transactions with other related parties

Other related parties comprise the State, national companies and organisations, including the National Bank of the Republic of Kazakhstan, the Ministry of Finance of the Republic of Kazakhstan, SWF "Samruk-Kazyna" and its subsidiaries.

The outstanding balances and the related average contractual interest rates as at 31 December 2020 and 2019 and related profit or loss amounts of transactions for the years ended 31 December 2020 and 2019 with other related parties are as follows.

31 December 2020	Parent Company		Other subsidiaries of the Parent Company		Other companies and state organisations		Total
	'000 KZT	Average interest rate	'000 KZT	Average interest rate	'000 KZT	Average interest rate	'000 KZT
Statement of financial position							
ASSETS							
Cash and cash equivalents	-	-	-	-	139,506,705	-	139,506,705
Placements with banks and other financial institutions	-	-	25,722,872	7.50	-	-	25,722,872
Loans to customers	-	-	134,042	-	467,753,389	8.86	467,887,431
Finance lease receivables	-	-	193,566	-	197,784,202	6.00	197,977,768
Debt securities	-	-	-	-	16,608,246	0.38	16,608,246
Equity investments	-	-	14,841,000	-	-	-	14,841,000
Advances paid under finance lease agreements	-	-	-	-	36,078,383	-	36,078,383
Current tax asset	-	-	-	-	963,526	-	963,526
Other assets	6,614,284	-	22,351,193	-	452,497	-	29,417,974
Deferred tax assets	-	-	-	-	1,040,108	-	1,040,108
Derivative financial instruments	-	-	11,489,170	-	-	-	11,489,170
LIABILITIES							
Current accounts and deposits from customers	-	-	10,591,260	9.00	116,755	-	10,708,015
Loans from SWF "Samruk-Kazyna"	-	-	-	-	27,966,887	0.27	27,966,887
Loans from the Parent Company	227,596,965	0.13	-	-	-	-	227,596,965
Loans and deposits from banks and other financial institutions	-	-	16,067,732	1.00	-	-	16,067,732
Government grants	-	-	1,070,889	-	260,768,104	-	261,838,993
Debt securities issued	144,183,028	11.80	16,463,932	6.90	272,822,694	10.20	433,469,654
Subordinated debt	104,171,061	0.15	-	-	6,991,949	0.01	111,163,010
Reserves	-	-	-	-	841,685	-	841,685
Other liabilities	-	-	933	-	9,768,661	-	9,769,594

2020	Parent Company	Other subsidiaries of the Parent Company	Other companies and state organisations	Total
	‘000 KZT	‘000 KZT	‘000 KZT	‘000 KZT
Profit				
Interest income calculated using the effective interest method	-	5,360,465	40,164,621	45,525,086
Other interest income	-	-	11,641,155	11,641,155
Interest expense	(25,290,719)	(3,209,741)	(32,307,422)	(60,807,882)
Fee and commission income	-	-	16,814	16,814
Fee and commission expense	(38,358)	-	(32,787)	(71,145)
Net foreign exchange gain	-	900	8,872,863	8,873,763
Net realised gain on debt securities at FVOCI	-	-	292,502	292,502
Net receipts from financial instruments at fair value through profit or loss	-	660,679	11,827	672,506
Net gain arising from derecognition of financial assets measured at amortised cost	-	-	216,855	216,855
Impairment losses on debt financial assets	-	(2,269,312)	(11,861,799)	(14,158,111)
Reversal of impairment allowance in relation to loan commitments issued and financial guarantee contracts	-	-	11,538	11,538
Impairment losses on other non-financial assets	-	-	(165)	(165)
Other income	-	1,169,685	29,084,675	30,254,360
General administrative expenses	-	(2,273)	(822,855)	(825,128)
Income tax expense	-	-	(869,805)	(869,805)

During the year ended 31 December 2020 the amount of KZT 40,590,502 thousand was transferred to profit or loss to compensate the Group’s losses incurred as a result of issuance of loans at lower than market rates in accordance with the conditions of the Government Programs (Note 26).

31 December 2019	**Parent Company**		**Other subsidiaries of the Parent Company**		**Other companies and state organisations**		**Total**
	‘000 KZT	**Average interest rate**	**‘000 KZT**	**Average interest rate**	**‘000 KZT**	**Average interest rate**	**‘000 KZT**
Statement of financial position							
ASSETS							
Cash and cash equivalents	-	-	-	-	94,460,709	-	94,460,709
Placements with banks and other financial institutions	-	-	56,491,019	7.75	-	-	56,491,019
Loans to customers	-	-	134,042	-	410,512,690	7.56	410,646,732
Finance lease receivables	-	-	233,182	-	92,560,886	5.91	92,794,068
Debt securities	-	-	-	-	47,067,921	1.51	47,067,921
Equity investments	-	-	19,506,343	-	-	-	19,506,343
Advances paid under finance lease agreements	-	-	-	-	58,671,872	-	58,671,872
Current tax asset	-	-	-	-	124,719	-	124,719
Other assets	42,579		22,269,348	-	496,874	-	22,808,801
Derivative financial instruments	-	-	10,012,213	-	-	-	10,012,213
LIABILITIES							
Current accounts and deposits from customers	-	-	10,281,250	9.00	2,590,317	-	12,871,567
Loans from SWF “Samruk-Kazyna”	-	-	-	-	26,986,286	0.27	26,986,286
Loans from the Parent Company	175,228,967	0.14	-	-	-		175,228,967
Loans and deposits from banks and other financial institutions	-	-	15,195,999	1.00	-	-	15,195,999
Government grants	-	-	-	-	210,933,386	-	210,933,386
Debt securities issued			22,298,611	6.88	254,693,351	10.89	276,991,962
Subordinated debt	98,018,474	0.15	-		6,516,175	0.01	104,534,649
Reserves	-	-	-	-	4,489,511	-	4,489,511
Deferred tax liabilities	-	-	-	-	198,412	-	198,412
Other liabilities	-	-	157	-	5,716,947	-	5,717,104

2019	**Parent Company**	**Other subsidiaries of the Parent Company**	**Other companies and state organisations**	**Total**
	‘000 KZT	**‘000 KZT**	**‘000 KZT**	**‘000 KZT**
Profit				
Interest income calculated using the effective interest method	-	5,960,549	39,979,066	45,939,615
Other interest income	-	-	6,908,234	6,908,234
Interest expense	(18,824,039)	(3,426,704)	(24,987,751)	(47,238,494)
Fee and commission income	-	-	2,836,194	2,836,194
Fee and commission expense	(37,250)	-	(24,097)	(61,347)
Net foreign exchange loss	-	49,713	(3,815,307)	(3,765,594)
Net realised gain on debt securities at FVOCI	-	(78,614)	389,294	310,680
Net receipts from financial instruments at fair value through profit or loss	-	372,129	119,075	491,204
Impairment losses on debt financial assets	-	194,685	(34,091)	160,594
Impairment losses on loan commitments and financial guarantee contracts	-	-	(2,683,659)	(2,683,659)
Impairment losses on other non-financial assets	-	-	(5,451,754)	(5,451,754)
Other income		19,270	27,262,228	27,281,498
General administrative expenses	-	(2,573)	(800,998)	(803,571)
Income tax expense	-	-	(4,083,209)	(4,083,209)

During the year ended 31 December 2019 the amount of KZT 37,709,460 thousand was transferred to profit or loss to compensate the Group’s losses incurred as a result of issuance of loans at lower than market rates in accordance with the conditions of the Government Programs (Note 27).

37 Analysis by segments

The Group has two reportable segments, as described below, which are the Group's main components. The components offer different types services, and are managed separately. For each of the segment, management of the Group reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Bank lending.* Includes financing of investment projects and export operations, interbank lending and other operations of the Bank, which is a national development institution.
- *Leasing activities.* Includes leases, which mainly represent leasing of machinery, equipment and vehicles that act as collateral.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies, of these consolidated financial statements. Management of the Group reviews discrete financial information for each of its segments, including measures of operating income, which do not include the effects of intercompany eliminations.

Information on operating segments is presented below.

'000 KZT	Bank lending	Leasing activities	Total For the year ended 31 December 2020
Interest income calculated using the effective interest method	174,915,776	6,474,423	181,390,199
Other interest income	8,222,840	24,669,020	32,891,860
Interest expense	(142,055,601)	(18,214,159)	(160,269,760)
Impairment losses on debt financial assets	(29,315,191)	(8,274,146)	(37,589,337)
Net non-interest income/(expense)	9,697,053	5,841,789	15,538,842
General administrative expenses	(5,804,982)	(1,430,849)	(7,235,831)
Income tax (expense)/benefit	(1,401,379)	1,105,134	(296,245)
Segments' financial performance	**14,258,516**	**10,171,212**	**24,429,728**

	Bank lending	Leasing activities	Total 31 December 2020
Segments assets	2,903,551,042	641,643,809	3,545,194,851
Segments liabilities	2,404,471,843	527,954,420	2,932,426,263

'000 KZT	Bank lending	Leasing activities	For the year ended 31 December 2019
Interest income calculated using the effective interest method	156,613,877	7,462,011	164,075,888
Other interest income	5,932,402	17,223,820	23,156,222
Interest expense	(122,164,392)	(14,484,173)	(136,648,565)
Impairment losses on debt financial assets	(19,818,901)	(873,258)	(20,692,159)
Net non-interest expense	(1,828,234)	(4,332,154)	(6,160,388)
General administrative expenses	(5,965,346)	(1,361,092)	(7,326,438)
Income tax expense	(3,041,270)	(118,067)	(3,159,337)
Financial results of segments	**9,728,136**	**3,517,087**	**13,245,223**

	Bank lending	Leasing activities	Total 31 December 2020
Segments assets	2,487,182,012	453,981,898	2,941,163,910
Segments liabilities	2,058,252,870	365,556,041	2,423,808,911

Reconciliations of reportable segment net interest income and profit or loss may be presented as follows:

‘000 KZT	2020	2019
Reportable segment revenue	54,012,299	50,583,545
Consolidation effect	(369,743)	(222,090)
Total revenue	**54,382,042**	**50,805,635**

‘000 KZT	2020	2019
Reportable segment profit	24,429,728	13,245,223
Consolidation effect	(2,059,886)	(2,286,747)
Total profit	**22,369,842**	**10,958,476**

Consolidation effect occurs due to the fact that management of the Group reviews internal reports on a stand-alone basis.

Reconciliations of reportable segment total assets and total liabilities may be presented as follows:

‘000 KZT	2020	2019
Total assets for reportable segments	3,545,194,851	2,941,163,910
Consolidation effect	(457,214,964)	(350,348,365)
Total assets	**3,087,979,887**	**2,590,815,545**

‘000 KZT	2020	2019
Total liabilities for reportable segments	2,932,426,263	2,423,808,911
Consolidation effect	(356,479,426)	(261,371,214)
Total liabilities	**2,575,946,837**	**2,162,437,697**

Information about major customers and geographical areas

For the year ended 31 December 2020, there are no revenues from large customers individually exceed 10% of total revenue (31 December 2019: none).

The Group’s assets are concentrated in the Republic of Kazakhstan and the Group derives income from operations mainly performed in the Republic of Kazakhstan.

38 Fair values of financial instruments

(a) Determining fair values

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 Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models 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.

The Group 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.

The following assumptions are used by management to estimate the fair values of financial instruments:

- Discount rates of 2.96% to 16.57% p.a. for USD and of 10.61% to 26.76% p.a. for KZT are used for discounting future cash flows on loans to customers (31 December 2019: 3.12% to 20.36% p.a. for USD and 10.06% to 30.09% p.a. for KZT).
- Discount rates of 2.09% p.a. for USD and 13.23% to 14.84% p.a. for KZT are used for discounting future cash flows on debt securities measured at amortised cost (31 December 2019: 3.67% p.a. for USD and 11.69% to 14.39% p.a. for KZT).
- Discount rate of 12.94% to 15.37% p.a. is used for discounting future cash flows on loans to banks (31 December 2019: 9.45% to 12.8% p.a.).
- Discount rates of 1.28% to 2.48% p.a. for USD and 10.80% to 11.83% p.a. for KZT are used for discounting future cash flows on debt securities issued (31 December 2019: 2.47% to 3.95% p.a. for USD and 10.49% to 10.77% p.a. for KZT).
- Discount rates of 11.76% to 13.23% p.a. are used for discounting future cash flows on subordinated debt (31 December 2019: 10.50% p.a. to 11.69% p.a.).
- Discount rates of 11.30% to 11.83% p.a. are used for discounting future cash flows on loans from the Parent Company (31 December 2019: 10.49% p.a. to 10.60% p.a.).
- Discount rates of 2.09% to 4.38% p.a. for foreign currency loans and 11.15% p.a. for KZT loans are used for discounting future cash flows on loans from banks and other financial institutions (31 December 2019: 2.44% to 5.58% p.a. foreign currency loans and 10.69% p.a. for KZT loans).
- Discount rates of 10.80% to 11.43% p.a. are used for discounting future cash flows on loans from SWF “Samruk-Kazyna” (31 December 2019: 10.56% to 10.77% p.a.).
- Discount rate of 11.25% p.a. is used to discount future cash flows on customers’ deposits (31 December 2019: 10.64% p.a.).

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within 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 data.

- 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 difference between the instruments.

The control framework implemented by the Group includes preparation of fair value measurements by the responsible front-office specialists and subsequent review by the Head of corresponding department. Specific controls implemented by the Group include:

- verification of observable pricing;
- a review and approval process for new models and changes to models involving the Head of the corresponding front-office;
- a review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous reporting period.

(i) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at 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 statement of financial position:

	Note	Level 1 '000 KZT	Level 2 '000 KZT	Level 3 '000 KZT	Total '000 KZT
Assets					
Debt securities	18	191,136,108	5,476,016	947,067	197,559,191
Loans to customers	16	-	-	79,061,993	79,061,993
Equity investments	20	-	-	14,841,000	14,841,000
Other assets	21	4,070	9,989	-	14,059
Derivative financial instruments	22	-	11,489,170	-	11,489,170
Embedded derivatives	17	-	-	2,617,752	2,617,752
		191,140,178	**16,975,175**	**97,467,812**	**305,583,165**

The table below analyses financial instruments measured at fair value as at 31 December 2019, 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 statement of financial position:

	Note	Level 1 '000 KZT	Level 2 '000 KZT	Level 3 '000 KZT	Total '000 KZT
Assets					
Debt securities	18	180,447,309	33,346,230	929,906	214,723,445
Loans to customers	16	-	-	68,893,053	68,893,053
Equity investments	20	-	-	19,506,343	19,506,343
Other assets	21	3,913	57,973	-	61,886
Derivative financial instruments	22	-	10,160,691	-	10,160,691
Embedded derivatives	17	-	-	6,651,931	6,651,931
		180,451,222	**43,564,894**	**95,981,233**	**319,997,349**

The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2020:

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
Equity investments	14,841,000	Discounted cash flow	Discount rate	15.71-18.00%	Increase in discount rate would result in lower fair value
Loans to customers measured at fair value through profit or loss	79,061,993	Discounted cash flow	Discount rate	USD 2.84%, KZT: 13.90%-14.81%	Increase in discount rate would result in lower fair value
Embedded derivative	2,617,752	Option model	Volatility of FX rate	RUB: 8.31%	An increase in volatility would result in a higher fair value.
Debt securities measured at fair value through profit or loss	947,067	Discounted cash flow	Discount rate	13.59%	Increase in discount rate would result in lower fair value

The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2019:

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
Equity investments	19,506,343	Discounted cash flow	Discount rate	15.60-17.94%	Increase in discount rate would result in lower fair value
Loans to customers measured at fair value through profit or loss	68,893,053	Discounted cash flow	Discount rate	USD 5.26%, KZT: 12.60%-15.92%	Increase in discount rate would result in lower fair value
Embedded derivative	6,651,931	Option model	Volatility of FX rate	USD 2.07%, RUB: 4.89%	An increase in volatility would result in a higher fair value.
Debt securities measured at fair value through profit or loss	929,906	Discounted cash flow	Discount rate	10.52%	Increase in discount rate would result in lower fair value

The financial assets at FVOCI with fair values determined using valuation techniques that use observable inputs were classified into Level 2. Observable inputs included transaction prices in markets that are active for similar, but not identical, instruments and transaction prices in markets that are not active for identical instruments. Although all the instruments are listed on KASE, management believes that the market for these identical instruments is not active.

The Group applies discounted cash flow methodology in respect of valuation of impaired financial assets, for which fair values cannot be determined based on observable market inputs.

For impaired debt securities cash flow projections were based on publicly available information on expected post-restructuring payoff schedule for each respective type of security. Assumptions on discount rates were made based on issuers' credit risk premiums implied by market quotes of the issues on which the trades were not suspended.

Certain assets measured at FVOCI that do not have observable market prices and cannot be valued based on observable market inputs were also valued applying discounted cash flow methodology. Cash flow projections for these securities were derived from contractual payment schedules. Assumptions regarding discount rates were made based on quoted prices in active markets of similar instruments of an issuer with adjacent credit rating adjusted to the difference in credit ratings.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at 31 December 2020:

	Loans to customers measured at fair value through profit or loss	**Debt securities measured at fair value through profit or loss '000 KZT**	**Equity investments '000 KZT**	**Embedded derivative '000 KZT**
Balance at 1 January	**68,893,053**	**929,906**	**19,506,343**	**6,651,931**
Total gains or losses:				
- net gain recognised in profit or loss	10,070,933	234,855	960,312	2,103,761
Other comprehensive income	-	-	(459,387)	-
Repayments	(11,540,129)	(217,694)	(5,166,268)	(2,062,612)
Acquisition	11,638,136	-	-	-
Settlement of receivables	-	-	-	(4,196,970)
Acquisition as part of finance lease receivable	-	-	-	121,642
Balance at 31 December	**79,061,993**	**947,067**	**14,841,000**	**2,617,752**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at 31 December 2019:

	Loans to customers measured at fair value through profit or loss	**Debt securities measured at fair value through profit or loss '000 KZT**	**Equity investments '000 KZT**	**Embedded derivative '000 KZT**
Balance at 1 January	38,256,025	862,486	9,152,911	3,834,190
Total gains or losses:				
- net gain recognised in profit or loss	2,823,385	81,491	-	3,223,329
Other comprehensive income	-	-	218,756	-
Repayments	(1,979,804)	(14,071)	-	(497,200)
Acquisition	29,793,447	-	10,134,676	-
Acquisition as part of finance lease receivable	-	-	-	91,612
Balance at 31 December	**68,893,053**	**929,906**	**19,506,343**	**6,651,931**

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects as at 31 December 2020:

'000 KZT	Effect on profit or loss		Effect on other comprehensive income	
	Favourable	**Unfavourable**	**Favourable**	**Unfavourable**
Debt securities	25,341	(24,467)	-	-
Equity investments	-	-	1,484,100	(1,484,100)
Loans to customers	2,002,322	(1,908,028)	-	-
Finance lease receivables				
- Embedded derivative	578,187	(420,457)	-	-
Total	**2,605,850**	**(2,352,952)**	**1,484,100**	**(1,484,100)**

For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects as at 31 December 2019:

'000 KZT	Effect on profit or loss		Effect on other comprehensive income	
	Favourable	**Unfavourable**	**Favourable**	**Unfavourable**
Debt securities	63,765	(58,332)	-	-
Equity investments	-	-	1,950,634	(1,950,634)
Loans to customers	2,246,277	(2,128,439)	-	-
Finance lease receivables				
- Embedded derivative	527,727	(461,798)	-	-
Total	**2,837,769**	**(2,648,569)**	**1,950,634**	**(1,950,634)**

The favourable and unfavourable effects of using reasonably possible alternative assumptions are calculated by recalibrating the model values:

- for embedded derivatives: using unobservable inputs based on averages of the upper and lower quartiles respectively of the Group's ranges of possible estimates. Key inputs and assumptions used in the models as at 31 December 2020 and 31 December 2019:
  - Changing the volatility of USD/RUB exchange rates by 50%;
  - Changing in spread between risk-free rates in KZT and USD/RUB by 0.5;
  - Changing the estimated discount rate by 100 basis points.
- for loans to customers measured at FVTPL: decrease and increase of the discount rate by 1%;
- for derivatives: increase of the estimated transaction terms by 3 months and decrease of the estimated transaction terms by 3 months;
- for equity investments: changes of expected cash flows by 10%;
- for debt securities: changes of the discount rate by 100 bp.

(ii) Financial instruments not measured at fair value

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2020:

'000 KZT	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
ASSETS					
Cash and cash equivalents	-	242,786,137	-	242,786,137	242,786,137
Placements with banks and other financial institutions	-	121,779,502	-	121,779,502	121,779,502
Loans to banks	-	98,944,557	2,212,775	101,157,332	124,810,690
Loans to customers	-	1,638,292,924	50,517,944	1,688,810,868	1,766,854,222
Finance lease receivables (except for embedded derivative)	-	248,516,216	8,513,219	257,029,435	323,922,109
Debt securities	-	5,452,199	871,369	6,323,568	11,698,488
Other financial assets	-	25,343,870	50,270	25,394,140	22,743,554
LIABILITIES					
Current accounts and deposits from customers	-	15,103,529	-	15,103,529	15,793,749
Loans from SWF "Samruk-Kazyna"	-	26,006,124	-	26,006,124	27,966,887
Loans from the Parent Company	-	205,553,456	-	205,553,456	227,596,965
Loans and deposits from banks and other financial institutions	-	639,528,510	-	639,528,510	640,007,969
Debt securities issued	829,038,190	472,537,152	-	1,301,575,342	1,241,012,715
Subordinated debt	-	55,717,217	-	55,717,217	111,163,010
Other financial liabilities	-	22,117,148	-	22,117,148	22,117,148

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2019:

'000 KZT	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Cash and cash equivalents	-	144,173,738	-	144,173,738	144,173,738
Placements with banks and other financial institutions	-	91,562,878	-	91,562,878	91,562,878
Loans to banks	-	97,586,422	6,772,758	104,359,180	110,945,839
Loans to customers	-	1,443,892,491	43,202,677	1,487,095,168	1,549,311,411
Finance lease receivables (except for embedded derivative)	-	168,238,249	-	168,238,249	183,688,409
Debt securities	-	5,323,806	805,254	6,129,060	10,742,613
Other financial assets	-	24,822,803	37,402	24,860,205	23,654,546
LIABILITIES					
Current accounts and deposits from customers	-	16,682,203	-	16,682,203	17,236,307
Loans from SWF "Samruk-Kazyna"	-	23,999,733	-	23,999,733	26,986,268
Loans from the Parent Company	-	162,136,947	-	162,136,947	175,228,967
Loans and deposits from banks and other financial institutions	-	516,249,123	17,701,280	533,950,403	540,295,369
Debt securities issued	807,369,516	289,529,549	-	1,096,899,065	1,051,544,268
Subordinated debt	-	59,706,723	-	59,706,723	104,534,649
Other financial liabilities	-	3,294,342	-	3,294,342	3,294,342

The following tables show the valuation techniques used in measuring Level 3 fair values as at 31 December 2020:

Financial instruments not measured at fair value

Type of instrument	Valuation technique	Significant unobservable inputs
Loans to banks	Discounted cash flows	Expected cash flows
Loans to customers	Discounted cash flows	Expected cash flows
Finance lease receivables (except for embedded derivatives)	Discounted cash flows	Expected cash flows
Debt securities	Discounted cash flows	Expected cash flows
Other financial assets	Discounted cash flows	Expected cash flows

The following tables show the valuation techniques used in measuring Level 3 fair values as at 31 December 2019:

Financial instruments not measured at fair value

Type of instrument	Valuation technique	Significant unobservable inputs
Loans to banks	Discounted cash flows	Expected cash flows
Loans to customers	Discounted cash flows	Expected cash flows
Debt securities	Discounted cash flows	Expected cash flows
Other financial assets	Discounted cash flows	Expected cash flows
Loans and deposits from banks and other financial institutions	Discounted cash flows	Liquidity premium

REGISTERED OFFICE OF DBK

JSC Development Bank of Kazakhstan
n-r. pr. 15, building 55A Mangilik El
Avenue, Yessil district, Z05T3E2
Nur-Sultan
Republic of Kazakhstan

JOINT BOOKRUNNERS

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

JSC Halyk Finance
109"V" Abay avenue
5th floor, Almaty A05A1B9
Republic of Kazakhstan

DEVELOPMENT FINANCE STRUCTURING AGENT

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

PRINCIPAL PAYING AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

U.S. PAYING AND TRANSFER AGENT AND U.S. REGISTRAR

Deutsche Bank Trust Company Americas
60 Wall Street
New York NY10005
U.S.A.

LUXEMBOURG REGISTRAR

Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-1115 Luxembourg

LEGAL ADVISERS

To DBK as to English and U.S. law:

Dechert LLP
160 Queen Victoria Street
London EC4V 4QQ
United Kingdom

To DBK as to Kazakhstan law:

Law Office of Victor Mokrousov Ltd.
55/22 Mangilik El Avenue
Nur-Sultan, Z05T3F5
Republic of Kazakhstan

To the Joint Bookrunners as to English and U.S. law:

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

To the Joint Bookrunners as to Kazakhstan law:

AGZ Zan Hub Ltd.
55/21 Mangilik El Ave.,
Block C 4.2., Office 250
Nur-Sultan 010000
Republic of Kazakhstan

To the Trustee as to English law:

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

AUDITORS TO DBK

KPMG Audit LLC
Kotem Business Centre
180 Dostyk Avenue
Almaty 050051
Republic of Kazakhstan