



Damu Entrepreneurship Development Fund JSC

**International Financial Reporting Standards
Financial Statements and
Independent Auditor's Report**

31 December 2021

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholder and the Board of Directors of Damu Entrepreneurship Development Fund JSC:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Damu Entrepreneurship Development Fund JSC (the "Fund") as at 31 December 2021, and the Fund's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of the Republic of Kazakhstan applicable to our audit of financial statements.



INDEPENDENT AUDITOR'S REPORT (Continued)

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Our audit approach

Overview

Materiality	Overall Fund materiality: Kazakhstani Tenge 1,887,000 thousands, which represents 0.5% of total assets as of 31 December 2021.
Key audit matters	Assessment of expected credit losses provision for due from financial institutions and financial guarantees made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Fund materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

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Overall Fund materiality	Kazakhstani Tenge 1,887,000 thousand
How we determined it	0.5% of total assets as of 31 December 2021
Rationale for the materiality benchmark applied	The Fund is a state-owned development institution. The strategic directions of the Fund are support and development of start-up and active entrepreneurs, and sustainable institutional development of the Fund. The profitability is not a primary objective of the Fund and its management. Thus, we concluded that, the most appropriate benchmark for determination of materiality is total assets. We chose 0.5% which is consistent with quantitative materiality thresholds used for the selected benchmark.

Key audit matters

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

Assessment of expected credit losses (ECL) provision for due from financial institutions and financial guarantees performed by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9).

We focused on this area due to the size of due from financial institutions balances and financial guarantees amount and because IFRS 9 is a new and complex financial reporting standard, which requires significant judgment to determine the ECL provision.

The Fund performed ECL assessment on an individual basis and on a portfolio basis. The credit risk parameters (e.g. probability of default, loss given default) applied during the process of ECL calculations were based on external ratings.

Key areas of judgment included:

- Allocation of loans and financial guarantees to stages in accordance with IFRS 9;
- Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default;
- Completeness and accuracy of data used to calculate the ECL;
- Accuracy and adequacy of the financial statement disclosures.

Refer to the Notes 4, 8, 26 and 28 of the accompanying financial statements that provide information on significant accounting policies, critical accounting estimates and judgements and risk assessment related to ECL provision and disclosures on due from financial institutions and financial guarantees.

In assessing ECL provision we have performed, among others, the following audit procedures:

- We assessed the methodologies and models for ECL provision assessment developed by the Fund in order to evaluate its compliance with IFRS 9 requirements. We focused our procedures on: default definition, factors for determining a "significant increase in credit risk", allocation of due from financial institutions and financial guarantees to stages, and estimation of key risk parameters.
- On a sample basis we performed an individual assessment of the ECL provision levels to determine if they were reasonable considering the risk profile, credit risk and the macroeconomic environment.
- On a sample basis we assessed reasonability of application of parent rating for those borrowers where no external ratings are present, as well as determining the credit rating based on the counterparty's financial performance in the absence of the external credit rating.
- To verify data quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data. We considered data such as the amount of debt at the reporting date, repayment schedules, external credit ratings, payment discipline, macroeconomic indicators.
- We checked that estimation of ECL reserve for due from financial institutions and financial guarantees is made in accordance with the methodologies and models and is in line with IFRS 9 requirements.



INDEPENDENT AUDITOR'S REPORT (Continued)

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Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



INDEPENDENT AUDITOR'S REPORT (Continued)

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



INDEPENDENT AUDITOR'S REPORT (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Aigul Akhmetova.

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Approved by:



Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the Ministry of
Finance of the Republic of Kazakhstan
№00000005 dated 21 October 1999)

Signed by:



Svetlana Belokurova
Auditor in charge
(Qualified Auditor's Certificate №0000357
dated 21 February 1998)

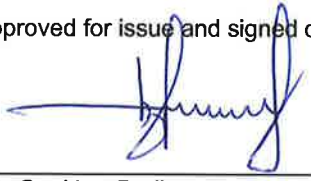
28 February 2022

Almaty, Kazakhstan


Damu Entrepreneurship Development Fund JSC
Statement of Financial Position

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	7	76,882,383	87,151,266
Due from financial institutions	8	239,303,960	229,441,142
Due from subsidy programs		77,899	162,139
Loans and advances to customers		252,248	556,967
Investments in debt securities	9	47,001,624	21,829,298
Premises and equipment	10	2,121,829	2,361,265
Intangible assets		267,623	234,391
Current income tax prepayment	23	3,357,383	7,430,331
Deferred tax asset	23	3,132,896	2,978,187
Non-current assets held for sale		153,173	250,217
Other assets	11	4,975,966	5,700,313
TOTAL ASSETS		377,526,984	358,095,516
LIABILITIES			
Borrowed funds	12	169,302,529	175,824,905
Debt securities in issue	13	1,244,178	209,139
Liabilities on subsidy programs	14	7,792,965	24,201,336
Deferred income and provision for credit related commitments	15	56,861,826	37,209,704
Other liabilities	16	976,702	977,970
TOTAL LIABILITIES		236,178,200	238,423,054
EQUITY			
Share capital	17	102,920,273	102,920,273
Additional paid-in-capital		10,735,627	10,735,627
Revaluation reserve for investment securities at fair value through other comprehensive income		26,956	47,581
Other reserves		316,430	316,430
Retained earnings		27,349,498	5,652,551
TOTAL EQUITY		141,348,784	119,672,462
TOTAL LIABILITIES AND EQUITY		377,526,984	358,095,516

Approved for issue and signed on behalf of the Management Board on 28 February 2022.


 Ms. Gaukhar Buribayeva
 Chairman of the Management Board




 Ms. Aigul Kusaiynova
 Chief Accountant

Damu Entrepreneurship Development Fund JSC
Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2021	2020
Interest income calculated using the effective interest method	18	25,416,244	25,811,844
Other interest income	18	119,025	171,625
Interest expense	18	(7,286,057)	(10,814,186)
Interest income, net		18,249,212	15,169,283
Recovery/(creation) of credit loss allowance for loans and advances to customers and amounts due from financial institutions	8	1,418,073	(1,190,264)
Net interest income after credit loss allowance for loans and advances to customers and amounts due from financial institutions		19,667,285	13,979,019
Net fee and commission income	19	17,479,186	5,704,966
Gains less losses on derecognition of financial assets measured at amortised cost	20	6,544,684	2,955,450
Gains less losses from securities at fair value through profit or loss		75,345	149,723
Gains less losses from trading in foreign currencies		(167)	1,822
Foreign exchange translation gains less losses		80,492	325,787
Net loss on initial recognition of financial instruments at rates below market	21	(10,856,707)	(82,300)
Impairment of debt securities		(12,412)	(10,544)
Impairment of other assets	11	(86,753)	(39,975)
Recovery/(Provision) for credit related commitments	27	3,377,843	(11,344,898)
Net other operating expense		128,790	(150,210)
Expenses for realisation of Fund's programs	22	(862,405)	(714,960)
General and administrative expenses	22	(4,955,574)	(4,585,800)
Profit before tax		30,579,607	6,188,080
Income tax expense	23	(5,548,645)	(1,425,201)
PROFIT FOR THE YEAR		25,030,962	4,762,879
Other comprehensive loss: <i>Items that may be reclassified subsequently to profit or loss:</i> Investment securities at fair value through other comprehensive income: Losses less gains arising during the year		(20,625)	(85,142)
Other comprehensive loss for the year		(20,625)	(85,142)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		25,010,337	4,677,737

Profit and total comprehensive income for both periods are fully attributable to the Fund's shareholder.

Damu Entrepreneurship Development Fund JSC
Statement of Changes in Equity

<i>In thousands of Kazakhstani Tenge</i>	Share capital	Additional paid-in capital	Revaluation reserve for investment securities at fair value through other comprehensive income	Other reserves	Retained earnings/ (Accumulated deficit)	Total
Balance at 1 January 2020	72,920,273	10,735,627	132,723	316,430	2,030,915	86,135,968
Profit for the year	-	-	-	-	4,762,879	4,762,879
Other comprehensive loss	-	-	(85,142)	-	-	(85,142)
Total comprehensive income for the year	-	-	(85,142)	-	4,762,879	4,677,737
Share issue	30,000,000	-	-	-	-	30,000,000
Dividends declared	-	-	-	-	(1,141,243)	(1,141,243)
Balance at 31 December 2020	102,920,273	10,735,627	47,581	316,430	5,652,551	119,672,462
Profit for the year	-	-	-	-	25,030,962	25,030,962
Other comprehensive loss	-	-	(20,625)	-	-	(20,625)
Total comprehensive income for the year	-	-	(20,625)	-	25,030,962	25,010,337
Share issue	-	-	-	-	-	-
Dividends declared	-	-	-	-	(3,334,015)	(3,334,015)
Balance at 31 December 2021	102,920,273	10,735,627	26,956	316,430	27,349,498	141,348,784

Damu Entrepreneurship Development Fund JSC
Statement of Cash Flows

<i>In thousands of Kazakhstani Tenge</i>	Note	2021	2020
Cash flows from operating activities			
Interest received		16,888,252	18,861,348
Interest paid		(1,410,972)	(5,617,241)
Fees and commissions received		40,834,291	22,053,571
Fees and commissions paid		(90,516)	(77,731)
Other operating income received		126,269	53,910
Staff costs paid		(2,433,556)	(2,470,280)
Administrative and other operating expenses paid		(2,812,941)	(2,586,275)
Cash flows from operating activities before changes in operating assets and liabilities		51,100,827	30,217,302
<i>Net increase/(decrease) in:</i>			
- due from financial institutions		(8,393,327)	44,654,286
- loans and advances to customers		32,148	(36,015)
- other financial assets		(2,268,440)	(837,982)
- other assets		41,753	-
<i>Net increase(decrease) in:</i>			
- other financial liabilities (liabilities on subsidy programs)		(14,062,078)	19,190,310
- other liabilities		13,605	(4,232)
Net cash from operating activities		26,464,488	93,183,669
Cash flows from investing activities			
Acquisition of investment securities		(94,711,385)	(24,281,738)
Proceeds from disposal and redemption of investment securities		72,589,544	11,626,909
Acquisition premises and equipment		(71,365)	(202,596)
Acquisition of intangible assets		(96,438)	(95,910)
Proceeds from disposal of premises and equipment		489,672	509,744
Net cash used in investing activities		(21,799,972)	(12,443,591)
Cash flows used in financing activities			
Proceeds from borrowed funds		1,130,000	4,825,113
Repayment of borrowed funds		(13,491,612)	(68,501,059)
Proceeds from debt securities in issue		1,000,000	200,131
Repayment of long-term lease		(166,052)	(171,448)
Share issue		-	30,000,000
Dividends paid		(3,334,015)	(1,141,243)
Net cash used in financing activities		(14,861,679)	(34,788,506)
Effect of exchange rate changes on cash and cash equivalents		(449)	427,904
Effect of changes in the allowance for impairment on cash and cash equivalents		(71,271)	-
Net increase/(decrease) in cash and cash equivalents		(10,268,883)	46,379,476
Cash and cash equivalents at the beginning of the year		87,151,266	40,771,790
Cash and cash equivalents at the end of the year	7	76,882,383	87,151,266

The notes set out on pages 5 to 74 form an integral part of these financial statements

1 Introduction

Damu Entrepreneurship Development Fund JSC (the "Fund") was established in pursuance of Decree of the Government of the Republic of Kazakhstan No. 665 dated 26 April 1997. The Fund is incorporated and domiciled in the Republic of Kazakhstan as a joint stock company and provides financial services as a development institution to support development of small and medium size enterprises.

As at 31 December 2021 and 2020, the Fund is under 100% ownership of the "Baiterek" National Managing Holding JSC (the "Parent" or "Sole Shareholder"). The Fund is ultimately controlled by the Government of the Republic of Kazakhstan. Information on transactions with related parties is disclosed in Note 30.

Principal activity

The main activity of the Fund is financing within the framework of lending programs through second-tier banks, microfinance organizations and leasing companies, subsidizing interest rates, guaranteeing, consulting support, distribution of information and analytical materials. The Fund uses its own and borrowed funds to finance small and medium-sized businesses in Kazakhstan.

The Fund has 17 regional branches. The head office is located in Almaty, Kazakhstan. The Fund had 361 employees at 31 December 2021 (2020: 358 employees).

Registered address and place of business

The Fund's registered address is: 111 Gogol Street, Almaty, Kazakhstan.

Presentation currency

These financial statements are presented in Kazakhstani Tenge, unless otherwise stated.

2 Operating Environment of the Fund

Republic of Kazakhstan

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas prices and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. Ongoing political tension in the region and volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free-floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of these financial statements the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 467.09 per US Dollar 1 compared to Tenge 424.22 per US Dollar 1 as at 31 December 2020. Therefore, uncertainty remains in relation to the exchange rate of Tenge and future actions of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

In September 2021, the international rating agency S&P Global Ratings confirmed the sovereign rating of Kazakhstan at BBB-. The outlook for the change in the credit rating is "stable". The stable forecast is confirmed by the presence of positive balance sheet indicators generated by additional revenues to the National Fund of the Republic of Kazakhstan, low public debt, the total volume of which will not exceed the external liquid assets of the state within two years, as well as measures implemented by the Government of the Republic of Kazakhstan aimed at curbing negative manifestations pandemics on the economy.

2 Operating Environment of the Fund (continued)

Additionally, financial sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Fund's control.

For the purpose of measurement of expected credit losses ("ECL") the Fund uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

In December 2019, news from China for the first time emerged about the outbreak of a new virus. On 11 March 2020, the World Health Organization declared the outbreak of a new type of coronavirus COVID-19 a pandemic. In response to the pandemic, Kazakh authorities have taken a range of measures to contain the spread and mitigate the impact of COVID-19, such as travel bans and restrictions, quarantines, self-isolation, and restrictions on commercial activities, including business closures. Some of the above measures were subsequently relaxed. The Fund's activities were not suspended for the quarantine period, the work of office employees was organized remotely.

The COVID-19 epidemic is spreading globally, having a sharp negative effect on the entire global economy. At the date of issuance of these financial statements, the situation is still developing, to date there has not been any significant effect on the financial result of the Fund, however, the future effect is difficult to predict. Management will continue to monitor the potential impact of the above events and will take all necessary steps to prevent adverse business impacts.

In the opinion of the Fund's management, this virus outbreak event does not have a material impact on the valuation of assets and liabilities in the financial statements as at 31 December 2021.

Management is unable to predict the extent or duration of changes in the Kazakhstani economy or evaluate their possible impact on the financial position of the Fund in the future. Management believes that it is taking all necessary actions to maintain the sustainability and growth of the Fund in current circumstances.

3 Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below.

Financial instruments – key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

3 Summary of Significant Accounting Policies (continued)

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Fund: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period (Note 28).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Fund commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

3 Summary of Significant Accounting Policies (continued)

Financial assets – classification and subsequent measurement – measurement categories

The Fund classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Fund's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Fund manages the assets in order to generate cash flows – whether the Fund's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Fund undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Fund in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Fund in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Fund assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Fund in performing the SPPI test for its financial assets.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL

The Fund assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Fund measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

3 Summary of Significant Accounting Policies (continued)

The Fund applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Fund identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 26 for a description of how the Fund determines when a SICR has occurred. If the Fund determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Fund's definition of credit impaired assets and definition of default is explained in Note 26. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 26 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Fund incorporates forward-looking information in the ECL models.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Fund exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Fund may write-off financial assets that are still subject to enforcement activity when the Fund seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition

The Fund derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Fund has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial assets – modification

The Fund sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Fund assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Fund derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Fund also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Fund compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Fund recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

3 Summary of Significant Accounting Policies (continued)

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Fund and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. 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% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows.

Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Fund, including amounts charged or credited to current accounts of the Fund's counterparties held with the Fund, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Due from other banks

Amounts due from other banks are recorded when the Fund advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Investments in debt securities

Based on the business model and the cash flow characteristics, the Fund classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Fund may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

3 Summary of Significant Accounting Policies (continued)

Loans and advances to customers

Loans and advances to customers are recorded when the Fund advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Fund classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 26 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Fund incorporates forward-looking information in the ECL models.

Loan commitments

The Fund issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Fund will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Fund cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Financial guarantees

Financial guarantees require the Fund to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Fund has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These fees are recognised within fee and commission income in profit or loss.

Sale and repurchase agreements and lending of securities

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are reclassified as repurchase receivables in the statement of financial position if the transferee has the right by contract or custom to sell or repledge the securities. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

3 Summary of Significant Accounting Policies (continued)

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Fund, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Based on classification of securities sold under the sale and repurchase agreements, the Fund classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, and FVTPL.

Investment property

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Fund estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Fund, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation

Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Buildings	up to 100 years
Computers, equipment and fixtures and fittings	up to 10 years
Vehicles	up to 7 years
Other	up to 10 years

The residual value of an asset is the estimated amount that the Fund would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3 Summary of Significant Accounting Policies (continued)

Intangible assets

The Fund's intangible assets have definite useful life and primarily comprise capitalised computer software or off-the-shelf-software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Fund are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight-line basis over expected useful lives up to 5 years.

Accounting for leases by the Fund as a lessee

The Fund leases land, office premises, equipment and cars. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Fund. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis (Note 5).

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments under long-term leases of land based on cadastral value of land are treated as variable lease payments that are not based on an index or a rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

As an exception to the above, the Fund accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight-line basis.

3 Summary of Significant Accounting Policies (continued)

In determining the lease term, management of the Fund considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accounting for operating leases by the Fund as a lessor

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

The Fund routinely sells assets held for rental under operating leases when the leases are terminated. Such assets are transferred to inventories at their carrying amounts when they cease to be rented. The proceeds from sale are recognised as revenue with the corresponding cost of goods sold.

Finance lease receivables

Where the Fund is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within [other operating income] in profit or loss for the year.

Credit loss allowance is recognised in accordance with the general ECL model. The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Non-current assets classified as held for sale (or disposal groups)

Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Fund's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised.

3 Summary of Significant Accounting Policies (continued)

Borrowed funds

Borrowings are recorded when money or other assets are advanced to the Fund by counterparties. The non-derivative liability is carried at amortised cost. If the Fund purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

When receiving borrowings from a shareholder, the Fund determines the fair value of the borrowings and recognises the difference between the fair value and the cash received. This difference is recognized in the income statement or in the Fund's equity, depending on the purpose of the funds received. Note 4 provides estimates and professional judgment in determining this classification.

Debt securities in issue

Debt securities in issue include promissory notes, bonds, certificates of deposit and debentures issued by the Fund. Debt securities are stated at AC. If the Fund purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Subsidy programs

Subsidies represent the financing by Government of Kazakhstan or representative body for the purposes of various government programs. Fund acts as an agent in connection with subsidy programs. Financing received from the Government are recognised as liabilities on subsidy programs upon receiving of funding. These funds are lent or placed with local commercial banks as a payment for governmentally subsidized projects. When Fund transfers its own financing to with local commercial banks before receiving of government financing, the payment is recorded as due from subsidy programs.

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Fund does not apply hedge accounting.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Income taxes

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Fund.

3 Summary of Significant Accounting Policies (continued)

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions

The Fund's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at AC.

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Fund are the basis for profit distribution and other appropriations. Kazakhstani legislation identifies the basis of distribution as the current year net profit.

Interest income and expense recognition

Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'other similar income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Fund to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Fund will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Fund does not designate loan commitments as financial liabilities at FVTPL.

3 Summary of Significant Accounting Policies (continued)

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fee and commission income

Fee and commission income are recognised over time on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Fund's performance. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income are recognised at a point in time when the Fund satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received, or receivable represents the transaction price for the services identified as distinct performance obligations.

Foreign currency translation

The functional currency of the Fund is the currency of the primary economic environment in which the entity operates. The Fund's functional and presentation currency is the national currency of the Republic of Kazakhstan, Tenge.

Transactions denominated in foreign currency are recorded at the exchange rate prevailing at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of profit and loss and other comprehensive income using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currencies are translated into Tenge using official exchange rate of the NBRK at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are recorded at the official exchange rate of the NBRK at the transaction date. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Resulting foreign exchange gains and losses are reported on a net basis in the statement of profit and loss and other comprehensive income.

At 31 December 2021, the official rate of exchange used for translating foreign currency balances was the US Dollar (USD) 1 per 431.80 Tenge (31 December 2020: US Dollar 1 per Tenge 420.91). On 20 August 2015, the Government of the Kazakhstan jointly with the National Bank of Republic of Kazakhstan cancelled the currency corridor and switched to a free-floating exchange rate of Tenge.

Staff costs and related contributions

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Fund. The Fund incurs no pension expenses. In accordance with the law in Kazakhstan, the Fund withholds pension contributions from salaries of the employees and transfers them to the state pension fund. When the employees retire, they receive payments from the pension fund.

Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Fund's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 26 for analysis of financial instruments by expected maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 26.

3 Summary of Significant Accounting Policies (continued)

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021			31 December 2020		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
	Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
ASSETS						
Income tax prepayment	3,021,645	335,738	3,357,383	2,972,132	4,458,199	7,430,331
Deferred income tax asset	639,698	2,493,198	3,132,896	583,314	2,394,873	2,978,187
Intangible assets	125,022	142,601	267,623	143,311	91,080	234,391
Premises and equipment	245,446	1,876,383	2,121,829	422,463	1,938,802	2,361,265
Other assets	4,868,514	-	4,868,514	5,007,902	-	5,007,902
Non-current assets held for sale	153,173	-	153,173	250,217	-	250,217
LIABILITIES						
Other liabilities	519,013	-	519,013	443,841	-	443,841

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Fund makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Business continuity. Management has prepared these financial statements on a going concern basis. In making this judgment, management has taken into account the Fund's financial position, current intentions, profitability of operations and access to financial resources.

ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 26. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Fund regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

In 2021 and 2020, the Fund did not conduct an analysis of macroeconomic variables on loans issued by financial institutions. This is since macroeconomic variables have not an impact on the probability of default of financial institutions; therefore, macroeconomic factors were considered at the level of 100% (which indicates the absence of influence). For loans and advances, the Fund did not analyse the impact of macroeconomic variables due to the insignificance of the portfolio relative to the assets of the Fund.

In 2021 the Fund recognised decrease of expected credit losses in amount Tenge 1,418,073 thousand due to deterioration in the credit quality of financial assets (2020: decrease of Tenge 1,190,264 thousand) on loan portfolio (Note 7 and 8).

Sensitivity analysis for due from financial institutions

A 10% increase or decrease in PD estimates would result in an increase or decrease in total expected credit loss allowances of Tenge 759,016 thousand at 31 December 2021 (31 December 2020: increase or decrease of Tenge 1,229,144 thousand).

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Significant increase in credit risk ("SICR")

In order to determine whether there has been a significant increase in credit risk, the Fund compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Fund considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Fund identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level (Note 26).

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by Tenge 17,082,621 thousand as of 31 December 2021 (31 December 2020: higher by Tenge 10,475,306 thousand).

Business model assessment

The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Fund considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Fund assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Funds control, is not recurring and could not have been anticipated by the Fund, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Assessment whether cash flows are solely payments of principal and interest ("SPPI")

Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

The Fund identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual per amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Fund considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply (such as bail in legislation in certain countries), are not relevant for assessing whether cash flows are SPPI.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Modification of financial assets

When financial assets are contractually modified (e.g. renegotiated), the Fund assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Fund applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

The Fund had claims on loans provided by "TsesnaBank" JSC in the amount of Tenge 52,996,774, thousand, which were issued from government funds and from funds received from ADB. In December 2018, claims for loans issued from ADB funds in the amount of Tenge 32,591,479 thousand were restructured in accordance with the terms of the Framework Agreement date 19 September 2018 concluded between the Government of the Republic of Kazakhstan, "Samruk-Kazyna" NWF, JSC "NMH Baiterek", JSC "Holding "Kazagro", and JSC "Tsesna Corporation". As part of this restructuring, the requirements for loans issued by "TsesnaBank" JSC were replaced with investment securities issued by TsesnaBank JSC with maturity 15 years and the coupon rate of 4%. The Fund acquired these bonds in December 2018.

The second framework agreement was signed on 18 January 2019 and these investment securities were restructured with lower interest rate 0.1%. The contractual terms of remaining loans issued from the government funds in amount Tenge 20,499,974 thousand was modified and interest rate reduced to 0.1% with maturity 15 years from the date of modification. After the second modification, the Fund lost claims for all loans, which led to increase of loss given default (LGD) from 55% to 70%. The Fund's management considered this restructuring as an adjusting event of 2018.

The Fund evaluated the modification of loans in bonds as significant, which required derecognition of the old financial instrument and the recognition of the new instrument. First of all, the Fund identified the amount of expected credit losses of previous financial instrument by applying LGD and PD equal to 70% and 100% respectively. Then, the Fund identified fair value of investment securities which equal to Tenge 3,935,983 thousand. In determining fair value, the Fund used the discounted cash flow model and defined market rate equal to 15.45% based on market data by taking into account credit risk. Based on modification of loans issued from source of ADB, the Fund recognised expected credit losses in amount Tenge 18,040,172 thousand in the statement of profit or losses and other comprehensive income, expected credit losses in amount Tenge 4,920,047 thousand and losses from recognition of investment securities in amount 5,904,111 thousand in the statement of changes in equity un 2018 (Notes 8 and 9).

Write-off policy

Financial assets are written-off, in whole or in part, when the Fund exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement. 4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Initial recognition of financial instruments issued at rates below market and related party transactions

In the normal course of business, the Fund enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 30.

In 2014-2015, the Fund received borrowed funds from "NMH Baiterek" JSC in amount Tenge 200 billion at a rate 0.15% for a twenty-year term. Management applied its judgment in determining market rate, using yield to maturity of government bonds further extrapolated for twenty years using linear regression. The Fund's management determined the following effective rates for these funds: the first tranche for 100 billion tenge - 6.58%, the second tranche for 50 billion tenge - 6.57%, the third tranche for 50 billion tenge - 6.71%. The Fund recognized this transaction as a government grant under IAS 20 and recognized income on initial recognition of borrowings at below market rates in the statement of profit or loss.

In 2014-2015, the borrowings received in the amount of Tenge 200 billion were fully placed in commercial banks at 2% per annum with a maturity of 20 years. In assessing the fair value of loans issued to banks, the management of the Fund used the specific credit risks of each bank, based on the Credit Default Spread for each credit rating. The Credit

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Default Spread was adjusted for the annual base rate derived from the yield curve for 10-year government bonds extrapolated for 20 years.

In December 2021, the Fund placed funds in the amount of KZT 16,654,334 thousand previously received from Baiterek NMH JSC in two commercial banks at 2% per annum with maturities in 2034-2035.

In assessing the fair value of loans to banks, the management of the Fund used the specific credit risks of each bank, based on US Treasury securities for each credit rating. Treasury risk-free rates have been adjusted for risk premium, sovereign risk premium, foreign exchange risk, and credit risk premium and / or credit spread. Interest rates depending on the credit risk of a commercial bank ranged from 12.28% to 13.27% (Note 8 and 21).

The use of effective interest rates led to the recognition of income and expenses from initial recognition of financial instruments at below-market rates.

In 2019, the Fund received borrowed funds from "NMH Baiterek" JSC in amount Tenge 16 billion at a rate 0.1% for fifteen years term. The Fund received this loan with the target to paid off earlier issued securities. Management calculated the market rate on the level of 10.65%, including the exchange risk, maturity of the loan and credit risk for the Fund. For the date of initial recognition, the Fund decided that the fair value is equal to Tenge 3,623,627 thousand. Management of the Fund analysed all requirements of IAS 20 and SIC 10 and concluded absence of connection with operational activities. Consequently, the difference between the fair value of the loan and received cash represents the contribution of equity from only one shareholder, but not from government subsidy. Respectively, the Fund recognised the discount with deferred tax in the equity Tenge 9,901,100 thousand, like an operation with shareholders. Application of this judgement management decided that in terms of financing, there is absence of compensation condition, which earlier was incurred loss, or conditions for continuous activity of manufacturing region.

Fair value of guarantees issued

As part of the support programs for small and medium-sized businesses, the Fund provides guarantees to small and medium-sized businesses, covering up to 85% of the loan amount. As at 31 December 2021, the amount of guarantees issued was Tenge 280,534,620 thousand (31 December 2020: Tenge 151,794,522 thousand). To calculate expected credit losses on financial guarantees, the Fund determines the probability of default using migration matrices based on the number of days past due. When compiling migration matrices, the Fund takes into account the industries in which borrowers who have received the Fund's guarantees operate and correlates default risks in these industries with macroeconomic indicators. The Fund uses the following macroeconomic indicators in this analysis:

- Brent oil price;
- USD/KZT exchange rate;
- Inflation rate;
- Unemployment rate;
- GDP growth.

During 2020, during monitoring, the Fund found a large number of restructurings related to the financial difficulties of borrowers caused by the COVID-19 pandemic, which led to an increase in expected credit losses as of 31 December 2020. During 2021, the number of restructurings decreased due to the recovery of small and medium-sized businesses after quarantine. The Fund reduces expected credit losses only if there has been an adequate recovery period, during which there have been no delinquencies or repeated restructurings. As at 31 December 2021, expected credit losses on guarantees issued to small and medium-sized businesses amounted to Tenge 25,316,033 thousand (31 December 2020: Tenge 24,443,118 thousand). Information on deferred income and provision for credit related commitments is presented in Note 15. Information on contingent liabilities, including an analysis of the credit quality of credit related commitments, is presented in Note 27.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2021, but did not have any material impact on the Fund:

COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.

The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. On 31 March 2021, due to the ongoing pandemic, the IASB published additional amendments to include assignment dates from 30 June 2021 to 30 June 2022 (effective for annual periods beginning on or after 1 April 2021).

The application of the amendments had no impact on the right-of-use asset.

Base Interest Rate Reform (IBOR) – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Stage 2 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The Stage 2 amendments are aimed at addressing issues arising from the results of the implementation of reforms, including those related to the replacement of one base interest rate with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of the benchmark interest rate reform (the "IBOR reform"): For instruments that are measured at amortized cost, as amended, as a simplification. As a practical matter, entities should account for the change in the basis for determining contractual cash flows as a result of the IBOR reform by changing the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. Therefore, a gain or loss is not recognized immediately. This practical expedient applies only to such a change, and to the extent that it is necessary as a direct consequence of the IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 must also apply the same practical expedient. IFRS 16 has also been amended to require lessees to use a similar practical expedient to account for lease modifications that change the basis for determining future lease payments as a result of the IBOR reform.
- The end date for the Amended Stage 1 exemption for non-contractual risk components in hedging relationships: The Stage 2 amendments require entities to end applying the Stage 1 exemptions for non-contractual risk components at the earlier of two dates: as of the date the change is made to the risk component not specified in the contract, or as of the date the hedging relationship is terminated. The Stage 1 amendments do not specify an end date for risk components.
- Additional disclosures under IFRS 7 relating to the IBOR reform: The amendments establish disclosure requirements for: (i) how an entity manages the transition to alternative base rates; its progress and the risks arising from this transition; (ii) quantitative information on derivatives and non-derivative financial instruments that are to be transitioned, broken down by significant benchmark interest rates; and (iii) a description of any changes to the risk management strategy as a result of the IBOR reform.

The amendments require changes in the basis for determining contractual cash flows to be reflected through an adjustment to the effective interest rate. Profit or loss is not recognized immediately. A similar practical expedient is used for lease liabilities. Such a revision of the effective interest rate is applicable only if the change is necessary as a direct result of a base interest rate reform and the new basis is economically equivalent to the previous basis. If part or all of the change in the basis for determining the contractual cash flows of a financial asset and a liability does not meet the criteria noted above, that practical expedient is first applied to the changes required by the base interest rate reform, including the update to the effective interest rate of the instrument. Any additional changes result in the modification or derecognition of profit or loss. If the lease modification is in addition to the modifications required by the IBOR reform, the standard requirements of IFRS 16 apply to the entire lease modification, including the changes required by the IBOR reform.

Impact of the IBOR reform.

The reform and replacement of various interbank offered rates (IBOR) has become a priority for regulators. Publication of most IBOR rates will cease by 31 December 2021. Publication of certain US dollar LIBOR rates will cease by 30 June 2023. The Fund does not have contracts with non-derivative financial assets and liabilities and derivatives as at 31 December 2021 that are to be converted to alternative interest base rates.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Fund has not early adopted.

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).

IFRS 17 replaces IFRS 4, which allowed entities to apply existing accounting practices for insurance contracts, making it difficult for investors to compare and contrast the financial results of otherwise similar insurance companies. IFRS 17 is a single, principles-based standard for accounting for all types of insurance contracts, including reinsurance contracts, held by an insurer. Under this Standard, groups of insurance contracts must be recognized and measured at: (i) the risk-adjusted present value of future cash flows (completion cash flows), which takes into account all available information about fulfilment cash flows consistent with observable market information, to which is added (if the value is a liability) or from which it is subtracted (if the value is an asset) (ii) the amount of retained earnings on a group of contracts (contract service margin). Insurers will report profit on a group of insurance contracts over the period they provide coverage and as they release risk. If a group of contracts is or becomes unprofitable, the entity will recognize the loss immediately.

Amendments to IFRS 17 and Amendments to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

The amendments include a number of clarifications aimed at facilitating the implementation of IFRS 17 and simplifying certain requirements of the standard and transition. These amendments cover eight areas of IFRS 17 and do not change the underlying principles of the standard. The following amendments have been made to IFRS 17:

- **Effective date:** The effective date of IFRS 17 (as amended) has been deferred by two years. The standard should apply to annual reporting periods beginning on or after 1 January 2023. The temporary exemption from IFRS 9 established in IFRS 4 has also been extended to annual periods beginning on or after 1 January 2023.
- **Expected reimbursement of insurance acquisition cash flows:** Entities must allocate a portion of their acquisition costs to eligible contracts that are expected to be renewed and recognize such costs as assets until the entity recognizes a contract renewal. Entities should assess the likelihood of recovering an asset at each reporting date and present information about the specific asset in the notes to the financial statements.
- **Contractual service margin that relates to investment services:** coverage units should be allocated taking into account the amount of benefits and the expected period of both insurance coverage and investment services under contracts with variable payments and other contracts with investment income services in accordance with general model. Costs associated with investing activities should be included as cash flows within the boundary of an insurance contract when the entity undertakes such activities to enhance the benefits of coverage for the insured.
- **Purchased reinsurance contracts – recovery of losses:** When an entity recognizes a loss on initial recognition for an onerous group of underlying insurance contracts or for adding onerous underlying insurance contracts to the group, the entity should adjust the contractual service margin for that group of reinsurance contracts acquired and recognize a gain on those reinsurance contracts. The amount of a loss recovered under a reinsurance contract is determined by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts that the entity expects to recover under the reinsurance contract acquired. This requirement will apply only if the acquired reinsurance contract is recognized before or simultaneously with the recognition of a loss on the underlying insurance contracts.
- **Miscellaneous amendments** Miscellaneous amendments include exemptions from scope for certain credit card (or similar) agreements and for certain loan agreements; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios rather than in groups; the applicability of the risk mitigation option to mitigate financial risks through acquired reinsurance contracts and non-derivative financial instruments at fair value through profit or loss; the choice of accounting policy for changing accounting estimates reported in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts attributable to a specific policyholder, under the terms of an insurance contract, in cash flows from the implementation of contracts; selective exemption during the transition period and other minor amendments.

6 New accounting pronouncements (continued)

Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after to be determined by the IASB, or after that date).

The amendments address the inconsistency between the requirements of IFRS 10 and IAS 28 relating to the sale or contribution of assets to an associate or joint venture by an investor. The main effect of the amendments is that a gain or loss is recognized in full when the transaction involves a business. If the assets do not represent a business, even if the assets are owned by a subsidiary, only a portion of the profit or loss is recognised.

Classification of liabilities into current and non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).

These limited scope amendments clarify that liabilities are classified into current and non-current, depending on the rights that exist at the end of the reporting period. Liabilities are long-term if, at the end of the reporting period, the entity has a substantial right to defer settlement of their settlement for at least 12 months. The guidance of the standard no longer contains the requirement that such a right must be unconditional. An entity's management's expectations of whether it will subsequently exercise its right to defer repayment does not affect the classification of liabilities. The right to defer repayment exists only if the entity is in compliance with all applicable covenants at the end of the period. A liability is classified as current if the condition is breached on or before the balance sheet date, even if at the end of the reporting period the creditor is released from the obligation to comply with the condition. A loan is classified as non-current if the covenant of the loan agreement is only breached after the balance sheet date. In addition, the amendments clarify the classification requirements for debt that an entity can repay by converting it into equity. "Repayment" is defined as the termination of a liability through settlement in the form of cash, other resources embodying economic benefits, or the entity's own equity instruments. There is an exception for convertible instruments that can be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Classification of Liabilities as Current and Non-current – Delaying Effective Date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).

The amendments to IAS 1 regarding the classification of liabilities as current and non-current were issued in January 2020 with an initial effective date of 1 January 2022. However, due to the COVID-19 pandemic, the effective date has been pushed back by one year to give companies more time to implement the classification changes as a result of the amendments to the guidelines.

"Income earned before the intended use begins", "Onerous contracts – Costs to fulfill a contract", "Reference to the Conceptual Framework" – limited scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRS for 2018-2020. – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022 dates).

The amendment to IFRS 16 prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds received from the sale of items produced at the time the entity is preparing the asset for its intended use. The proceeds from the sale of such items, together with the costs of producing them, are now recognized in profit or loss. The entity will apply IAS 2 to measure the value of such items. The cost will not include depreciation of such a tested asset as it is not yet ready for its intended use. The amendment to IFRS 16 also clarifies that an entity "verifies the proper functioning of an asset" when it evaluates the technical and physical performance of that asset. The financial performance of this asset is irrelevant to this assessment. Thus, an asset may be operating in accordance with management's intentions and subject to depreciation before it reaches the level of operating efficiency expected by management.

The amendment to IAS 37 clarifies the concept of "costs to fulfill a contract". The amendment explains that the direct costs of fulfilling a contract include the incremental costs of fulfilling that contract; and allocation of other costs directly attributable to the execution of contracts. The amendment also clarifies that, before creating a separate allowance for an onerous contract, an entity recognizes an impairment loss incurred on assets used to fulfill the contract rather than assets allocated to fulfill the contract.

IFRS 3 has been amended to include a reference to the 2018 Framework for Financial Statements to help determine what constitutes an asset or liability in a business combination. Prior to this amendment, IFRS 3 included a reference to the 2001 Conceptual Framework for Financial Reporting. In addition, IFRS 3 added a new exemption for liabilities and contingent liabilities. This exception provides that, for certain types of liabilities and contingent liabilities, an entity applying IFRS 3 must refer to IAS 37 or IFRIC 21 rather than the 2018 Conceptual Framework for Financial Reporting. Without this new exemption, an entity would have to recognize some liabilities in a business combination that it would not recognize in accordance with IAS 37. Therefore, immediately after the acquisition, an entity would have to derecognise those assets and recognize income that does not reflect economic benefit. It was also clarified that the acquirer is not required to recognize contingent assets, defined in accordance with IAS 37, at the acquisition date.

6 New accounting pronouncements (continued)

The amendment to IFRS 9 addresses the question of which payments should be included in the 10% test to derecognise financial liabilities. Costs or payments may be made to third parties or the lender. Under this amendment, costs or payments to third parties will not be included in the 10% Test.

Illustrative example 13 to IFRS 16 has been amended to remove the example of lessor payments relating to leasehold improvements. This amendment is made to avoid any potential misunderstanding regarding the accounting treatment for lease incentives.

IFRS 1 allows an exemption to apply if the subsidiary applies IFRS from a later date than the parent. A subsidiary may measure its assets and liabilities at the carrying amount at which they would have been included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs, had no adjustments been made for the purposes of consolidation and to reflect the results of a business combination, under which the parent entity acquired the specified subsidiary. IFRS 1 has been amended to allow entities that have applied the exemption in IFRS 1 to also measure cumulative foreign exchange differences using the amounts recognized by the parent based on the parent's date of transition to IFRS. This amendment to IFRS 1 extends the above exemption to accumulated foreign exchange differences to reduce the cost to entities adopting IFRS for the first time. The amendment will also apply to associates and joint ventures that take advantage of the same exemption in IFRS 1.

Removed the requirement for entities to exclude cash flows for tax purposes when measuring fair value in accordance with IAS 41. This amendment is to comply with the standard's requirement to discount post-tax cash flows.

Amendment to IAS 8 Determination of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

The amendment to IAS 8 clarifies how to distinguish changes in accounting policies from changes in accounting estimates.

Deferred taxes relating to assets and liabilities arising from a single transaction – Amendment to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

The amendment to IAS 12 clarifies how to report deferred taxes on transactions such as leases and decommissioning obligations. In certain circumstances, entities are exempted from the obligation to recognize deferred tax when they recognize assets or liabilities for the first time. Previously, there was some uncertainty as to whether this exemption applied to lease transactions and decommissioning obligations, while both types of transactions recognized an asset and a liability. The amendment clarifies that the exemption does not apply and entities are required to recognize deferred tax on such transactions. The amendment requires entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal temporary differences that increase and decrease the taxable base.

Amendment to IFRS 16 on accounting for lease concessions related to COVID-19 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

In May 2020, an amendment to IFRS 16 was issued to provide an optional practical expedient for lessees who need to determine whether to treat as a lease modification a lease concession granted due to the COVID-19 pandemic as a result of reduced lease payments, payable on or before 30 June 2021. The amendment, issued on 31 March 2021, extends the period of application of the practical expedient from 30 June 2021 to 30 June 2022.

Unless otherwise noted above, these new standards and interpretations are not expected to have a significant impact on the Fund's financial statements.

Unless otherwise noted above, these new standards and interpretations are not expected to have a significant impact on the Fund's financial statements.

7 Cash and Cash Equivalents

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	64,140,419	49,404,567
Current accounts with banks	10,452,112	22,604,007
Cash balances with the NBRK (other than mandatory reserve deposits)	2,361,621	15,143,190
Less: Expected credit losses	(71,769)	(498)
Total cash and cash equivalents	76,882,383	87,151,266

The Fund holds funds received to support development of Small and Medium Entrepreneurship through subsidization on current accounts with banks (Note 14).

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings as follows at 31 December 2021:

<i>In thousands of Kazakhstani Tenge</i>	Current accounts with banks	Cash balances with the NBRK	Reverse repo	Total
<i>Neither past due nor impaired</i>				
- National Bank of the Republic of Kazakhstan	-	2,361,621	8,018,822	10,380,443
- BBB- to BBB+ rated	7,738,237	-	56,121,597	63,859,834
- BB- to BB+ rated	1,297,575	-	-	1,297,575
- B- to B+ rated	1,392,596	-	-	1,392,596
- Unrated	23,704	-	-	23,704
Total cash and cash equivalents, excluding cash on hand	10,452,112	2,361,621	64,140,419	76,954,152

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings as follows at 31 December 2020:

<i>In thousands of Kazakhstani Tenge</i>	Current accounts with banks	Cash balances with the NBRK	Reverse repo	Total
<i>Neither past due nor impaired</i>				
- National Bank of the Republic of Kazakhstan	-	15,143,190	6,132,441	21,275,631
- BBB- to BBB+ rated	384,558	-	43,272,126	43,656,684
- BB- to BB+ rated	17,939,300	-	-	17,939,300
- B- to B+ rated	4,277,655	-	-	4,277,655
- Unrated	2,494	-	-	2,494
Total cash and cash equivalents, excluding cash on hand	22,604,007	15,143,190	49,404,567	87,151,764

The credit quality of reverse repo based on ratings of securities, which provided as collateral.

The credit ratings are based on Standard & Poor's ratings, where available, or Moody's rating converted to the nearest equivalent on the Standard & Poor's rating scale.

7 Cash and Cash Equivalents (continued)

<i>In thousands of Kazakhstani Tenge</i>	Current accounts with banks	Cash balances with the NBRK	Placements with other banks with original maturities of less than three months	Total
Excepted credit loss allowance as at 1 January 2021	(498)	-	-	(498)
Credit loss allowance charge during the year	(71,271)	-	-	(71,271)
Excepted credit losses for cash and cash equivalents as at 31 December 2021	(71,769)	-	-	(71,769)

The following is an analysis of the change in the allowance for impairment of cash and cash equivalents during 2020:

<i>In thousands of Kazakhstani Tenge</i>	Current accounts with banks	Cash balances with the NBRK	Placements with other banks with original maturities of less than three months	Total
Excepted credit loss allowance as at 1 January 2020	(9,981)	-	-	(9,981)
Recovery / (charge) during the year	8,764	-	-	8,764
Transfer of provision due to reclassification of assets with 100%	719	-	-	719
Excepted credit losses for cash and cash equivalents as at 31 December 2020	(498)	-	-	(498)

Refer to Note 28 for disclosure of the fair value of cash and cash equivalents. Interest rate analysis of cash and cash equivalents is disclosed in Note 26. Information on related party balances is disclosed in Note 30.

Investing and financing transactions that did not require the use of cash and cash equivalents, and were excluded from the statement of cash flows are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Non-cash investing activities		
Acquisition of debt securities at FVOCI in exchange for loans issued	-	790,065
Non-cash investing activities	-	790,065

8 Due from Financial Institutions

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Loans given to financial institutions	228,752,674	218,644,971
Loans given in the framework of the Islamic financing programs	16,125,258	12,477,188
Placements with other banks with original maturities of more than three months	5,133,863	10,610,427
Less: Credit loss allowance	(10,707,835)	(12,291,444)
Total due from financial institutions	239,303,960	229,441,142

The increase in the balances of loans issued to financial institutions is mainly due to new placements in second-tier banks, leasing companies and microfinance organizations as part of the Fund's programs to support small and medium-sized businesses.

In December 2021, the Fund placed funds in the amount of 16,654,334 thousand tenge previously received from Baiterek NMH JSC in two commercial banks at 2% per annum with maturities in 2034 – 2035. The Fund measured the fair value of these loans and recognized a loss on initial recognition of financial instruments at below market rates (Notes 4 and 21).

On 31 March 2020, a General Agreement on the sale of goods by instalments was concluded between the Fund and Islamic Bank Al-Hilal JSC, in the amount of 7,499,999 thousand tenge with a profit rate of 9.5%. According to the terms of the contract for the sale of goods, the second party bought the goods from the Fund in instalments. Given the specifics of Islamic finance, this transaction is accounted for in the financial statements in accordance with the IFRS concept, where the essence prevails over the form. The fund did a business test and a "SPPI test" to show that these assets are considered for holding purposes.

On 24 June 2020, the General Agreement on the sale of goods by instalments between the Fund and Kazakhstan Ijara Company JSC was concluded in the amount of 3,000,000 thousand tenge with a profit rate of 10.5%. According to the instalment sale agreement dated July 8, 2020, the first tranche in the amount of Tenge 1,000,000 thousand has a profit rate of 10.5%, as previously stated in the Master Agreement dated 24 June 2020. According to the additional agreement dated 12 November 2020, it was decided to reduce the rate on the second tranche, the amount of the second tranche amounted to 2,500,000 thousand tenge, with a changed profit rate of 9.5%.

On 2 October 2020, another General Agreement on the sale of goods by instalments was concluded between the Fund and Islamic Bank Al-Hilal JSC, in the amount of 2,500,000 thousand tenge with a profit rate of 8.5%.

During 2021, three contracts for the sale of goods by instalments were concluded between the Fund and Kazakhstan Ijara Company JSC for a total amount of 3,700,000 thousand tenge with a profit rate of 9.5%.

8 Due from Financial Institutions (continued)

Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2021 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Loans given to financial institutions	Loans given in the framework of the Islamic financing programs	Placements with other banks with original maturities of more than three months	Total
<i>Neither past due nor impaired</i>				
- BBB- to BBB+ rated	45,191,327	-	2,420,000	47,611,327
- BB- to BB+ rated	84,287,872	-	2,713,863	87,001,735
- B- to B+ rated	83,299,975	-	-	83,299,975
<i>Internal valuation of the Fund</i>				
- Good	10,359,933	10,538,958	-	20,898,891
- Satisfactory	5,374,459	5,586,300	-	10,960,759
Total neither past due nor impaired	228,513,566	16,125,258	5,133,863	249,772,687
<i>Balances individually determined to be impaired</i>				
<i>Not overdue but impaired</i>				
- Unrated				
<i>Overdue</i>				
- above 360 days overdue	239,108	-	-	239,108
Total individually impaired (gross)	239,108	-	-	239,108
Less: Credit loss allowance	(10,411,621)	(286,980)	(9,234)	(10,707,835)
Total due from financial institutions	218,341,053	15,838,278	5,124,629	239,303,960

Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2020 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Loans given to financial institutions	Loans given in the framework of the Islamic financing programs	Placements with other banks with original maturities of more than three months	Total
<i>Neither past due nor impaired</i>				
- BBB- to BBB+ rated	-	-	7,556,450	7,556,450
- BB- to BB+ rated	122,331,114	-	3,053,977	125,385,091
- B- to B+ rated	82,319,623	-	-	82,319,623
<i>Internal valuation of the Fund</i>				
- Good	10,682,350	10,215,313	-	20,897,663
- Satisfactory	3,063,615	2,261,875	-	5,325,490
Total neither past due nor impaired	218,396,702	12,477,188	10,610,427	241,484,317
<i>Balances individually determined to be impaired</i>				
<i>Not overdue but impaired</i>				
- Unrated	173,250			173,250
<i>Overdue</i>				
- 30 to 360 days overdue	33,790	-	-	33,790
- above 360 days overdue	41,229	-	-	41,229
Total individually impaired (gross)	248,269	-	-	248,269
Less: Credit loss allowance	(12,068,704)	(203,375)	(19,365)	(12,291,444)
Total due from financial institutions	206,576,267	12,273,813	10,591,062	229,441,142

8 Due from Financial Institutions (continued)

The credit ratings are based on Standard and Poor's ratings where available or Moody's rating converted to the nearest equivalent on the Standard and Poor's rating scale.

The following table explains the changes in the credit loss allowance and gross carrying amount of placements with other banks between the beginning and the end of 2021 due to these factors:

<i>In thousands of Kazakhstani Tenge</i>	Credit loss allowance		Gross carrying amount	
	Stage 1 (12-months ECL)	Total	Stage 1 (12 months ECL)	Total
Placements with other banks				
As at 1 January 2021	(19,365)	(19,365)	10,610,428	10,610,428
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New originated or purchased	(9,201)	(9,201)	119,368,904	119,368,904
Derecognised during the period	19,429	19,429	(125,328,643)	(125,328,643)
Total movements with impact on credit loss allowance charge for the period	(9,137)	(9,137)	4,650,689	4,650,689
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Foreign exchange translation and other movements	(97)	(97)	483,175	483,175
As at 31 December 2021	(9,234)	(9,234)	5,133,864	5,133,864

8 Due from Financial Institutions (continued)

The following table explains the changes in the credit loss allowance and gross carrying amount of placements with other banks between the beginning and the end of 2020 due to these factors:

<i>In thousands of Kazakhstani Tenge</i>	Credit loss allowance		Gross carrying amount	
	Stage 1 (12-months ECL)	Total	Stage 1 (12 months ECL)	Total
Placements with other banks				
As at 1 January 2020	(41,619)	(41,619)	11,877,984	11,877,984
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New originated or purchased	(19,454)	(19,454)	167,834,984	167,834,984
Derecognised during the period	41,590	41,590	(169,036,157)	(169,036,157)
Total movements with impact on credit loss allowance charge for the period	(19,483)	(19,483)	10,676,811	10,676,811
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Foreign exchange translation and other movements	118	118	(66,384)	(66,384)
As at 31 December 2020	(19,365)	(19,365)	10,610,427	10,610,427

The following table explains the changes in the credit loss allowance and gross carrying amount of loans given to financial institutions between the beginning and the end of 2021 due to these factors:

<i>In thousands of Kazakhstani Tenge</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit-impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit-impaired)	Total
Placements with other banks								
At 1 January 2021	(2,843,477)	(8,986,970)	(238,257)	(12,068,704)	181,546,964	36,849,738	248,269	218,644,971
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	465,145	(465,145)	-	-	(5,083,155)	5,083,155	-	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	1,635,318	(1,635,318)	-	-	(9,394,244)	9,394,244	-
New originated and purchased	(1,457,105)	-	-	(1,457,105)	48,218,846	-	-	48,218,846
Derecognised during the period	51,340	1,391,047	1,488,984	2,931,371	(29,679,040)	(5,094,748)	(5,880,447)	(40,654,235)
Changes to ECL measurement model assumptions	787,313	(109,612)	-	677,701	-	-	-	-
Amortization of discount	(262,667)	(148,159)	-	(410,826)	2,247,839	452,885	-	2,700,724
Unwinding of discounting	(89,598)	6,390	(850)	(84,058)	(142,624)	(5,847)	(9,161)	(157,632)
At 31 December 2021	(3,349,049)	(6,677,131)	(385,441)	(10,411,621)	197,108,830	27,890,939	3,752,905	228,752,674

8 Due from Financial Institutions (continued)

The following table explains the changes in the credit loss allowance and gross carrying amount of loans given to financial institutions between the beginning and the end of 2020 due to these factors:

<i>In thousands of Kazakhstani Tenge</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit- impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit- impaired)	Total
Placements with other banks								
At 1 January 2020	(4,336,146)	(6,141,805)	(1,083,479)	(11,561,430)	250,972,548	19,471,406	3,898,413	274,342,367
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,310,111	(2,991,335)	-	(1,681,224)	(23,353,102)	19,513,526	-	(3,839,576)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	2,981	-	(197,029)	(194,048)	(220,418)	-	197,030	(23,388)
New originated and purchased	(362,049)	-	-	(362,049)	44,322,395	-	-	44,322,395
Derecognised during the period	808,176	28,342	1,042,251	1,878,769	(93,018,135)	(2,733,660)	(3,847,174)	(99,598,969)
Changes to ECL measurement model assumptions	(258,555)	114,294	-	(144,261)	2,758,366	580,513	-	3,338,879
Unwinding of discounting	(7,995)	3,534	-	(4,461)	85,310	17,953	-	103,263
At 31 December 2020	(2,843,477)	(8,986,970)	(238,257)	(12,068,704)	181,546,964	36,849,738	248,269	218,644,971

The table below explains the changes in the allowance for loan losses and the gross carrying amount of loans issued under Islamic finance programs that occurred between the beginning and the end of 2021.

<i>In thousands of Kazakhstani Tenge</i>	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
Loans given in the framework of Islamic financing programs				
At 1 January 2021	(203,375)	(203,375)	12,477,188	12,477,188
<i>Changes affecting on the allowance for credit losses for the period:</i>				
	(98,644)	(98,644)	3,963,702	3,963,702
New originated or purchased	15,039	15,039	(315,632)	(315,632)
At 31 December 2021	(286,980)	(286,980)	16,125,258	16,125,258

8 Due from Financial Institutions (continued)

Movements in provision for impairment of due from financial institutions are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021				2020	
	Loans given to financial institutions	Loans given in the framework of Islamic financing	Placements with other banks	Loans given to financial institutions	Loans given in the framework of Islamic financing	Placements with other banks
Credit loss allowance at 1 January	(12,068,704)	(203,375)	(19,365)	(11,561,430)	-	(41,619)
Provision/ (recovery of) for impairment during the year	1,657,083	(83,605)	10,228	(507,274)	(203,375)	22,136
Foreign exchange translation	-	-	(97)	-	-	118
Credit loss allowance at 31 December	(10,411,621)	(286,980)	(9,234)	(12,068,704)	(203,375)	(19,365)

Refer to Note 28 for the estimated fair value of each class of amounts due from financial institutions. Interest rate analysis of due from financial institutions is disclosed in Note 26. Information on related party balances is disclosed in Note 30.

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2021 is as follows.

<i>In thousands of Kazakhstani Tenge</i>	Over-collateralised Assets		Under-collateralised assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Credit impaired assets:				
<i>Due from financial institutions</i>				
Loans given to financial institutions	3,513,797	8,424,448	239,108	31,791

The effect of collateral on credit impaired assets at 31 December 2020 is as follows.

<i>In thousands of Kazakhstani Tenge</i>	Over-collateralised Assets		Under-collateralised assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Credit impaired assets:				
<i>Due from financial institutions</i>				
Loans given to financial institutions	10,012	432,259	238,257	-

8 Due from Financial Institutions (continued)

The following table contains an analysis of due from financial institutions balances by credit quality for which impairment loss was recognised. The carrying amount of due from financial institutions balances at 31 December 2021 below also represents the Fund's maximum exposure to credit risk on these assets:

	Due from other financial institutions			
	31 December 2021			
	ECL grouping			
	Stage 1	Stage 2	Stage 3	
<i>In thousands of Kazakhstani Tenge</i>	12 months ECL	Lifetime ECL	Lifetime ECL	Total
- BBB- to BBB+ rated	47,611,327	-	-	47,611,327
- BB- to BB+ rated	87,001,735	-	-	87,001,735
- B- to B+ rated	51,895,240	27,890,939	3,513,797	83,299,976
Internal assessment of the Fund:				
- Good level	20,898,891	-	-	20,898,891
- Satisfactory level	10,960,758	-	-	10,960,758
- Default	-	-	239,108	239,108
Gross carrying amount	218,367,951	27,890,939	3,752,905	250,011,795
Credit loss allowance	(3,645,263)	(6,677,131)	(385,441)	(10,707,835)
Carrying value	214,722,688	21,213,808	3,367,464	239,303,960

The following table contains an analysis of due from financial institutions balances by credit quality for which impairment loss was recognised. The carrying amount of due from financial institutions balances at 31 December 2020 below also represents the Fund's maximum exposure to credit risk on these assets:

	Due from other financial institutions			
	31 December 2020			
	ECL grouping			
	Stage 1	Stage 2	Stage 3	
	12 months			
<i>In thousands of Kazakhstani Tenge</i>	ECL	Lifetime ECL	Lifetime ECL	Total
- BBB- to BBB+ rated	7,556,450	-	-	7,556,450
- BB- to BB+ rated	125,385,092	-	-	125,385,092
- B- to B+ rated	45,469,885	36,849,738	-	82,319,623
Internal assessment of the Fund:				
- Good level	20,897,663	-	-	20,897,663
- Satisfactory level	5,325,489	-	-	5,325,489
- Default	-	-	248,269	248,269
Gross carrying amount	204,634,579	36,849,738	248,269	241,732,586
Credit loss allowance	(3,066,218)	(8,986,969)	(238,257)	(12,291,444)
Carrying value	201,568,361	27,862,769	10,012	229,441,142

9 Investments in Debt Securities

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Debt securities at fair value through other comprehensive income (FVOCI)	40,536,848	13,853,865
Debt securities at amortised cost	5,529,965	5,255,723
Debt securities designated as at fair value through profit or loss (FVTPL) at initial recognition	934,811	2,719,710
Total investments in debt securities	47,001,624	21,829,298

The table below discloses investments in debt securities at 31 December 2021 by measurement categories and classes:

<i>In thousands of Kazakhstani Tenge</i>	Debt securities designated as at FVTPL at initial recognition	Debt securities at FVOCI	Debt securities at AC	Total
NBRK notes	-	27,542,151	-	27,542,151
Kazakhstan government bonds	934,811	6,087,499	-	7,022,310
Corporate bonds	-	4,980,711	4,712,972	9,693,683
Bonds of international financial organizations	-	1,943,378	-	1,943,378
Other corporate bonds	-	-	829,645	829,645
Total investments in debt securities at 31 December 2021 (fair value or gross carrying value)	934,811	40,553,739	5,542,617	47,031,167
Credit loss allowance	-	(16,891)	(12,652)	(29,543)
Total investments in debt securities at 31 December 2021 (carrying value)	934,811	40,536,848	5,529,965	47,001,624

The table below discloses investments in debt securities at 31 December 2020 by measurement categories and classes:

<i>In thousands of Kazakhstani Tenge</i>	Debt securities designated as at FVTPL at initial recognition	Debt securities at FVOCI	Debt securities at AC	Total
NBRK notes	-	13,308,512	-	13,308,512
Kazakhstan government bonds	1,405,461	-	-	1,405,461
Corporate bonds	1,314,249	552,153	4,437,602	6,304,004
Other corporate bonds	-	-	828,452	828,452
Total investments in debt securities at 31 December 2020 (fair value or gross carrying value)	2,719,710	13,860,665	5,266,054	21,846,429
Credit loss allowance	-	(6,800)	(10,331)	(17,131)
Total investments in debt securities at 31 December 2020 (carrying value)	2,719,710	13,853,865	5,255,723	21,829,298

9 Investment in Debt Securities (continued)

(a) Investments in debt securities at FVTPL

Debt securities at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Fund's maximum exposure to credit risk. The table below contains an analysis of the credit risk exposure of debt securities measured at FVTPL at 31 December 2021:

<i>In thousands of Kazakhstani Tenge</i>	Kazakhstan government bonds	Corporate bonds	Total
Neither past due nor impaired			
- BBB- to BBB+ rated	934,811	-	934,811
- BB- to BB+ rated	-	-	-
Total gross carrying value of assets at FVTPL	934,811	-	934,811

Debt securities at fair value through profit or loss are recognized at fair value, which also reflects the associated credit risk write-offs and provides the most accurate indication of the Fund's maximum credit exposure. The table below contains an analysis of the credit risk exposure of debt securities measured at FVTPL at 31 December 2020:

<i>In thousands of Kazakhstani Tenge</i>	Kazakhstan government bonds	Corporate bonds	Total
Neither past due nor impaired			
- BBB- to BBB+ rated	1,405,461	-	1,405,461
- B- to B+ rated	-	1,314,249	1,314,249
Total gross carrying value of assets at FVTPL	1,405,461	1,314,249	2,719,710

The debt securities at FVTPL are not collateralised.

(b) Investments in debt securities at FVOCI

<i>In thousands of Kazakhstani Tenge</i>	Stage 1 (12 months ECL)	Total
NBRK notes	27,564,440	27,564,440
Kazakhstan government bonds	9,524,841	9,524,841
Bonds of international financial organizations	1,950,276	1,950,276
Corporate bonds	-	-
- BB- to BB+ rated	1,108,830	1,108,830
- B- to B+ rated	527,525	527,525
Total AC gross carrying amount on 31 December 2021	40,675,912	40,675,912
Less: credit loss allowance	(16,891)	(16,891)
Less: fair value adjustment from AC to FV	(122,173)	(122,173)
Carrying value (fair value) on 31 December 2021	40,536,848	40,536,848

9 Investment in Debt Securities (continued)

<i>In thousands of Kazakhstani Tenge</i>	Stage 1 (12 months ECL)	Total
NBRK notes	13,308,512	13,308,512
Corporate bonds		
- B- to B+ rated	651,046	651,046
Total AC gross carrying amount on 31 December 2020	13,959,558	13,959,558
Less: credit loss allowance	(6,800)	(6,800)
Less: fair value adjustment from AC to FV	(98,893)	(98,893)
Carrying value (fair value) on 31 December 2020	13,853,865	13,853,865

The debt securities at FVOCI are not collateralised. During 2021, there were no factors for SICR and default indicators and reserves were calculated equal to 12-month ECL.

(c) Investments in debt securities at AC

The table below contains an analysis of the credit risk exposure of debt securities measured at AC at 31 December 2021 based on credit risk grades. Refer to Note 26 for the description of credit risk grading system used by the Fund and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at AC.

The carrying amount of debt securities at AC at 31 December 2021 below also represents the Fund's maximum exposure to credit risk on these assets.

<i>In thousands of Kazakhstani Tenge</i>	Corporate bonds	POCI	Total
- B- to B+ rated	4,712,972	829,645	5,542,617
Gross carrying amount	4,712,972	829,645	5,542,617
Credit loss allowance	-	(12,652)	(12,652)
Carrying amount	4,712,972	816,993	5,529,965

The table below contains an analysis of the credit risk exposure of debt securities measured at AC at 31 December 2020 based on credit risk grades.

<i>In thousands of Kazakhstani Tenge</i>	Corporate bonds	Other bonds	Total
- B- to B+ rated	4,437,602	828,452	5,266,054
Gross carrying amount	4,437,602	828,452	5,266,054
Credit loss allowance	-	(10,331)	(10,331)
Carrying amount	4,437,602	818,121	5,255,723

On 13 and 14 December 2018, the Fund purchased the bonds of "TsesnaBank" JSC in exchange for loans that the Fund issued earlier to "Tsesnabank" JSC. The nominal value of these bonds is Tenge 32,800,312 thousand, excluding accrued interest. The Fund estimated the fair value of the bonds by the method of discounted payments at a rate of 15.45% which amounted to Tenge 3,935,983 thousand. The absence of credit loss allowances is due to the fact that these bonds were purchased at the end of the year and the recoverable amount is equal to the carrying amount.

The Fund's management intends to hold these bonds in order to receive contractual cash flows. These bonds passed the SPPI test at initial recognition and are carried at amortized cost. The debt securities at AC are not collateralised.

10 Premises and Equipment

<i>In thousands of Kazakhstani Tenge</i>	Note	Land and buildings	Office and computer equipment	Vehicles	Right-of-use assets Buildings	Total
Cost at 1 January 2020		2,161,906	1,610,837	204,184	438,720	4,415,647
Accumulated depreciation		(335,158)	(1,321,401)	(166,380)	(143,751)	(1,966,690)
Carrying amount at 1 January 2020		1,826,748	289,436	37,804	294,969	2,448,957
Additions		148,104	54,492	-	84,834	287,430
Disposals		-	(16,304)	(18,491)	(134,551)	(169,346)
Depreciation charge	22	(38,472)	(114,006)	(16,620)	(153,486)	(322,584)
Accumulated depreciation disposal		-	16,304	18,491	82,013	116,808
Carrying amount at 31 December 2020		1,936,380	229,922	21,184	173,779	2,361,265
Cost at 31 December 2020		2,310,009	1,649,025	185,693	389,003	4,533,730
Accumulated depreciation		(373,629)	(1,419,103)	(164,509)	(215,224)	(2,172,465)
Carrying amount at 31 December 2020		1,936,380	229,922	21,184	173,779	2,361,265
Additions		25,882	53,043	-	7,913	86,838
Disposals		-	(110,895)	(21,998)	(396,916)	(529,809)
Depreciation charge	22	(45,640)	(79,747)	(15,914)	(160,088)	(301,389)
Accumulated depreciation disposal		-	107,614	21,998	375,312	504,924
Carrying amount at 31 December 2021		1,916,622	199,937	5,270	-	2,121,829
Cost at 31 December 2021		2,335,891	1,591,173	163,695	-	4,090,759
Accumulated depreciation		(419,269)	(1,391,236)	(158,425)	-	(1,968,930)
Carrying amount at 31 December 2021		1,916,622	199,937	5,270	-	2,121,829

11 Other Assets

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Accounts receivable at AC	184,258	753,756
Less: Credit loss allowance	(76,807)	(61,345)
Total other financial assets within other assets	107,451	692,411
Reposessed collateral	4,393,698	4,404,245
Taxes other than on income	297,618	449,468
Services prepaid	119,564	110,141
Raw materials and supplies	35,777	40,651
Construction in progress	16,588	-
Other	8,794	7,145
Less: Provision for impairment	(3,524)	(3,748)
Total other assets	4,975,966	5,700,313

Reposessed collateral represents real estate assets acquired by the Fund in settlement of overdue loans. The Fund expects to dispose of the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale and are classified as inventories in accordance with IAS 2 "Inventories". The assets were initially recognised at fair value when acquired.

Analysis by credit quality of other financial assets at 31 December 2021 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Accounts receivable	Total
<i>Neither past due nor impaired</i>		
- BBB- to BBB+ rated	875	875
- BB- to BB+ rated	1,402	1,402
- B- to B+ rated	10,424	10,424
- unrated	82,458	82,458
Total neither past due nor impaired	95,159	95,159
<i>Individually determined to be impaired (gross)</i>		
- unrated		
- 30 to 360 days overdue	76,381	76,381
- over 360 days overdue	12,719	12,719
Total individually impaired (gross)	89,100	89,100
Less: Credit loss allowance	(76,807)	(76,807)
Total other financial assets	107,452	107,452

11 Other assets (Continued)

Analysis by credit quality of other financial assets at 31 December 2020 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Accounts receivable	Total
<i>Neither past due nor impaired</i>		
- BB- to BB+ rated	1,230	1,230
- B- to B+ rated	2,658	2,658
- unrated	688,523	688,523
Total neither past due nor impaired	692,411	692,411
<i>Individually determined to be impaired (gross)</i>		
- unrated	53,371	53,371
- 30 to 360 days overdue	62	62
- over 360 days overdue	7,912	7,912
Total individually impaired (gross)	61,345	61,345
Less: Credit loss allowance	(61,345)	(61,345)
Total other financial assets	692,411	692,411

Movements in the provision for impairment during 2021 and 2020 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021			2020		
	Other financial assets	Other assets	Total	Other financial assets	Other assets	Total
Provision balance at 1 January	(61,345)	(3,748)	(65,093)	(124,528)	(6,565)	(131,093)
Provision for/(recovery of) impairment during the year	(15,707)	224	(15,483)	(51,556)	2,817	(48,739)
Amounts written off during the year as uncollectible	245	-	245	135,507	-	135,507
Exchange difference	-	-	-	(20,049)	-	(20,049)
Transfer of provision due to reclassification of fully provisioned receivables	-	-	-	(719)	-	(719)
Provision balance at 31 December	(76,807)	(3,524)	(80,331)	(61,345)	(3,748)	(65,093)

Refer to Note 28 for disclosure of the fair value of other financial assets. Information on related party balances is disclosed in Note 30.

12 Borrowed Funds

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Baiterek NMH JSC (6.57% - 10.65%)	96,380,615	90,549,594
Municipal authorities (0.01% - 1%)	53,144,684	65,507,184
Samruk-Kazyna NWF JSC (2% - 5.5%)	19,416,325	19,416,325
Ministry of Finance of Republic of Kazakhstan (0%)	360,905	351,802
Total borrowed funds	169,302,529	175,824,905

12 Borrowed Funds (continued)

In 2014-2015, the Fund received funds from Baiterek NMH JSC in the amount of 200 billion tenge at 0.15% per annum with a maturity of 20 years. In estimating the fair value of borrowings, the Fund's management used an annual reference rate derived from the yield curve for 10-year government bonds extrapolated over 20 years. The Fund's management determined the following effective rates for these funds: the first tranche for 100 billion tenge - 6.58%, the second tranche for 50 billion tenge - 6.57%, the third tranche for 50 billion tenge - 6.71%. The Fund recognized this transaction as a government grant under IAS 20 and recognized income on initial recognition of borrowings at below market rates in the statement of profit or loss. The funds were received for further placement in Kazakhstani commercial banks approved by the state to participate in the state program to support the development of small and medium-sized businesses engaged in the manufacturing industry. All funds received were placed with commercial banks (Note 4).

In 2019, the Fund received borrowed funds from "NMH Baiterek" JSC in amount Tenge 16 billion at a rate 0.1% for a fifteen years term. The Fund received this loan with the target to paid off earlier issued securities. Management calculated the market rate on the level of 10.65%, including the exchange risk, maturity of the loan and credit risk for the Fund. For the date of initial recognition, the Fund decided that the fair value is equal to Tenge 3,623,627 thousand. Management of the Fund analysed all requirements of IAS 20 and SIC 10 and concluded absence of connection with operational activities. Consequently, the difference between the fair value of the loan and received cash represents the contribution of equity from only one shareholder, but not from government subsidy. Respectively, the Fund recognised the discount with deferred tax in the equity Tenge 9,901,100 thousand, like an operation with shareholders. Application of this judgement management decided that in terms of financing, there is absence of compensation condition, which earlier was incurred loss, or conditions for continuous activity of manufacturing region. During 2021, the Fund did not receive any new loans from the Parent Company.

For borrowings from NWF Samruk-Kazyna JSC, the Ministry of Finance of the Republic of Kazakhstan and municipal authorities, the Fund accepts contractual interest rates as market rates due to the fact that these organizations do not provide financing to other organizations on a commercial basis and therefore there are no such loans on the market.

Refer to Note 28 for disclosure of the fair value of each class of borrowed funds. Interest rate analysis of borrowed funds is disclosed in Note 26. Information on related party balances is disclosed in Note 30.

13 Debt Securities in Issue

In 2021, the Fund raised funds in the amount of 1 billion tenge with a coupon rate of 11.9% per annum, a maturity of 5 years, by issuing social bonds. These funds were placed with Bank RBK JSC on 8 November 2021 for the purpose of financing the Fund's programs to support small and medium-sized businesses.

In 2020, the Fund raised funds in the amount of 200 million tenge, coupon rate 11.75%, maturity 3 years, by issuing green bonds. These funds were placed with SB Sberbank JSC on 31 March 2021 for the purpose of financing the Fund's programs to support small and medium-sized businesses.

Information on the fair value measurement of each category of debt securities in issue is disclosed in Note 28. An analysis of the interest rates of debt securities in issue is disclosed in Note 26. Information on transactions with related parties of debt securities in issue is disclosed in Note 30.

14 Liabilities on Subsidy Programs

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Banks	5,557,895	18,528,165
Municipal authorities	2,235,070	5,673,171
Total liabilities on subsidy programs	7,792,965	24,201,336

Obligations under subsidy programs are placed by the RSI "Committee for Construction and Housing and Communal Services of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan", State Institution "Ministry of National Economy of the Republic of Kazakhstan", the UNDP-GEF Project Management Committee and municipal authorities. Such funds are further transferred to subsidize in terms of the remuneration rate for STB entrepreneurs within the framework of the State Business Support and Development Program "Business Road Map - 2025", the State Program for Housing and Communal Development "Nurly Zher" for 2020-2025. The functions of the Fund as a financial operator under the Nurly Zher State Program for Housing and Communal Development for 2020-2025 were terminated from July 1, 2021 in accordance with the Government Decree No. 679 dated 28 December 2020. Refer to Note 28 for disclosure of the fair value liabilities on subsidy programs. Information on related party balances is disclosed in Note 30.

15 Deferred Income and Provision for Credit Related Commitments

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2021	31 December 2020
Deferred income on financial guarantees		31,305,328	12,624,528
Financial guarantees (provision for credit related commitments)	27	25,556,498	24,585,176
Total deferred income and provision for credit related commitments		56,861,826	37,209,704

Financial guarantees are guarantees issued by the Fund as part of the implementation of the State program for business support and development "Business Roadmap-2025", in accordance with the Decree of the Government of the Republic of Kazakhstan dated 24 December 2019 No. 968 and the Lending and Financial Leasing Mechanism for Priority Projects, approved by the Decree of the Government of the Republic Kazakhstan dated 11 December 2018 No. 820 "On some issues of ensuring long-term tenge liquidity to solve the problem of affordable lending".

Within the framework of the program, the Fund is a financial agent between the program coordinator and a small or medium-sized business entity. The cost of the commission paid by the program coordinator at the local level to the Fund is 20% of the amount of the financial guarantee under the second direction and 30% of the amount of the financial guarantee under the first direction. The resulting commission value is credited to income on a deferred basis on a straight-line basis over the life of the guarantee issued.

Refer to Note 28 for disclosure of the fair value of each class of borrowed funds. Interest rate analysis of borrowed funds is disclosed in Note 26. Information on related party balances is disclosed in Note 30.

16 Other Liabilities

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Accounts payable	325,541	230,291
Accrued liabilities and other creditors	127,435	125,339
Lease obligation	4,714	178,498
Total financial liabilities within other liabilities	457,690	534,128
Unused vacation reserve	169,509	110,858
Accrued employee benefit costs	130,300	112,888
Advances received	127,488	82,905
Taxes payable other than on income	91,173	136,221
Other	542	970
Total other liabilities	976,702	977,970

All of the above obligations will be settled within 12 months after the end of the reporting period. The fair value of other financial liabilities is disclosed in Note 29. Information on transactions with related parties is disclosed in Note 31.

17 Share Capital

<i>In thousands of Kazakhstani Tenge (except for number of shares)</i>	Number of outstanding shares (in thousands)	Ordinary shares	Total
At 31 December 2020	27,762	102,920,273	102,920,273
New share issue	-	-	-
At 31 December 2021	27,762	102,920,273	102,920,273

On 26 May 2021, at the meeting of the Sole Shareholder, the Fund declared dividends for the year ended 31 December 2020 in the total amount of KZT 3,334,015 thousand. The entire amount of dividends was paid to the Sole Shareholder on 31 May 2021.

On 13 May 2020, at the meeting of the Sole Shareholder, the Fund announced dividends for the year ended 31 December 2019, in the total amount of Tenge 1,141,243 thousand. The entire amount of dividends was paid to the Sole Shareholder on 28 May 2020.

On 10 June 2020 and 10 July 2020, by the decision of the Sole Shareholder of the Fund, the share capital of the Fund was increased by Tenge 20,000,000 thousand and Tenge 10,000,000 thousand. The share capital was increased to support the Fund in a difficult economic period and to further develop the Fund's programs to support small and medium-sized businesses.

18 Interest Income and Expense

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Interest income calculated using the effective interest method		
Due from financial institutions	16,572,323	20,642,976
Cash and cash equivalents	5,559,130	4,291,500
Securities at fair value through other comprehensive income	2,803,030	406,094
Loans and advances to customers	100,398	329,800
Securities at amortise cost	381,363	141,474
Total interest income calculated using the effective interest method	25,416,244	25,811,844
Other similar income		
Debt securities at fair value through profit or loss	119,025	171,625
Total other similar income	119,025	171,625
Total interest income	25,535,269	25,983,469
Interest expense		
Borrowed funds	(7,217,605)	(10,783,400)
Debt securities in issue	(58,539)	(9,008)
Interest expense on finance lease	(9,913)	(21,778)
Total interest expense	(7,286,057)	(10,814,186)
Net interest income	18,249,212	15,169,283

18 Interest Income and Expenses (continued)

Interest income on due from financial institutions includes Tenge 3,885,300 thousand (2020: Tenge 4,672,890 thousand) interest income from unwinding of discount on loans given at rates below the market (Note 4). Interest income on investment securities includes interest income in the amount of Tenge 2,907,159 thousand (2020: Tenge 406,313 thousand) from discount amortization.

Counterparties registered in Kazakhstan withhold income tax at the source of payment in the amount of 15% of the amount of interest payable to the Fund. During 2021, taxes were withheld in the total amount of Tenge 1,643,465 thousand (2020: Tenge 2,418,396 thousand).

Interest expense on borrowed funds includes Tenge 5,398,704 thousand (2020: Tenge 5,298,218 thousand) interest expense from unwinding of discount on borrowed funds received at rates below the market.

19 Net Fee and Commission Income

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Guarantees issued	16,853,584	4,877,261
Financial agent services	625,600	828,605
Commission fee for issuing a guarantee / counter-guarantee	7	9
Commission expense of early repayment loan	(5)	(909)
Total fee and commission income	17,479,186	5,704,966

Fee and commission income consists of income from issued guarantees (Note 15), subsidizing services for the State Institution of the Ministry of National Economy of the Republic of Kazakhstan, RSI "Committee for Construction and Housing and Communal Services of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan" as an operator and financial agent (Note 15), and services to support start-up entrepreneurs as part of the implementation of the program "State Program for Development and Support".

20 Gains less losses from Financial Assets at Amortised Cost

During 2021, the Fund received partial early repayments from three banks that previously had loans at below market rates and recognized income from partial derecognition of loans to these banks in the amount of Tenge 6,521,994 thousand. Additionally, the Fund recognized income from partial early repayment of loans from other organizations in the amount of KZT 22,690 thousand.

During 2020, the Fund ceased recognition of loans issued to two banks by accepting on the balance sheet property, securities and loan portfolios of these banks. The Fund previously recognised a loss on initial recognition of these loans, which was amortised over the life of these loans. Due to the early redemption by transfer of assets to the Fund, the unamortised discount was written off through the gain on derecognition of financial assets measured at amortised cost in the amount of Tenge 2,955,450 thousand.

21 Net Loss on Initial Recognition of Financial Instruments at Rates below Market

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Loss on initial recognition of due from financial institutions at rates below market	(10,856,707)	(82,300)
Total net loss on initial recognition of financial instruments at rates below market	(10,856,707)	(82,300)

Detailed description and assessment of financial results are presented in Critical Accounting Estimates and Judgements in Applying Accounting Policies – Initial recognition of financial instruments issued at rates below market (Note 4).

22 General and Administrative Expenses

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Staff costs	3,380,668	3,230,327
Communication services	185,969	73,000
Repair and technical maintenance	175,951	110,176
Depreciation of right-of-use assets	160,088	153,486
Recruiting costs (outsourcing)	156,330	220,454
Depreciation of premises and equipment	141,301	169,098
Taxes other than on income	107,573	96,320
Broker fees	85,064	41,852
Business trip and representative expenses	72,852	33,710
Legal and consulting services	69,926	25,726
Amortisation of intangible assets	63,206	79,594
Security services	51,618	58,221
Utilities	40,881	34,771
Materials	37,467	27,012
Training	26,737	27,518
Transportation expense	19,810	22,125
Expenses related to Board of Directors	19,670	21,462
Advertising and marketing services	13,949	9,550
Bank charges	12,274	10,282
Office supplies and printing services	12,208	13,182
Health and safety expenses	4,084	11,877
Insurance expenses	1,834	2,449
Short term rent expenses	-	202
Other	116,114	113,406
Total General and Administrative Expenses	4,955,574	4,585,800
Recruiting costs (outsourcing)	501,687	534,029
Legal and consulting services	154,246	21,801
Advertising and marketing services	82,609	67,577
Office supplies and printing services	69,124	45,104
Communication services	13,276	9,947
Office supplies and printing services	9,972	22,722
Staff costs (FFSA)	8,613	-
Materials	1,013	3,254
Underwriting services	582	-
Training	323	-
Short term rent expenses	204	2,246
Security services	-	3,843
Transportation expenses	-	-
Other	20,756	4,437
Total expenses on realisation of Fund's programs*	862,405	714,960

*This group of expenses includes expenses for non-financial support of entrepreneurs, for an advertising and image campaign to popularize the activities of the Fund and to promote the financial and non-financial programs of the Fund, under the program of the Fund for Financial Support of Agriculture, for hiring consultants to support the financial and non-financial programs of the Fund.

The increase in expenses for communication services was caused by additional expenses for the lease of server facilities in 2021.

The costs of recruiting (outsourcing) as part of the costs of implementing the Fund's programs represent the costs of attracting consultants to service the financial and non-financial programs of the Fund.

23 Income Taxes

(a) Components of income tax expense

The income tax expense recognised in profit and loss for the year comprises the following:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Current tax expense	5,703,354	4,203,423
Deferred tax expense	(154,709)	(2,778,222)
Income tax expense for the year	5,548,645	1,425,201

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applied to most of the Fund's 2021 income is 20% (2020: 20%). A reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Profit before tax	30,579,607	6,188,080
Theoretical tax charge at statutory rate (2021: 20%; 2020: 20%)	6,115,921	1,237,616
Tax effects of items which are not deductible or assessable for taxation purposes:		
- Income on securities, exempt from tax	(660,684)	(143,839)
- Other non-deductible income	-	-
- Other non-deductible expenses	93,408	272,781
- Adjustment of prior year tax expense estimate	-	58,643
Income tax expense for the year	5,548,645	1,425,201

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Republic of Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

Movements in temporary differences during the year ended 31 December 2021 are detailed below:

<i>In thousands of Kazakhstani Tenge</i>	1 January 2021	(Charged)/credited to profit or loss	31 December 2021
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Loans and advances to customers	11,098	(14,348)	(3,250)
Due from financial institutions	2,412,670	(352,700)	2,059,970
Premises and equipment and intangible assets	(172,823)	(15,185)	(188,008)
Discount on borrowed funds and due from financial instruments	(2,421,118)	1,177,282	(1,243,836)
Provision for credit related commitments	1,792,120	(664,668)	1,127,452
Islamic financing	1,339,856	6,810	1,346,666
Other liabilities	16,384	17,518	33,902
Net deferred tax asset	2,978,187	154,709	3,132,896
Recognised deferred tax asset	5,572,128	(1,007,388)	4,564,740
Recognised deferred tax liability	(2,593,941)	1,162,097	(1,431,844)
Net deferred tax asset	2,978,187	154,709	3,132,896

23 Income Taxes (continued)

Movements in temporary differences during the year ended 31 December 2020 are detailed below:

<i>In thousands of Kazakhstani Tenge</i>	1 January 2020	(Charged)/credited to profit or loss	31 December 2020
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Loans and advances to customers	602	10,496	11,098
Due from financial institutions	2,361,944	50,726	2,412,670
Premises and equipment and intangible assets	(144,926)	(27,897)	(172,823)
Discount on borrowed funds and due from financial instruments	(2,064,587)	(356,531)	(2,421,118)
Provision for credit related commitments	6,768	1,785,352	1,792,120
Islamic financing	-	1,339,856	1,339,856
Other liabilities	40,164	(23,780)	16,384
Net deferred tax asset	199,965	2,778,222	2,978,187
Recognised deferred tax asset	2,409,478	3,162,650	5,572,128
Recognised deferred tax liability	(2,209,513)	(384,428)	(2,593,941)
Net deferred tax asset	199,965	2,778,222	2,978,187

24 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Fund's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

<i>In thousands of Kazakhstani Tenge</i>	Baiterek NMH JSC	Municipal authorities, Samruk- Kazyna NWF JSC, Ministry of Finance RK	Asian Developme nt Bank	Debt securities in issue	Lease liabilities	Total
Liabilities from financing activities at 1 January 2020	85,459,707	82,513,940	66,328,552	-	307,785	234,609,984
Cash flows	(916,680)	1,646,086	(70,022,593)	200,131	(171,448)	(69,264,504)
Foreign exchange adjustments	-	32,494	-	-	-	32,494
Other non-cash movements	6,006,567	1,082,791	3,694,041	9,008	42,161	10,834,568
Liabilities from financing activities at 31 December 2020	90,549,594	85,275,311	-	209,139	178,498	176,212,542
Cash flows	(316,200)	(13,432,884)	-	976,500	(166,052)	(12,938,636)
Foreign exchange adjustments	-	9,102	-	-	-	9,102
Other non-cash movements	6,147,221	1,070,385	-	58,539	(7,732)	7,268,413
Liabilities from financing activities at 31 December 2021	96,380,615	72,921,914	-	1,244,178	4,714	170,551,421

25 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The functions of the CODM are performed by Management Board of the Fund.

(a) Description of products and services from which each reportable segment derives its revenue

The Fund is organised on the basis of two main business segments:

- Project operation – this segment includes cash at the RSI “National Bank of Kazakhstan” using for issuing conditional loans, loans issued to financial institutions, small and medium businesses, and issuing financial guarantees;
- Investing operation – representing cash and cash equivalents, securities and due from financial institutions (deposits).

(b) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2021 is set out below:

<i>In thousands of Kazakhstani Tenge</i>	Note	Project operation	Investing operation	Total
Cash and cash equivalents	7	8,438,524	68,443,859	76,882,383
Due from financial institutions	8	234,179,331	5,124,629	239,303,960
Loans and advances to customers		252,248	-	252,248
Due from subsidy programs		77,899	-	77,899
Investments in debt securities	9	-	47,001,624	47,001,624
Total reportable segment assets		242,948,002	120,570,112	363,518,114
Borrowed funds	12	169,302,529	-	169,302,529
Debt securities in issue	13	-	1,244,178	1,244,178
Liabilities on subsidy programs	14	7,792,965	-	7,792,965
Deferred income and provision for credit related commitments	15	56,861,826	-	56,861,826
Total reportable segment liabilities		233,957,320	1,244,178	235,201,498
Capital expenditure		-	-	175,363

Capital expenditure represents additions to premises and equipment.

25 Segment Analysis (continued)

<i>In thousands of Kazakhstani Tenge</i>	Project operation	Investing operation	Total
Interest income due from financial institutions	16,092,089	480,234	16,572,323
Interest income from loans and advances to customers	100,397	-	100,397
Interest income from investments in debt securities	-	3,303,418	3,303,418
Interest income from cash and cash equivalents	-	5,559,130	5,559,130
Interest expense on borrowed funds	(7,217,605)	-	(7,217,605)
Interest expense on debt securities in issue	-	(58,539)	(58,539)
Net interest income	8,974,881	9,284,243	18,259,124
Provision for impairment	1,407,845	10,228	1,418,073
Net interest income after provision for impairment	10,382,726	9,294,471	19,677,197
Fee and commission income	17,479,187	-	17,479,187
Gains less losses from financial assets at fair value through profit or loss	-	75,345	75,345
Net loss on initial recognition of assets at rates below market	(10,856,707)	-	(10,856,707)
Gains less losses from derecognition of financial assets measured at amortised cost	6,544,684	-	6,544,684
Impairment of debt securities at fair value through other comprehensive income	-	(12,412)	(12,412)
(Provision for)/Recovery of impairment for other assets	(15,707)	(71,271)	(86,978)
(Provision for)/Recovery of impairment for credit related commitments	3,377,843	-	3,377,843
Foreign exchange translation gains less losses	(9,102)	88,587	79,485
Expenses on realisation of Fund's programs	(862,405)	-	(862,405)
General and administrative expenses	(2,223,643)	(165,294)	(2,388,937)
Segment result	23,816,876	9,209,426	33,026,302

Segment information for the reportable segments for the year ended 31 December 2020 is set out below:

<i>In thousands of Kazakhstani Tenge</i>	Note	Project operation	Investing operation	Total
Cash and cash equivalents	7	37,249,670	49,901,596	87,151,266
Due from financial institutions	8	218,850,080	10,591,062	229,441,142
Loans and advances to customers		556,967	-	556,967
Due from subsidy programs		162,139	-	162,139
Investments in debt securities	9	-	21,829,298	21,829,298
Total reportable segment assets		256,818,856	82,321,956	339,140,812
Borrowed funds	12	175,824,905	-	175,824,905
Debt securities in issue	13	-	209,139	209,139
Liabilities on subsidy programs	14	24,201,336	-	24,201,336
Deferred income and provision for credit related commitments	15	37,209,704	-	37,209,704
Total reportable segment liabilities		237,235,945	209,139	237,445,084
Capital expenditure				202,596

Capital expenditure represents additions to premises and equipment.

25 Segment Analysis (continued)

<i>In thousands of Kazakhstani Tenge</i>	Project operation	Investing operation	Total
Interest income due from financial institutions	19,173,918	1,469,058	20,642,976
Interest income from loans and advances to customers	329,800	-	329,800
Interest income from investments in debt securities	-	719,193	719,193
Interest income from cash and cash equivalents	-	4,291,500	4,291,500
Interest expense on borrowed funds	(10,783,400)	-	(10,783,400)
Interest expense on debt securities in issue	-	(9,008)	(9,008)
Net interest income	8,720,318	6,470,743	15,191,061
Provision for impairment	(1,212,400)	22,136	(1,190,264)
Net interest income after provision for impairment	7,507,918	6,492,879	14,000,797
Fee and commission income	5,704,966	-	5,704,966
Gains less losses from financial assets at fair value through profit or loss	-	149,723	149,723
Net loss on initial recognition of assets at rates below market	(82,300)	-	(82,300)
Gains less losses from derecognition of financial assets measured at amortised cost	2,955,450	-	2,955,450
Impairment of debt securities at fair value through other comprehensive income	-	(10,544)	(10,544)
(Provision for)/Recovery of impairment for other assets	(51,557)	8,764	(42,793)
(Provision for)/Recovery of impairment for credit related commitments	(11,344,898)	-	(11,344,898)
Foreign exchange translation gains less losses	427,904	(68,069)	359,835
Expenses on realisation of Fund's programs	(714,960)	-	(714,960)
General and administrative expenses	(2,109,605)	(102,266)	(2,211,871)
Segment result	2,292,918	6,470,487	8,763,405

(c) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Total reportable segment assets	363,518,114	339,140,812
Premises and equipment	2,121,829	2,361,265
Intangible assets	267,623	234,391
Prepayment of current income tax liabilities	3,357,383	7,430,331
Current income tax prepayment	3,132,896	2,978,187
Non-current assets held for sale	153,173	250,217
Other assets	4,975,966	5,700,313
Total assets	377,526,984	358,095,516

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Total reporting segment liabilities	235,201,498	237,445,084
Other liabilities	976,702	977,970
Total liabilities	236,178,200	238,423,054

25 Segment Analysis (continued)

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Segment result	33,026,302	8,763,405
General and administrative expenses	(2,566,637)	(2,373,929)
Other (expense)/income	119,942	(201,396)
Profit before tax	30,579,607	6,188,080
Income tax expense	(5,548,645)	(1,425,201)
Profit for the period	25,030,962	4,762,879

The Fund receives all its income in Kazakhstan. The Fund has no significant external clients in foreign countries. The Fund has no significant income and expense between operating segments. The Fund has no customers who represent at least ten percent of the total income received in 2021 and 2020.

26 Financial Risk Management

Management of risk is fundamental to the Fund's business and is an essential element of its operations. The Fund manages risks in the course of the ongoing process of risk identification, monitoring, assessment and control as well as by establishment of the risk limits and other internal control arrangements. The risk management process is critical to support the Fund's stable profitability and each employee of the Fund is responsible for the risks associated with his/her duties. Market risk (including price risk, interest rate risk and currency risk), as well as credit risk and liquidity risk are the major risks which the Fund has to manage in the course of its normal business.

Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Fund, 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, products and services offered, and emerging best practice.

The risk management strategy is set forth in the Fund's risk management policy, which has been worked out in accordance with the risk management strategy of the Fund's sole shareholder.

The aims of the risk management policy are as follows:

- To build up an effective integrated system and create an integrated process of risk management as an element of the Fund management and continuously improve the Fund's operations on the basis of the unified standardized approach to the risk management methods and procedures;
- To ensure that the Fund takes the acceptable risks for the scale of its operations;
- To determine the retention ability and ensure the effective management of the risk accepted;
- To identify risk in good time; and
- To minimize losses and reduce current expenses on potential losses.

Risk management structure

The Fund's risk management structure is represented by risk management at a few levels with involvement of the following bodies and business units of the Fund: Board of Directors, Management Board, Risk Committee, Risk Management Function, Internal Audit Service, collegial bodies and other business units.

Board of Directors. The first level of risk management is represented by the Fund's Board of Directors. The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and system of the corporate risk management. The Board of Directors sets the aims of the Fund operations and approves the documents related to risk management, retention ability and risk appetite.

26 Financial Risk Management (continued)

Management Board. The second level of risk management is represented by the Fund's Management Board. The Management Board is responsible for establishment of the effective risk management system and structure for risk control to ensure compliance with the corporate policy requirements. The Management Board is responsible for creation of the "risk awareness" culture, which reflects the Fund's risk management and philosophy. The Management Board is also responsible for implementation of the effective risk management system in which all employees have well-defined responsibilities for risk management and are held liable for proper fulfilment of their duties. The Management Board is authorised to carry out a part of its functions in the area of risk management through the establishment of appropriate committees.

Credit Committee. The Credit Committee is the Fund's permanent body responsible for implementation of the internal credit policy. The Credit Committee competence is limited within the framework of the thresholds set by the Fund's Management Board. The key objective of the Credit Committee is to form a high-quality loan portfolio.

Asset and Liability Management Committee (ALCO). ALCO is a permanent collegial body of the Fund, which is accountable to the Management Board and which carries out its activity within the powers assigned by the Management Board. ALCO key aims are as follows: to ensure making of timely and appropriate decisions in the sphere of the Fund's asset and liability management; attract partners to cooperate with the Fund; maintain the sufficient level of the financial stability; increase the Fund profitability and minimize risks when making the investment decisions.

Risk Management Department. The third level of the risk management process is represented by the Risk Management Department. The objectives of the Risk Management Department include general risk management and exercise of control over compliance with the current legislation, as well as control over implementation of common principles and methods for identifying, assessing, managing and reporting both financial and non-financial risks.

Internal Audit Function. The Fund's Internal Audit Function, in the course of the risk management, conducts audit of the risk management procedures and risk assessment methods and works out proposals aimed at improvement of the efficiency of risk management procedures. It provides reports on the risk management system for the Fund's Board of Directors and performs other functions in accordance with the approved regulatory documents.

Business Units. One of the important elements in the structure of risk management is the Fund's business units each represented by employee. The business units (risk owners) play a key role in the risk management process. The Fund's employees, on a daily basis, deal with risks, manage risks and monitor their potential impact within their sphere of action. The business units are responsible for implementation of the risk management action plan, timely identification and informing about major risks in their sphere of action and development of proposals related to risk management to be included into the action plan.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, credit spreads and equity prices will affect the Fund's income or the value of its holdings of financial instruments. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in relation to 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 market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall responsibility for market risk management is vested in the Management Board, which is chaired by the Chairman of the Management Board. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Department.

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

The Fund also uses different stress tests and back testing to simulate possible financial impact of certain exceptional market scenarios on certain trading portfolios and general position of the Fund. Stress tests make it possible to determine the potential amount of losses that may arise under extreme circumstances. Stress tests used by the Fund include the following: stress tests of the risk factors, as a part of these tests each risk category is subject to stress changes and special stress tests, which include application of possible stress events with regard to certain positions. Back test is the test of accuracy of evaluation of interest rate risk models on the basis of the actual data on the net interest income.

Interest rate risk is the risk that changes in the interest rates will affect the Fund's income or the value of its holdings of financial instruments.

26 Financial Risk Management (continued)

The Fund 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 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.

Interest rate risk management is based on the principles of the full coverage of expenses – the interest income earned should cover the expenses related to attraction and placement of funds and ensure generation of the net income and competitiveness.

The interest rate risk report presents the distribution of assets, liabilities, off-balance assets and liabilities sensitive to changes in the interest rates grouped into the economically homogeneous and material items, by time periods depending on their maturity dates (in case of fixed rates), or time remaining until the next regular review (in case of floating rates). Time limits and items of the assets and liabilities, or off-balance assets and liabilities subject to accounting may be changed by the Fund's Management Board.

Interest rate risk is managed principally through monitoring interest rate gaps. The table below summarises the Fund's exposure to interest rate risks. The table presents the aggregated amounts of the Fund's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

<i>In thousands of Kazakhstani Tenge</i>	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
31 December 2021						
Total financial assets	91,592,837	20,332,351	9,357,874	7,746,435	234,585,654	363,615,151
Total financial liabilities	(63,642,083)	(2,569,247)	(83,741)	(254,159)	(169,109,956)	(235,659,186)
Net interest sensitivity gap at 31 December 2021	27,950,754	17,763,104	9,274,133	7,492,276	65,475,698	127,955,965
31 December 2020						
Total financial assets	94,158,205	13,282,851	8,664,218	7,674,929	216,053,020	339,833,223
Total financial liabilities	(56,577,773)	(6,151,577)	(546,173)	(352,246)	(174,351,443)	(237,979,212)
Net interest sensitivity gap at 31 December 2020	37,580,432	7,131,274	8,118,045	7,322,683	41,701,577	101,854,011

Average interest rates

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

<i>% per annum</i>	2021 Average effective interest rate	2020 Average effective interest rate
Interest bearing assets		
Cash and cash equivalents	7.75%	4.02%
Investment debt securities at fair value through profit or loss	5.16%	6.67%
Investment debt securities at fair value through other comprehensive income	8.42%	8.00%
Investment debt securities at amortised cost	7.21%	7.95%
Due from financial institutions	7.77%	8.45%
Loans and advances to customers	16.25%	13.58%
Other financial assets	-	-
Interest bearing liabilities		
Borrowed funds from Baiterek NMH JSC	6.81%	6.80%
Borrowed funds	0.01-5.5%	0.01-5.5%
Debt securities in issue	11.88%	11.75%
Liabilities under subsidy programs	-	-
Deferred income and provision for credit related commitments	-	-
Other financial liabilities	9%	9%

26 Financial Risk Management (continued)

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

Currency risk arises when the actual or forecasted assets denominated in foreign currency are either greater or less than the actual or forecasted liabilities denominated in the same currency. The Fund's Management Board, with due consideration of the currency risk assessment, makes decisions concerning the structure of the Fund's assets and liabilities by the financial instruments in foreign currency, and sets a permissible amount of the currency risk and limit on the open currency position.

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

	Tenge	US Dollar	Other	Total
FINANCIAL ASSETS				
Cash and cash equivalents	76,881,842	75	466	76,882,383
Investments in debt securities	47,001,624	-	-	47,001,624
Due from financial institutions	239,236,581	67,379	-	239,303,960
Due from subsidy programs	77,899	-	-	77,899
Loans and advances to customers	252,248	-	-	252,248
Other financial assets	97,037	-	-	97,037
Total financial assets	363,547,231	67,454	466	363,615,151
FINANCIAL LIABILITIES				
Borrowed funds	168,941,624	360,905	-	169,302,529
Debt securities in issue	1,244,178	-	-	1,244,178
Liabilities under subsidy programs	7,792,965	-	-	7,792,965
Deferred income and provision for credit related commitments	56,861,826	-	-	56,861,826
Other financial liabilities	457,690	-	-	457,690
Total financial liabilities	235,298,283	360,905	-	235,659,188
Net position before derivatives as at 31 December 2021	128,248,948	(293,451)	466	127,955,963

26 Financial Risk Management (continued)

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

	Tenge	US Dollar	Other	Total
FINANCIAL ASSETS				
Cash and cash equivalents	87,150,122	652	492	87,151,266
Investments in debt securities	21,829,298	-	-	21,829,298
Due from financial institutions	226,004,505	3,436,637	-	229,441,142
Due from subsidy programs	162,139	-	-	162,139
Loans and advances to customers	556,967	-	-	556,967
Other financial assets	692,411	-	-	692,411
Total financial assets	336,395,442	3,437,289	492	339,833,223
FINANCIAL LIABILITIES				
Borrowed funds	175,473,103	351,802	-	175,824,905
Debt securities in issue	209,139	-	-	209,139
Liabilities under subsidy programs	24,201,336	-	-	24,201,336
Deferred income and provision for credit related commitments	37,209,704	-	-	37,209,704
Other financial liabilities	534,128	-	-	534,128
Total financial liabilities	237,627,410	351,802	-	237,979,212
Net position before derivatives as at 31 December 2020	98,768,032	3,085,487	492	101,854,011

Derivatives presented above are monetary financial assets or monetary financial liabilities but are presented separately in order to show the Fund's gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Fund agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 26. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Fund, with all other variables held constant:

<i>In thousands of Kazakhstani Tenge</i>	At 31 December 2021		At 31 December 2020	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 3.98% (2020: strengthening by 18.47%)	(9,343)	(9,343)	455,912	455,912
US Dollar weakening by 3.98% (2020: weakening by 18.47%)	9,343	9,343	(455,912)	(455,912)

The calculation of the strengthening and weakening of the US dollar in 2021 was made in accordance with the internal regulatory documents of the Fund, according to which, due to the reduced volatility of foreign exchange rates against the tenge during 2021, it was decided to use a smaller percentage of the change compared to 2020 year. In general, in 2021 the Fund is less exposed to the risk of changes in foreign exchange rates due to the decrease in balances in foreign currencies.

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund has developed policies and procedures for the management of credit exposures (both for balance and off-balance positions) and determined the powers related to the decision making by the Board of Directors and Management Board with regard to large loans and established a Credit Committee, which is responsible for making decisions on loan issues within the set limits, loan restructuring and which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

26 Financial Risk Management (continued)

The Fund's credit policy sets the key parameters of lending in terms of credit risk management and is aimed at identification, analysis and management of the credit risks faced by the Fund.

The rules of credit risk management cover the following areas:

- procedures for review and approval of loan applications;
- methodology for the credit assessment of borrowers (small and medium-sized businesses);
- loan documentation requirements;
- methodology for the credit assessment of counterparty banks, issuers and insurance companies;
- methodology for evaluation of collateral;
- setting of limits on the total credit risks in the amount not exceeding 25% of the Fund's equity; and
- procedures for the ongoing monitoring of loans and other credit exposures.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. The Fund reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Fund uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Credit risk management

Credit risk is the single largest risk for the Fund's business; management therefore carefully manages its exposure to credit risk.

Limits

The Fund structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default ("PD") are applied for the following financial instruments: investments in debt securities (government, corporate, municipal bonds, Eurobonds and promissory notes purchased) and loans given to financial institutions.

Scale with a specified range of probabilities of default of financial institutions is disclosed in the table below:

Master scale credit risk grade	Corresponding ratings of external international rating agencies (S&P)	Corresponding PD interval
Excellent	AAA – BB+	0.00% - 0.52%;
Good	BB+ – B+	0.53% - 3.81%;
Satisfactory	B, B-	3.82% - 13.68%;
Special monitoring	CCC+ – CCC-	13.69% - 99.9%;
Default	C, D-I, D-II	100%

26 Financial Risk Management (continued)

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

Expected credit loss (ECL) measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Fund: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. *PD* is an estimate of the likelihood of default to occur over a given time period. *LGD* is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

26 Financial Risk Management (continued)

For purposes of measuring PD, the Fund defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- high probability of default of the borrower or the borrower is insolvent;
- counterparty debt restructuring
- revocation and/or suspension of the license of the counterparty by the relevant supervisory authority;
- loan is written off or significant provision was created;
- breach of covenants by the borrower;
- default event on other instruments of the borrower;
- disappearance of an active market for a financial asset due to financial difficulties
- conclusion of a concession agreement due to the financial difficulties of the borrower;
- acquisition or creation of financial assets with a significant discount, which may be evidence of a default event of the counterparty.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For due from financial institutions, debt securities at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Fund's Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Fund decided to use the low credit risk assessment exemption for investment grade financial assets. Hence, even assets of an investment grade are not assessed whether there has been a SICR.

The Fund considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For SICR assessment the Fund applies following criteria:

- over 30 days past due;
- decrease of external credit rating of the counterparty;
- information from available sources on the deteriorating situation of the borrower or about problems in the industry in which the borrower operates;
- information on other financial instruments of the borrower or issuer.

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Fund monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Fund therefore only recognises the cumulative changes in lifetime expected credit losses.

26 Financial Risk Management (continued)

The Fund has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Fund performs an assessment on a portfolio basis for the following types of loans: loans and advances and financial guarantees issued to SMEs. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status.

The Fund performs assessments based on external ratings for financial institutions, debt securities and certain blue-chip corporate customers.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Fund defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Fund determines the staging of the exposures and measures the loss allowance on a collective basis. The Fund analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer, date of initial recognition, term to maturity, the quality of collateral and loan to value (LTV) ratio. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month / year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

In accordance with the Order of the president of the Republic of Kazakhstan dated 30 January 2019, National Bank of the Republic of Kazakhstan (the "NBRK") performs asset quality review of second tier banks ("AQR"). 14 banks were included in scope: "Halyk Bank of Kazakhstan" JSC, Subsidiary of "Sberbank of Russia" JSC, "Kaspi Bank" JSC, "ForteBank" JSC, "Bank CenterCredit" JSC, "ATFBank" JSC, "Eurasian Bank" JSC, "First Heartland Jýsan Bank" JSC, "Bank RBK" JSC, Subsidiary of "Alfa-Bank" JSC, "Altyn Bank" JSC, "Nurbank" JSC, Subsidiary of "Home Credit and Finance Bank" JSC and Subsidiary of "Bank VTB (Kazakhstan)" JSC. The main objectives of AQR are:

- to form complete and objective picture of banking system state;
- to ensure stability and transparency of financial sector;
- to strengthen trust of investors and depositors;
- to improve quality of processes in banks in line with best practice of accounting and prudential norms.

In February 2020, the NBRK released a preliminary result on assessing the quality of second-tier banks. According to this analysis, as of 1 April 2019, there is no capital deficit at the consolidated level (aggregation of the results of all participating banks). Moreover, the NBRK notes that the results of the OKA will not necessarily lead to an effect on capital or be reflected in the financial statements of banks. The Fund's management believes that it has created an adequate level of reserves for the years ended 31 December 2020 and 31 December 2019 based on all information known as of the reporting date. The fund conducts a detailed analysis of all banks, leasing companies and microfinance companies and the results of the OKA were analysed as part of the assessment of expected credit losses

The key principles of calculating the credit risk parameters

The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

26 Financial Risk Management (continued)

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Fund uses different statistical approaches depending on the segment and product type to calculate lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

LGD represents the Fund's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on data from international agencies;
- individually defined LGD depending on different factors and scenarios.

The Fund calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products and based on data from international agencies.

ECL measurement for financial guarantees and loan commitments

The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("*ExOff*"). CCF for undrawn credit lines of corporate customers, credit cards issued to individuals and for financial guarantees is defined based on statistical analysis of past exposures at default.

Principles of assessment based on external ratings

Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to loans given to financial institutions, securities and guarantees issued to financial institutions.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Fund regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit.

Credit risk for off-balance financial instruments is defined as the probability of incurring losses as a result of non-fulfilment of the terms of the contract by another counterparty. The Fund uses the same credit policy for contingent liabilities as for balance sheet financial instruments, based on procedures for approving transactions, using limits to limit risk, and monitoring.

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity risk exists when the maturities of assets and liabilities do not match, which will affect the availability of the sufficient liquid funds in the Fund at the price acceptable for the Fund to settle its balance and off-balance liabilities as they become due. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to management of the financial institutions, including the Fund. 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 Fund maintains liquidity management with the objective of ensuring that funds will be available at all times to settle all cash flow obligations as they become due. The Fund's policy on managing liquidity risks is approved by the Board of Directors.

The Fund manages liquidity risk as a part of the Fund's Rules for Liquidity Loss Risk Management approved by the Board of Directors. The Rules determine the key processes and procedure of the liquidity loss risk management as well as function and powers of the Fund's business units involved in this process with a view of effective liquidity loss risk management and ensuring that the Fund has sufficient funds to settle all its liabilities. The Rules are mandatory for use by all employees, business units and collegial bodies of the Fund.

26 Financial Risk Management (continued)

As a party of said Rules the liquidity loss risk is measured and monitored by means of the following tools/analytical reports: statutory and contractual liquidity ratios; analysis of the current balances of liquid funds; planned inflows/outflows of liquid funds; internal liquidity ratios; and liquidity gap analysis. For avoidance of liquid funds surplus or shortage, the Asset and Liability Management Committee monitors the activities related to attraction and use of the liquid funds. Current and short-term liquidity of the Fund is managed by the business unit in charge of risk management on the basis of the analysis of the current balances of liquid funds and planned inflows/outflows of liquid funds. Based on the analysis made, said business unit makes the report *Time Structure of Assets and Liabilities* on the consolidated basis and submits it to the Fund's Management Board.

Asset and Liability Management Committee monitors liquidity risk by means of analysis of the liquidity risk levels to take measures for reduction of the liquidity loss risk of the Fund. Current liquidity is managed by the Treasury, which carries out operations in the financial markets in order to maintain current liquidity and optimize the cash flows.

The liquidity management policy of the Fund requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- developing debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans; and
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department monitors liquidity position in the financial market on a daily basis. Under the normal market conditions, liquidity reports covering the liquidity position are regularly presented to senior management. Decisions on liquidity management policy are made by the Management Board and Asset and Liability Management Committee.

The following tables show the undiscounted cash flows on the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual undiscounted cash flow on the financial liabilities or off-balance liabilities. Future cash flows of the Fund may differ significantly from such analysis.

The maturity analysis for financial liabilities as at 31 December 2021 with regard to maturity terms on the basis of contractual undiscounted payment obligations is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
31 December 2021						
FINANCIAL LIABILITIES						
Borrowed funds	667,028	778,652	470,821	902,030	292,518,273	295,336,804
Investments in debt security	-	-	-	44,178	1,200,000	1,244,178
Liabilities on subsidy programs	5,557,895	2,235,070	-	-	-	7,792,965
Deferred income and provision for credit related commitments	1,752,558	3,357,097	3,361,122	21,347,324	275,460,182	305,278,283
Other financial liabilities	457,689	-	-	-	-	457,689
Total potential future payments for financial obligations	8,435,170	6,370,819	3,831,943	22,293,532	569,178,455	610,109,919

26 Financial Risk Management (continued)

The maturity analysis for financial liabilities as at 31 December 2020 with regard to maturity terms on the basis of contractual undiscounted payment obligations is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
31 December 2020						
FINANCIAL LIABILITIES						
Borrowed funds	722,583	142,697	893,055	961,032	306,277,816	308,997,183
Investments in debt security	-	-	-	-	209,139	209,139
Liabilities on subsidy programs	18,528,165	5,673,171	-	-	-	24,201,336
Deferred income and provision for credit related commitments	61,398	700,439	2,227,283	31,651,234	160,056,039	194,696,393
Other financial liabilities	380,888	26,933	41,162	85,145	-	534,128
Total potential future payments for financial obligations	19,693,034	6,543,240	3,161,500	32,697,411	466,542,994	528,638,179

The Fund does not use the aforementioned analysis of liabilities with regard to maturity terms without discounting for liquidity management. Instead, the Fund controls the expected maturities and the expected liquidity gap, which are presented as of 31 December 2021 in the table below:

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
31 December 2021						
FINANCIAL ASSETS						
Cash and cash equivalents	76,882,383	-	-	-	-	76,882,383
Securities at fair value through profit or loss	-	-	855,623	-	79,188	934,811
Due from financial institutions	2,108,220	4,926,042	3,660,388	7,724,396	220,884,914	239,303,960
Due from subsidy programs	77,899	-	-	-	-	77,899
Loans and advances to customers	232,596	9,338	3,453	5,541	1,320	252,248
Securities at fair value through other comprehensive income	12,234,817	15,394,761	4,838,410	-	8,068,860	40,536,848
Securities at amortised cost	-	-	-	-	5,529,965	5,529,965
Other financial assets	56,922	2,210	-	16,498	21,407	97,037
Total financial assets	91,592,837	20,332,351	9,357,874	7,746,435	234,585,654	363,615,151
FINANCIAL LIABILITIES						
Borrowed funds	764,673	334,177	83,742	209,981	167,909,956	169,302,529
Investments in debt security	-	-	-	44,178	1,200,000	1,244,178
Liabilities on subsidy programs	5,557,895	2,235,070	-	-	-	7,792,965
Deferred income and provision for credit related commitments	1,752,558	3,357,097	3,361,122	21,347,324	275,460,182	305,278,283
Other financial liabilities	457,690	-	-	-	-	457,690
Total potential future payments for financial obligations	8,532,816	5,926,344	3,444,864	21,601,483	444,570,138	484,075,645
Liquidity gap arising from financial instruments	83,060,021	14,406,007	5,913,010	(13,855,048)	(209,984,484)	(120,460,494)

The Fund manages the negative value of net liquidity through various instruments. The Fund has sufficient resources and will be able to respond in time to possible cash shortages. Also, the Fund has support from the parent company to obtain funding to maintain liquidity.

26 Financial Risk Management (continued)

The expected maturities and the expected liquidity gap as of 31 December 2020 can be represented as follows:

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
31 December 2020						
FINANCIAL ASSETS						
Cash and cash equivalents	87,151,266	-	-	-	-	87,151,266
Securities at fair value through profit or loss	-	-	1,821,694	-	898,016	2,719,710
Due from financial institutions	1,665,177	8,179,327	2,705,050	7,641,949	209,249,639	229,441,142
Due from subsidy programs	162,139	-	-	-	-	162,139
Loans and advances to customers	431,011	10,551	17,219	32,980	65,206	556,967
Securities at fair value through other comprehensive income	4,508,766	4,679,491	4,120,255	-	545,353	13,853,865
Securities at amortised cost	-	-	-	-	5,255,723	5,255,723
Other financial assets	239,846	413,482	-	-	39,083	692,411
Total financial assets	94,158,205	13,282,851	8,664,218	7,674,929	216,053,020	339,833,223
FINANCIAL LIABILITIES						
Borrowed funds	459,016	451,473	505,011	267,101	174,142,304	175,824,905
Investments in debt security	-	-	-	-	209,139	209,139
Liabilities on subsidy programs	18,528,165	5,673,171	-	-	-	24,201,336
Deferred income and provision for credit related commitments	61,398	700,439	2,227,283	31,651,234	160,056,039	194,696,393
Other financial liabilities	380,888	26,933	41,162	85,145	-	534,128
Total potential future payments for financial obligations	19,429,467	6,852,016	2,773,456	32,003,480	334,407,482	395,465,901
Liquidity gap arising from financial instruments	74,728,738	6,430,835	5,890,762	(24,328,551)	(118,354,462)	(55,632,678)

27 Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Fund may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax legislation

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice are in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Fund. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Fund management believes that its interpretation of the relevant legislation is appropriate and the Fund's tax positions will be sustained.

27 Contingencies and Commitments (continued)

Operating lease commitments

The Fund leases a number of premises and vehicles under operating leases. The leases typically run for an initial period of one year, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Fund will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Fund is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Fund monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. The Fund reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 26.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Fund uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Outstanding credit related commitments are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2021	31 December 2020
Guarantees issued		280,534,620	151,794,522
Guarantees issued as collateral of loans		20,470,000	36,156,550
Undrawn credit lines		4,273,663	6,745,320
Less: Provision for credit related commitments	15	(25,556,498)	(24,585,176)
Total credit related commitments, net of provision		279,721,785	170,111,216

During 2015, the Fund issued guarantees to "Bank CenterCredit" JSC in respect of credit lines opened by "Bank CenterCredit" JSC in European Bank for Reconstruction and Development (the "EBRD") for the total amount of loans received. As of 31 December 2021, "Bank CenterCredit" JSC had drawn down the EBRD loans for the amount of Tenge zero (2020: Tenge 15,687 million). The management of the Fund assessed fair value of these guarantees based on commission fees received from "Bank CenterCredit" JSC. As of 31 December 2021, the amount of accrued commission income was Tenge 41,977 thousand (2020: Tenge 26,807 thousand) (Note 15). The contract was further terminated in January 2022.

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Movements in provisions for credit related commitments are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Carrying amount at 1 January	(24,585,176)	(1,246,384)
Losses charged to profit or loss	1,190,027	(12,017,435)
Unused amounts reversed	2,187,816	672,537
Other	(4,349,165)	(11,993,894)
Carrying amount at 31 December	(25,556,498)	(24,585,176)

27 Contingencies and Commitments (continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2021 is as follows.

<i>In thousands of Kazakhstani Tenge</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Issued financial guarantees				
<i>Not overdue:</i>	221,200,155	46,631,679	5,487,913	273,319,747
<i>Overdue:</i>				
- less than 31 days overdue	2,461,702	1,528,629	305,252	4,295,583
- 31 to 60 days overdue	-	968,126	176,221	1,144,347
- 61 to 90 days overdue	-	376,794	124,637	501,431
- over 91 days overdue	-	-	1,273,511	1,273,511
Unrecognised gross amount	223,661,857	49,505,228	7,367,534	280,534,619
Provision for financial guarantees	(11,156,233)	(7,303,151)	(6,814,674)	(25,274,058)
Issued financial guarantees against the security of loans				
- B rated	20,470,000	-	-	20,470,000
Unrecognised gross amount	20,470,000	-	-	20,470,000
Provision for financial guarantees against the security of loans	(41,977)	-	-	(41,977)
Loan commitments				
- BB- to BB+ rated	318,663	-	-	318,663
Internal assessment of the Fund				
- Good level	2,500,000	-	-	2,500,000
- Satisfactory level	1,455,000	-	-	1,455,000
Unrecognised gross amount	4,273,663	-	-	4,273,663
Provision for loan commitments	(240,463)	-	-	(240,463)

27 Contingencies and Commitments (continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2020 is as follows.

<i>In thousands of Kazakhstani Tenge</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Issued financial guarantees				
<i>Not overdue:</i>	75,406,493	66,441,305	4,130,736	145,978,534
<i>Overdue:</i>				
- less than 31 days overdue	124,991	1,445,691	1,498,584	3,069,266
- 31 to 60 days overdue	-	258,759	1,087,838	1,346,597
- 61 to 90 days overdue	-	89,042	704,533	793,575
- over 91 days overdue	-	-	606,550	606,550
Unrecognised gross amount	75,531,484	68,234,797	8,028,241	151,794,522
Provision for financial guarantees	(4,003,262)	(12,363,957)	(8,075,900)	(24,443,118)
Issued financial guarantees against the security of loans				
- B rated	36,156,550	-	-	36,156,550
Unrecognised gross amount	36,156,550	-	-	36,156,550
Provision for financial guarantees against the security of loans	(59,230)	-	-	(59,230)
Loan commitments				
- BB- to BB+ rated	500,000	-	-	500,000
- B- to B+ rated	3,798,009	-	-	3,798,009
- unrated	2,447,311	-	-	2,447,311
Unrecognised gross amount	6,745,320	-	-	6,745,320
Provision for loan commitments	(82,828)	-	-	(82,828)

28 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021		2020	
	Level 1	Level 2	Level 1	Level 2
FINANCIAL ASSETS				
Securities at fair value through profit or loss				
- Corporate bonds	-	-	-	1,314,249
- Kazakhstani government bonds	-	934,811	-	1,405,461
Investment securities available for sale				
- NBRK notes	-	27,542,151	-	13,308,512
- Corporate bonds	-	-	-	545,353
- Kazakhstan government bonds	-	6,087,499	-	-
- Bonds of NWF "Samruk-Kazyna" JSC	-	3,420,495	-	-
- Bonds of second-tier banks of the Republic of Kazakhstan	-	1,543,324	-	-
- Bonds of foreign banks and financial institutions	-	1,943,378	-	-
Total assets recurring fair value measurements	-	41,471,658	-	16,573,575

The fair value of investment securities was estimated using the rates of Kazakhstan Stock Exchange JSC. Due to insignificant trading volumes with similar instruments, these investment securities are set at level 2.

28 Fair Value Disclosures (continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021			Carrying value
	Level 1	Level 2	Level 3	
FINANCIAL ASSETS				
Cash and cash equivalents	2,361,621	74,520,763	-	76,882,383
Due from financial institutions				
- Loans given to financial institutions and loans given in the framework of Islamic finance	-	181,681,531	-	234,179,331
- Placements with banks with initial maturity more than 3 months	-	5,124,628		5,124,629
Due from subsidy programs				
- Due from subsidy programs	-	-	77,899	77,899
Loans and advances to customers				
- Loans to small and medium size entities	-	-	252,248	252,248
Investment securities at amortised cost	-	-	5,529,965	5,529,965
Other financial assets				
- Other	-	-	97,037	97,037
Total assets carried at amortised cost	2,361,621	261,326,922	5,957,149	322,143,492
FINANCIAL LIABILITIES				
Borrowed funds				
- Baiterek NMH JSC	-	53,741,777	-	96,380,615
- Samruk-Kazyna NWF JSC	-	19,145,461	-	19,416,325
- Municipal authorities	-	35,351,529	-	53,505,589
- Investments in debt securities			1,244,178	1,244,178
Liabilities on subsidy programs				
- Municipal authorities	-	-	2,235,070	2,235,070
- Banks	-	-	5,557,895	5,557,895
Deferred income and provision for credit related commitments				
- Deferred income	-	-	31,305,328	31,305,328
- Financial guarantees	-	-	25,556,498	25,556,498
Other financial liabilities				
- Other	-	-	457,690	457,690
Total liabilities carried at amortised cost	-	108,238,767	66,356,659	235,659,188

28 Fair Value Disclosures (continued)

Liabilities on subsidy programs and deferred income and provision for credit related commitments with a maturity of less than a year are set at Level 3. The fair value of these funds is equal to the book value.

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2020 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2020			Carrying value
	Level 1	Level 2	Level 3	
FINANCIAL ASSETS				
Cash and cash equivalents	15,143,190	72,008,076	-	87,151,266
Due from financial institutions				
- Loans given to financial institutions and loans given in the framework of Islamic finance	-	190,134,685	-	218,850,080
- Placements with banks with initial maturity more than 3 months	-	10,591,062	-	10,591,062
Due from subsidy programs				
- Due from subsidy programs	-	-	162,139	162,139
Loans and advances to customers				
- Loans to small and medium size entities	-	-	556,967	556,967
Investment securities at amortised cost	-	-	5,255,723	5,255,723
Other financial assets				
- Other	-	-	692,411	692,411
Total assets carried at amortised cost	15,143,190	272,733,823	6,667,240	323,259,648
FINANCIAL LIABILITIES				
Borrowed funds				
- Baiterek NMH JSC	-	43,178,594	-	90,549,594
- Samruk-Kazyna NWF JSC	-	18,407,447	-	19,416,325
- Municipal authorities	-	41,583,075	-	65,858,986
- Investments in debt securities	-	-	209,139	209,139
Liabilities on subsidy programs				
- Municipal authorities	-	-	5,673,171	5,673,171
- Banks	-	-	18,528,165	18,528,165
Deferred income and provision for credit related commitments				
- Deferred income	-	-	12,624,528	12,624,528
- Financial guarantees	-	-	24,585,176	24,585,176
Other financial liabilities				
- Other	-	-	534,128	534,128
Total liabilities carried at amortised cost	-	103,169,116	62,154,307	237,979,212

Cash and cash equivalents

Cash in the National Bank of the Republic of Kazakhstan with a maturity of less than three months is set at Level 1, all other funds at Level 2. The fair value of these funds is equal to the book value.

Loans and advances to customers, financial institutions and borrowed funds

The fair value measurement at Level 2 of the fair value hierarchy was performed using the discounted cash flow model. The fair value of fixed interest rate instruments that are not quoted in an active market was estimated based on estimated future cash flows discounted using current interest rates on the borrowing market for new instruments with similar credit risk and a similar maturity.

Investment securities at amortised cost

The fair value measurement at Level 3 of the fair value hierarchy was performed using the discounted cash flow model. The fair value of fixed interest rate instruments that are not quoted in an active market was estimated based on estimated future cash flows discounted using current interest rates on the borrowing market for new instruments with similar credit risk and a similar maturity.

28 Fair Value Disclosures (continued)

Liabilities on subsidy programs and deferred income and provision for credit related commitments with a maturity of less than a year are set at Level 3. The fair value of these funds is equal to the book value.

29 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2021:

<i>In thousands of Kazakhstani Tenge</i>	Measured at fair value through profit or loss (designated)	Measured at fair value through other comprehensive income	Measured at amortised cost	Total
FINANCIAL ASSETS				
Cash and cash equivalents				
- Current accounts with banks	-	-	10,380,343	10,380,343
- Cash balances with the NBRK (other than mandatory reserve deposits)	-	-	2,361,621	2,361,621
- Reverse sale and repurchase agreements (Reverse Repo)	-	-	64,140,419	64,140,419
Securities at fair value through profit or loss				
- Kazakhstani government bonds	934,811	-	-	934,811
Due from financial institutions				
- Loans given to financial institutions	-	-	218,341,052	218,341,052
- Loans given in the framework of Islamic finance	-	-	15,838,279	15,838,279
- Placements with other banks with original maturities of more than three months	-	-	5,124,629	5,124,629
Due from subsidy programs				
- Due from subsidy programs	-	-	77,899	77,899
Loans and advances to customers				
- Loans to small and medium size entities	-	-	252,248	252,248
Investment securities at fair value through other comprehensive income				
- NBRK notes	-	27,542,152	-	27,542,152
- Kazakhstani government bonds	-	6,087,499	-	6,087,499
- Corporate bonds	-	4,963,820	-	4,963,820
- Облигаций международных финансовых организаций	-	1,943,378	-	1,943,378
Investment securities at amortised cost				
- Corporate bonds	-	-	4,712,972	4,712,972
- Bonds of other corporate issuers	-	-	816,992	816,992
Other financial assets				
- Other	-	-	107,451	107,451
TOTAL FINANCIAL ASSETS	934,811	40,536,849	322,153,905	363,625,565

29 Presentation of Financial Instruments by Measurement Category (continued)

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2020:

<i>In thousands of Kazakhstani Tenge</i>	Measured at fair value through profit or loss (mandatory)	Measured at fair value through profit or loss (designated)	Measured at fair value through other comprehensive income	Measured at amortised cost	Total
FINANCIAL ASSETS					
Cash and cash equivalents					
- Current accounts with banks	-	-	-	22,603,509	22,603,509
- Cash balances with the NBRK (other than mandatory reserve deposits)	-	-	-	15,143,190	15,143,190
- Reverse sale and repurchase agreements (Reverse Repo)	-	-	-	49,404,567	49,404,567
Securities at fair value through profit or loss					
- Corporate bonds	-	1,314,249	-	-	1,314,249
- Kazakhstani government bonds	-	1,405,461	-	-	1,405,461
Due from financial institutions					
- Loans given to financial institutions	-	-	-	206,576,267	206,576,267
- Loans given in the framework of Islamic finance	-	-	-	12,273,812	12,273,812
- Placements with other banks with original maturities of more than three months	-	-	-	10,591,062	10,591,062
Due from subsidy programs					
- Due from subsidy programs	-	-	-	162,139	162,139
Loans and advances to customers					
- Loans to small and medium size entities	-	-	-	556,967	556,967
Investment securities at fair value through other comprehensive income					
- NBRK notes	-	-	13,308,512	-	13,308,512
- Corporate bonds	-	-	545,353	-	545,353
Investment securities at amortised cost					
- Corporate bonds	-	-	-	4,437,602	4,437,602
- Bonds of other corporate issuers	-	-	-	818,121	818,121
Other financial assets					
- Other	-	-	-	692,411	692,411
TOTAL FINANCIAL ASSETS	-	2,719,710	13,853,865	323,259,647	339,833,222

As at 31 December 2021 and 31 December 2020, all liabilities of the Fund are measured at amortised cost.

30 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2021, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Sole Shareholder	Entities under common control	Other related parties
Cash and cash equivalents (contractual interest rate: 0%)	-	301,281	2,361,621
Investment securities at fair value through profit or loss (contractual interest rate: 4.93%-7.68%)	-	-	934,811
Investment securities at fair value through profit or loss (contractual interest rate: 0%)	-	-	37,050,145
Due from subsidy programs	-	10,414	-
Current income tax prepayment (interest rate: 15%)	-	-	3,357,383
Deferred tax asset (interest rate: 20%)	-	-	3,132,896
Other financial assets (interest rate: 0%)	-	-	212
Other assets	-	661	297,771
Borrowed funds (contractual interest rate: 0.1%-5.5%)	96,380,615	-	72,921,914
Liabilities on subsidy programs (contractual interest rate: 0%)	-	-	2,235,059
Other financial liabilities	-	1,427	-
Other liabilities	-	-	98,873

The income and expense items with related parties for 2021 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Sole Shareholder	Entities under common control	Other related parties
Interest income	-	-	2,730,337
Interest expense	(6,147,221)	(2,803)	(1,070,385)
Losses less gains from securities at fair value through profit or loss	-	-	36,705
Fee and commission income	-	-	625,600
Income net of expenses/(losses net of income) from foreign exchange operations	-	-	45,766
General and administrative expenses	(69)	(58,175)	(145,148)
Other operating (expense)/income	-	10,257	-
Income tax expense	-	-	(5,548,645)
Other (expense)/income	-	-	2,126

30 Related Party Transactions (continued)

At 31 December 2020, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Sole Shareholder	Entities under common control	Other related parties
Cash and cash equivalents (contractual interest rate: 0%)	-	366,260	15,187,568
Investment securities at fair value through profit or loss (contractual interest rate: 4.93%-7.68%)	-	-	1,405,461
Investment securities at fair value through profit or loss (contractual interest rate: 0%)	-	-	13,308,512
Due from financial institutions (contractual interest rate: 1%-8.5%)	-	-	8,952,492
Current income tax prepayment (interest rate: 15%)	-	-	7,430,331
Deferred tax asset (interest rate: 20%)	-	-	2,978,187
Other financial assets (interest rate: 0%)	-	-	-
Other assets	-	-	459,691
Borrowed funds (contractual interest rate: 0.1%-5.5%)	90,549,594	-	85,275,311
Liabilities on subsidy programs (contractual interest rate: 0%)	-	-	5,670,743
Other financial liabilities	-	71,430	-
Other liabilities	-	-	357,614

The income and expense items with related parties for 2020 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Sole Shareholder	Entities under common control	Other related parties
Interest income	-	-	1,188,359
Interest expense	(6,006,567)	(7,774)	(1,082,792)
Losses less gains from securities at fair value through profit or loss	-	-	32,388
Fee and commission income	-	-	828,560
Recovery of provision for due from financial institutions	-	-	-
Net loss on initial recognition of financial instruments at rates below market	-	-	-
Provision for credit related commitments	-	-	(123,253)
General and administrative expenses	-	(50,495)	(152,021)
Other operating (expense)/income	-	-	-
Income tax expense	-	-	(1,425,201)

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Amounts lent to related parties during the year	-	-
Amounts repaid by related parties during the year	-	5,044,027

Related party transactions are not collateralised. Balances with related parties are not credit impaired.

Key management compensation

Key management includes following parties: members of Board of Directors, member of Management Board, Managing Directors and Chief of staff.

30 Related Party Transactions (continued)

Key management compensation is presented below:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
<i>Short-term benefits:</i>		
- Salaries	234,414	216,240
- Short-term bonuses	67,935	70,423
- Benefits in-kind	2,740	11,908
Total	305,089	298,571

31 Events after the End of the Reporting Period

On 2 January 2022 population protests triggered by the rise in fuel gas prices began in Mangistau region and further spread to other regions in Kazakhstan. In the course of the protests, a number of social and economic demands were made. Although the Government took a comprehensive set of measures in order to respond to the people's demands, including a decrease in fuel gas prices, protests consequently turned into social unrest, during which the municipal governments' ("akimat") and law enforcement authorities' buildings were captured. Major events took place in Almaty and southern regions of the country.

As a result, on 5 January 2022 the state of emergency was declared until 19 January 2022, and restrictions were imposed on communication and transportation of both people and vehicles, including railway and airline carriage.

Currently, the situation in all regions of the country has stabilized, the state of emergency canceled. Utilities and life support systems have been fully restored, and restrictions on communication and transportation of both people and vehicles have been relieved.

The events have not had a material impact on the activities of the Fund.

On 24 February 2022, after deterioration of relations between Russia and Ukraine, Russia launched a special military operation in Ukraine. As a result of this event, there is an expectation of further restrictions of Russian entities to Euro and US\$ financial markets including removing access to the international SWIFT system. There is an expectation of further sanctions and limitations on business activity of companies registered in Russia.

These events may have a negative impact on the financial condition of banks that have funds of the Fund, which parent companies are registered in Russia. In particular, credit ratings may be lowered, customer funds outflows may take place, and the liquidity of these banks may deteriorate.

As of 31 December 2021, and the date of issue of the financial statements, the Fund had funds with subsidiaries of Russian banks in the form of loans issued, cash placed on current accounts and deposits. The total amount of funds placed as of 31 December 2021 was 113,347,241 thousand Tenge, and on the date of issue financial statement 108,919,187 thousand Tenge.

Management of the Fund monitors the financial condition of these banks and assesses possible negative consequences in case of non-repayment of these funds. These events considered as subsequent events after reporting date that do not require adjustment at the balance sheet date.

On 24 February 2022, the NBRK decided to increase the base rate from 10.25% to 13.5%. Change of the base rate may adversely affect the implementation of the Fund's programs due to the expected increase in rates on loans to small and medium-sized businesses.