JSC HALYK BANK

Separate Financial Statements
and Independent Auditors' Report
For the Year Ended 31 December 2023

JSC Halyk Bank

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JSC HALYK BANK

Statement of Management's Responsibilities
For the Preparation and Approval of the Separate Financial Statements
For the year ended 31 December 2023

Management is responsible for the preparation of the separate financial statements that present fairly the financial position of JSC Halyk Bank (the "Bank") as at 31 December 2023, the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements (the "financial statements") in compliance with International Financial Reporting Standards ("IFRS").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's separate financial position and financial performance; and
- Making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the separate financial position of the Bank, and which enable them to ensure that the separate financial statements of the Bank comply with IFRS;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

These separate financial statements of the Bank for the year ended 31 December 2023 were approved by the Management Board on 13 March 2024.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

Deloitte LLP
36 Al Farabi Avenue
Almaty, 050059
Republic of Kazakhstan

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC Halyk Bank

Opinion

We have audited the separate financial statements of JSC Halyk Bank (the "Bank"), which comprise the separate statement of financial position as at 31 December 2023, the separate statement of profit or loss, separate statement of other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of material accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 Separate Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 4b to the separate financial statements which describes the restatement of corresponding figures for the year ended 31 December 2022. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
Collective assessment of the expected credit losses on loans to customers	
As at 31 December 2023, the Bank reported total gross loans of KZT 9,568,025 million, including KZT 3,563,401 million subject to collective impairment assessment, which comprise 37% of total gross loans. The expected credit losses ("ECL") resulting from this assessment amounted to KZT 215,303 million. Due to the significance and subjectivity of judgements used by management of the Bank and the volume of loans assessed on a collective basis, we identified the collective assessment of expected credit losses as a key audit matter. In particular, we focused on the principal assumptions and significant inputs underlying the estimation of ECL and the integrity of the models used in calculations. Refer to Notes 4, 11 and 33 to the separate financial statements for the description of the Bank's policy and disclosures of gross carrying amounts and related allowances balances.	We obtained an understanding of processes and control procedures related to the loan origination and ECL for collective assessment of loans to customers. We challenged the reasonableness of the methodology on collective loan loss provisioning and its compliance with IFRS 9 Financial Instruments requirements. We checked that the data inputs and key assumptions used in the models for assessing PDs and LGDs reflect historical information about incurred credit losses adjusted for relevant forward-looking macroeconomic factors. With the involvement of our credit risk advisory specialists, we tested the integrity and mathematical accuracy of the ECL credit models used by re-performing selective calculations on relevant source data. We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

Individual assessment of the expected credit losses on loans to customers	
As at 31 December 2023, the Group's gross loans assessed for impairment on an individual basis amounted to KZT 6,004,624 million, which accounts for 63% of total gross loans. The related ECL comprised KZT 261,163 million. The amount of allowances for the ECL on individually significant loans is dependent on the accuracy of allocation of loans to appropriate stage of impairment in the provisioning system of the Bank. The appropriate identification of significant increase in credit risk or credit impairment event require considerable judgment on the basis of quantitative and qualitative information, which results in focused audit procedures. Additionally, the measurement of ECL on individually significant credit-impaired loans is based on the estimation of future cash flows under different scenarios. Due to the significance of the allowance for expected credit losses on individually assessed loans and the complexity and subjectivity of management's judgements, we identified the individual assessment of ECL as a key audit matter. Refer to Notes 4, 11 and 33 to the consolidated financial statements for the description of impairment indicators on individually significant loans and disclosure of gross carrying amounts and related allowances for such loans.	We obtained an understanding of the loan origination. We assessed the Bank's definitions of significant increase in credit risk and credit-impairment for assessment of individual loans' ECL. We also evaluated the design and implementation of controls related to individual assessment of the ECL on loans to customers. For a sample of loans identified as stage 1, we performed a detailed credit review and challenged the Bank's analysis of whether there was a significant increase in credit risk (stage 2) or default (stage 3). In order to evaluate whether the loans have been appropriately classified to the respective stage, we analysed internal credit ratings (scoring), credit risk factors and checked if relevant impairment events, such as delinquency of interest or principal, restructuring events, external information and certain financial performance indicators had been identified on a timely manner. On a sample basis, we re-performed calculations of allowances for ECL for individually significant loans in stage 2 and 3, including reviewing the Bank's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, such as estimated future cash flows and the fair value of collateral. We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the separate financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate 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 Separate Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Roman Sattarov
Engagement Partner
Qualified Auditor
Qualification certificate
MF-0000149
dated 31 May 2013

Daulet Kuatbekov
Acting General Director
Deloitte LLP

State license on auditing in the
Republic of Kazakhstan
No. 0000015,
type MFU-2, issued by the,
Ministry of Finance of the
Republic of Kazakhstan
dated 13 September 2006

13 March 2024
Almaty, Republic of Kazakhstan

JSC Halyk Bank

Statement of Financial Position
As at 31 December 2023
(Millions of Kazakhstani Tenge)

	Notes	31 December 2023	31 December 2022 (restated)*
ASSETS			
Cash and cash equivalents	5, 33	1,279,528	1,930,222
Obligatory reserves	6	234,054	234,552
Financial assets at fair value through profit or loss	7	180,999	128,013
Amounts due from credit institutions	8, 33	350,194	283,943
Financial assets at fair value through other comprehensive income	9	2,334,694	2,011,201
Debt securities at amortised cost, net of allowances for expected credit losses	10	714,963	982,956
Investments in subsidiaries	11, 33	431,406	371,141
Loans to customers	12, 33	9,091,559	7,672,379
Property and equipment and intangible assets	13	184,094	173,730
Assets classified as held for sale	14	37,897	20,029
Current tax assets		4,892	-
Other assets	15, 33	127,176	94,434
Total assets		**14,971,456**	**13,902,600**
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	16, 33	10,803,162	10,332,790
Amounts due to credit institutions	17, 33	757,831	847,522
Financial liabilities at fair value through profit or loss	7	4,202	9,642
Debt securities issued	18, 33	660,927	470,862
Provisions	22	11,653	13,806
Current tax liability		-	9,844
Deferred tax liability	19	58,179	71,637
Other liabilities	20	221,018	173,772
Total liabilities		**12,516,972**	**11,929,875**
EQUITY			
Share capital	21	212,690	212,690
Share premium reserve		1,768	1,768
Treasury shares		(260,599)	(260,599)
Retained earnings and other reserves		2,500,625	2,018,866
Total equity		**2,454,484**	**1,972,725**
TOTAL LIABILITIES AND EQUITY		**14,971,456**	**13,902,600**

* Comparative information has been restated in accordance with Note 4b

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

The accompanying notes are an integral part of these separate financial statements.

JSC Halyk Bank

Statement of Profit or Loss
For the year ended 31 December 2023
(Millions of Kazakhstani Tenge, Except for Earnings per Share which is in Tenge)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)*
Interest income calculated using the effective interest method	23, 33	1,586,166	1,179,868
Other interest income	23, 33	4,206	-
Interest expense	23, 33	(825,386)	(558,760)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE		764,986	621,108
Expected credit loss expense	5, 8, 9, 10, 12	(72,249)	(85,632)
NET INTEREST INCOME		692,737	535,476
Fee and commission income	24, 33	193,999	171,586
Fee and commission expense	24, 33	(97,028)	(93,437)
Fees and commissions, net		96,971	78,149
Net gain from financial assets and liabilities at fair value through profit or loss	25	64,999	13,989
Net realised loss from financial assets at fair value through other comprehensive income		(3,712)	(1,118)
Net foreign exchange gain	26	86,060	157,865
Share in profit of associate	33	13,593	9,708
Dividends received from subsidiaries	33	18,310	-
Income from non-banking activities		4,602	1,354
Other expense		(41,305)	(7,264)
OTHER NON-INTEREST INCOME		142,547	174,534
Operating expenses	27, 33	(175,424)	(153,511)
Reversal of previous impairment loss on non-financial assets		-	(2,376)
Loss from impairment of assets held for sale	14	-	(810)
Loss from impairment of non-financial assets		(58)	-
Recovery/(provision) of other credit loss expense	22	1,776	(20)
NON-INTEREST EXPENSES		(173,706)	(151,965)
INCOME BEFORE INCOME TAX EXPENSE		758,549	636,194
Income tax expense	19	(111,340)	(94,596)
NET INCOME		**647,209**	**541,598**
Basic and diluted earnings per share (in Kazakhstani Tenge)	28	59.33	49.65

* Comparative information has been restated in accordance with Note 46

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

The accompanying notes are an integral part of these separate financial statements.

JSC Halyk Bank

Statement of Other Comprehensive Income
For the year ended 31 December 2023
(Millions of Kazakhstani Tenge)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)*
Net income		**647,209**	**541,598**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
(Loss)/gain resulting on revaluation of property and equipment (2023, 2022 – net of tax – KZT nill, KZT 4,035 million)		(14)	16,690
Items to be subsequently reclassified to profit or loss:			
Income/(loss) on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the year (2023, 2022 – net of tax –KZT nil)		48,685	(96,006)
Unrealised gain on revaluation of investments in subsidiaries		57,806	28,167
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of during the year (2023, 2022 – net of tax – KZT nil)		3,712	1,118
Share of other comprehensive gain/(loss) of associate on revaluation of debt financial assets at fair value through other comprehensive income		1,189	(1,477)
Share of other comprehensive income of associate on revaluation of property and equipment		24	23
Other comprehensive income/(loss) for the year		111,402	(51,485)
Total comprehensive income for the year		**758,611**	**490,113**

* Comparative information has been restated in accordance with Note 4b

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

The accompanying notes are an integral part of these separate financial statements.

Statement of Changes in Equity
For the year ended 31 December 2023
(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury shares	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Investments in subsidiaries revaluation reserve*	Retained earnings*	Total equity
31 December 2022	**212,690**	**1,768**	**(260,599)**	**(72,391)**	**36,605**	**140,184**	**1,914,468**	**1,972,725**
Net income	-	-	-	-	-	-	647,209	647,209
Other comprehensive income	-	-	-	53,586	10	57,806	-	111,402
Total comprehensive income	**-**	**-**	**-**	**53,586**	**10**	**57,806**	**647,209**	**758,611**
Dividends - common shares (Note 21)	-	-	-	-	-	-	(276,852)	(276,852)
Disposal of investments in subsidiaries	-	-	-	-	-	(10,908)	10,908	-
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	(1,742)	-	1,742	-
31 December 2023	**212,690**	**1,768**	**(260,599)**	**(18,805)**	**34,873**	**187,082**	**2,297,475**	**2,454,484**

* These amounts are included within retained earnings and other reserves in the separate statement of financial position.

Statement of Changes in Equity
For the year ended 31 December 2023 (Continued)
(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury shares	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Investments in subsidiaries revaluation reserve*	Retained earnings*	Total equity
31 December 2021	**212,690**	**1,850**	**(260,599)**	**23,974**	**21,226**	**70,193**	**1,468,280**	**1,537,614**
Effect of revaluation of financial assets measured at fair value through profit or loss (Note 4b)							83,724	**83,724**
31 December 2021 (as restated)	**212,690**	**1,850**	**(260,599)**	**23,974**	**21,226**	**70,193**	**1,552,004**	**1,621,338**
Net income	-	-	-	-	-	-	541,598	**541,598**
Other comprehensive (loss)/income	-	-	-	(96,365)	16,713	28,167	-	**(51,485)**
Total comprehensive (loss)/income	**-**	**-**	**-**	**(96,365)**	**16,713**	**28,167**	**541,598**	**490,113**
Treasury shares purchased (Note 21)	-	(82)	-	-	-	-	-	**(82)**
Dividends - common shares (Note 21)	-	-	-	-	-	-	(138,644)	**(138,644)**
Disposal of investments in subsidiaries	-	-	-	-	-	41,824	(41,824)	-
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	(1,334)	-	1,334	-
31 December 2022	**212,690**	**1,768**	**(260,599)**	**(72,391)**	**36,605**	**140,184**	**1,914,468**	**1,972,725**

* These amounts are included within retained earnings and other reserves in the separate statement of financial position.

On behalf of the Management Board:

Umut B. Shayakhmetova	**Pavel A. Cheussov**
Chairperson of the Board	**Chief Accountant**
13 March 2024	13 March 2024
Almaty, Kazakhstan	Almaty, Kazakhstan

The accompanying notes are an integral part of these separate financial statements.

JSC Halyk Bank

Statement of Cash Flows
For the year ended 31 December 2023
(Millions of Kazakhstani Tenge)

	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received on financial assets at fair value through profit or loss	1,421	-
Interest received from cash equivalents and amounts due from credit institutions	46,705	36,336
Interest received on financial assets at fair value through other comprehensive income	117,150	91,887
Interest received on debt securities at amortised cost, net of allowances for expected credit losses	75,460	99,152
Interest received from loans to customers	1,292,004	921,602
Interest paid on amounts due to customers	(686,686)	(453,148)
Interest paid on amounts due to credit institutions	(41,185)	(60,130)
Interest paid on debt securities issued	(32,374)	(38,139)
Fee and commission received	192,301	174,631
Fee and commission paid	(96,132)	(89,053)
Receipts from derivative financial instruments	28,129	13,586
Other expense paid	(36,703)	(5,910)
Operating expenses paid	(157,542)	(133,641)
Cash flows from operating activities before changes in net operating assets	702,548	557,173
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	498	(57,022)
Financial assets at fair value through profit or loss	(13,331)	(17,856)
Amounts due from credit institutions	(70,553)	484,222
Loans to customers	(1,509,414)	(1,946,315)
Assets held for sale	29,445	24,224
Other assets	(19,731)	(25,191)
Increase/(decrease) in operating liabilities:		
Amounts due to customers	579,608	1,950,820
Amounts due to credit institutions	(77,111)	(195,270)
Financial liabilities at fair value through profit or loss	(5,440)	7,881
Other liabilities	47,056	34,018
Cash (outflow)/inflow from operating activities before income tax	(336,425)	816,684
Income tax paid	(139,534)	(93,563)
Net cash (outflow)/inflow from operating activities	**(475,959)**	**723,121**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and prepayments for property and equipment and intangible assets	(24,430)	(18,483)
Proceeds on sale of property and equipment	459	407
Proceeds from sale of financial assets at fair value through other comprehensive income	636,674	363,313
Purchase of financial assets at fair value through other comprehensive income	(889,942)	(646,334)
Proceeds from sale of equity securities at amortised cost, net of allowances for expected credit losses	259,788	282,365
Investments to share capital of subsidiaries	(9,343)	-
Proceeds from sale investments of subsidiaries	-	9,895
Dividends received from subsidiaries	18,310	-
Net cash outflow from investing activities	**(8,484)**	**(8,837)**

JSC Halyk Bank

Statement of Cash Flows (Continued)
For the year ended 31 December 2023
(Millions of Kazakhstani Tenge)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(276,852)	(138,644)
Purchase of treasury shares		-	(82)
Proceeds from issue of debt securities issued	18	325,696	127,886
Redemption and repayment of debt securities issued	18	(140,705)	(177,600)
Repayment of lease liabilities		(1,858)	(1,764)
Net cash outflow from financing activities		**(93,719)**	**(190,204)**
Effect of changes in foreign exchange rate on cash and cash equivalents		(72,532)	83,801
Net change in cash and cash equivalents		(650,694)	607,881
CASH AND CASH EQUIVALENTS, beginning of the year	**5**	**1,930,222**	**1,322,341**
CASH AND CASH EQUIVALENTS, end of the year	**5**	**1,279,528**	**1,930,222**

During the years ended 31 December 2023 and 2022, there were non-cash transfers, which were excluded from the statement of cash flows and disclosed in Notes 12, 13, 15 and 21.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

The accompanying notes are an integral part of these separate financial statements.

1. Principal activities

JSC Halyk Bank (the "Bank") provides retail and corporate banking services in the Republic of Kazakhstan. The primary state registration of the Bank with the authorities of justice of the Republic of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on 23 June 2023. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Deposit Insurance Fund.

The Bank's primary business includes originating loans and guarantees, attracting deposits, trading in securities and foreign currencies, executing transfers, cash and payment card operations and rendering other banking services to its customers. In addition, the Bank acts as the non-exclusive agent of the Government of the Republic of Kazakhstan in channeling various budgetary payments and pensions through its nationwide branch network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE") and Astana International Exchange. The Bank's Global Depository Receipts ("GDRs") are primary listed on the London Stock Exchange and Astana International Exchange. In addition, the Bank's Eurobonds are primary listed on the London Stock Exchange and Luxembourg Stock Exchange.

The Bank is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva, via JSC "Holding group Almex".

As at 31 December 2023, the Bank operated through its head office in Almaty and its 25 regional branches, 119 sub-regional offices and 426 cash settlement units (31 December 2022 – 24, 120 and 428, respectively) located throughout Kazakhstan. The address of the Bank's registered office is:
40 Al-Farabi Avenue, Almaty, A26M3K5, Kazakhstan.

As at 31 December 2023, the number of the Bank's employees was 14,415 (31 December 2022 – 14,484).

The separate financial statements of the Bank for the year ended 31 December 2023 were authorised for issue by the Management Board on 13 March 2024.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these separate financial statements.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Also, the government expenses on major infrastructure projects and various socio-economic development programs have a significant impact on the country's economy.

The military and political conflict between Russian Federation and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises.

In 2023, the average price for Brent crude oil was 83 USD per barrel (2022 – 101 USD per barrel). According to preliminary estimates, the Kazakhstan's gross domestic product ("GDP") grew by 4.9% per annum in 2023 (2022 – 3.2%). Inflation in the country declined in 2023 to 9.8% per annum (2022 – inflation was 20.3% per annum).

In 2023, the National Bank of the Republic of Kazakhstan reduced the base rate from 16.75% to 15.75% per annum with a corridor of +/- 1.0 percentage points. In January 2024, the base rate further decreased to 15.25% per annum with a corridor of +/- 1.0 percentage points, in February 2024, the base rate decreased to 14.75% per annum with a corridor of +/- 1.0 percentage points. However, the uncertainty still exists related to future development of the geopolitical risks and their impact on the economy of Kazakhstan.

The impact of anti-Russian sanctions has a limited impact on the Bank's currency risk; risks related to Russian securities and Russian banks are intangible in relation to the Bank's assets. The risk on securities of Russian issuers is represented mainly by bonds of the JSC Eurasian Development Bank (S&P rating BBB-, not included in the sanctions lists), claims on Russian banks are represented by insignificant amounts of balances on nostro accounts. The Bank also has claims on securities of issuers of the Republic of Kazakhstan denominated in Russian rubles in amounts that are intangible in relation to the Bank's assets. Due to significant changes in the operating environment caused by realized geopolitical risks, an extraordinary stress test of the Bank's financial stability was carried out. The stress testing results show a slight decrease in certain financial indicators (an increase in provisions for expected credit losses, a decrease in net profit and an outflow of customer funds). At the same time, given that the Bank has a sufficient amount of equity capital and liquid assets, a significant deterioration in the financial position of the Group and violation of regulatory requirements and norms is not predicted.

As a result of significant changes in the operating environment, the financial condition of the Bank's large borrowers is not expected to deteriorate significantly. The Bank's clients to larger extend were able to make necessary changes to their supply and logistics chains and continue the implementation and completion of previously launched investment projects.

(Millions of Kazakhstani Tenge)

Management of the Bank is monitoring developments in the economic, political, and geopolitical situation and taking measures it considers necessary to support the sustainability and development of the Bank's business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Bank's operations.

Ownership

As at 31 December 2023 and 2022, the Bank was owned by the following shareholders, which own individually more than 5% of the issued shares of the Bank:

31 December 2023

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	69.5%
GDR holders	3,112,089,600	28.5%
Other	212,646,024	2.0%
Total shares in circulation	**10,908,273,852**	**100.0%**

31 December 2022

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	69.5%
GDR holders	3,109,803,080	28.5%
Other	214,932,544	2.0%
Total shares in circulation	**10,908,273,852**	**100.0%**

2. Basis of presentation

Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These separate financial statements are the separate financial statements of the parent JSC Halyk Bank. The subsidiaries are not consolidated in these separate financial statements. Investments in subsidiaries were accounted for as financial assets at fair value through other comprehensive income. These separate financial statements should be read in conjunction with the consolidated financial statements of JSC Halyk Bank and its subsidiaries, which were authorized for the issue by Management Board of the Bank on 13 March 2024.

The consolidated financial statements are available at the head office of JSC Halyk Bank, registered at the following address: 40 Al-Farabi Avenue, Almaty, A26M3K5, Kazakhstan.

These separate financial statements have been prepared assuming that the Bank is a going concern, as the Bank have the resources to continue in operation for the foreseeable future.

These separate financial statements are presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated.

The separate financial statements have been prepared under the historical cost basis, except for certain financial instruments that are accounted for at fair value and certain property and equipment which are carried at revalued cost less depreciation and impairment as described in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these separate financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 29.

Functional currency

Items included in the separate financial statements of the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The functional currency of the Bank is KZT. The presentation currency of the separate financial statements is KZT.

3. Material accounting policies

Investments in subsidiaries

A subsidiary is an entity an unincorporate entity such as partnership that is controlled by the Bank. The Bank designates its investments in subsidiaries at fair value through other comprehensive income in these separate financial statements. Changes in the fair value of investments in subsidiaries are recognized directly in equity through the statement of other comprehensive income and are not reclassified through profit or loss on derecognition. Previously, investments in the Bank's subsidiaries were accounted for at cost less impairment losses.

The fair value of the Bank's subsidiaries that are not listed on stock exchanges or for which there are no published market data is determined by applying various valuation techniques. Valuation methods are based on the following techniques: dividend discounting, valuation of similar investments, adjusted net asset value. If the revalued fair value of a subsidiary is less than zero, the carrying amount of the investment in the subsidiary is stated at zero.

The fair value of subsidiaries on a quarterly basis is estimated using the method of determining the adjusted net asset value, taking into account the impact of the forecasted amounts of net profit or loss for the reporting period.

The fair value of the Bank's subsidiaries is assessed in accordance with IAS 13 Fair Value Measurement and the Bank's internal documents. Investments in the Bank's subsidiaries are classified as financial assets of the Level 3 hierarchy, since the valuation techniques adopted by the Bank are not based on observable market data.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts and amounts due from credit institutions and reverse repo agreements with original maturities within three months.

Obligatory reserves

Obligatory reserves represent funds in correspondent accounts with the NBRK and cash which are not available to finance the Bank's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the cash flow statement.

Amounts due from credit institutions

In the normal course of business, the Bank maintains current restricted accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowances for expected credit losses.

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Bank accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

All financial assets are recognized and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 *Financial Instruments* ("IFRS 9") are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- *Retention of an asset to obtain the cash flows stipulated by the contract.* This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- *Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets.* This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "retention of an asset to obtain the cash flows stipulated by the contract" business model.

- *Retention of an asset for other purposes.* Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

Debt instruments at amortised cost or at fair value through other comprehensive income ("FVTOCI")

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments that reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Bank has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

Reclassification of financial assets

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Bank's financial assets. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate ("EIR"). Renegotiated terms are evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Banks's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

When a financial asset is modified due to commercial reasons, the Bank considers various qualitative factors (change in currency, interest rate, maturity) and on that basis concludes whether old loan should be derecognised and new loan should be recognised at fair value.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification. Please also refer to Note 12 for more details.

Impairment

Calculation of financial assets impairment is carried out taking into account the following factors:

- In order to calculate the ECL, the Bank performs a loan assessment on an individual basis and on a group basis depending on general credit risk features.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
- Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Bank's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

Allowances for expected credit losses

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

For more details about staging refer to Notes 5, 8, 9, 10 and 12.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate ("EIR"), regardless of whether it is measured on an individual basis or a collective basis.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk. Please also refer to Note 4.

For the details of supportable forward-looking information, please refer to Note 29 for more details.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. The decision to use cross-default is based on case-by-case assessment of borrower and facility conditions such as collateral and materiality of exposure.

Purchased or originated credit-impaired ("POCI") financial assets.

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain (recovery of credit loss expense).

Derecognition of financial assets and liabilities

Financial assets

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

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

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Bank either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Modification and derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that 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 rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset and reported net in the statement of financial position if:

- The Bank has a legally enforceable right to offset current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Kazakhstan has various operating taxes that are assessed on the Bank's activities. These taxes are recorded as taxes other than income tax.

The Bank records a provision for uncertain tax positions if it is probable that the Bank will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Bank's best estimate of the amount expected to be paid. Provisions are reversed to income in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment except for the buildings and construction which are carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and construction	20-100
Vehicles	5-7
Computers and banking equipment	5-10
Other	7-10

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses.

Buildings and construction held for use in supply of services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such buildings and construction is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the statement of profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings and construction is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and construction is charged to the statement of profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets held for sale

A non-current asset and the liability directly associated with non-current assets are classified as held for sale ("disposal group") if it is highly probable that the net asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the statement of profit or loss as loss of assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Amounts due to customers and credit institutions

Amounts due to customers and credit institutions are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in the statement of profit or loss.

Debt securities issued

Debt securities issued represent bonds issued by the Bank, which are accounted for according to the same principles used for amounts due to customers and credit institutions. Any difference between proceeds received, net of debt issuance costs, and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Equity

The Bank classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Bank after the deduction of liabilities.

The components of a compound financial instrument issued by the Bank are classified and accounted for separately as financial assets, financial liabilities or equity as appropriate.

Share capital

External costs directly attributable to the issue of new shares, other than in a business combination, are shown as a deduction from the proceeds in equity. Prior to 13 May 2003, any excess of the fair value of consideration received over the nominal value of shares issued was recognized as share premium reserve. Effective 13 May 2003, upon a change in the law concerning "Joint Stock Companies", the nominal amount concept was restricted to placement of shares only between the founders of an entity. For all other investors, share capital is recorded at placement value being the consideration received by an entity for its shares.

Treasury shares

When the Bank acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the Bank are cancelled. Repurchased shares are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity.

Dividends

Dividends are recognized as a liability and deducted from equity on the date they are declared. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorized for issue.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Bank's statement of financial position include:

- Revaluation reserve of financial assets at fair value through other comprehensive income, which comprises changes in fair value of financial assets at fair value through other comprehensive income and allowances for expected credit losses on debt financial assets at fair value through other comprehensive income;
- Cumulative translation reserve which is used to record foreign exchange differences arising from the translation of the net investment in foreign operations;
- Property revaluation reserve, which comprises revaluation reserve of land and buildings.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed, unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed in separate financial statements, when an inflow of economic benefits is probable.

Recognition of income and expense

Interest income and expense for all financial instruments, except for financial assets measured or designated at fair value through profit or loss are recognized in 'Net interest income' as 'Interest income calculated using the effective interest method' and 'Interest expense' in the profit or loss account using the effective interest method.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets POCI the EIR reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Loan origination fees for loans issued to customers are (together with related direct costs) recognised as an adjustment to the effective yield of the loans. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the EIR of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognised in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in profit or loss on expiry.

Fee and commission income

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Bank identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognises income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Bank determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Bank's influence. The consideration is subsequently allocated to the identified performance obligation.

Fee and commission income from maintenance of customer accounts and cash operations include fees earned from deposit products in lieu of compensating balances, service charges for transactions performed upon depositors' request, as well as fees earned from performing cash management activities. Service charges on deposit products are recognized over the period in which the related service is provided, typically monthly. Service fees are recognized at a point in time upon completion of the requested service transaction. Fees on cash management products are recognized over time as services are provided.

Plastic cards operations fee and commission income include interchange income from credit and debit card transactions and are recognized at a point in time upon settlement by the associated network. Interchange rates are generally set by the associated network based on purchase volume and other factors. Other card-related fees are recognized at a point in time upon completion of the transaction.

Other banking fees include fees for various transactional banking activities such as bank transfers, letters of credit fees and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided. Letter of credit fees primarily includes fees received related to letter of credit agreements and are generally recognized upon execution of the contract.

The adoption of IFRS 15 has not had any material impact on the disclosures or on the amounts reported in the separate financial statements.

Foreign currency translation

The separate financial statements are presented in KZT, which is the functional currency of the Bank. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the currency rate of exchange as quoted by KASE as at the reporting date. Gains and losses resulting from the translation of foreign currency transactions into functional currency are recognized in the statement of profit or loss as net foreign exchange gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net foreign exchange gain or loss. The market exchange rate at 31 December 2023 was – 454.56 KZT to USD 1, KZT 5.06 to RUB 1, KZT 502.24 to EUR 1 (31 December 2022 – 462.65 KZT to USD 1, KZT 6.43 to RUB 1, KZT 492.86 to EUR 1).

Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Financial guarantee contracts and letters of credit issued

Financial guarantee contracts and letters of credit issued by the Bank are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

New and amended IFRS Standards that are effective for the current year.

The following amendments and interpretations are effective for the Bank effective 1 January 2023:

Amendments to IAS 1- Classification of liabilities as current or non-current
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 8 – "Definition of Accounting Estimates"

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
Amendment to IFRS 16- Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1- Non-current Liabilities with Covenants	1 January 2024

The Bank does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

4. 4a. Significant accounting estimates

The preparation of the Bank's separate financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Bank's financial condition.

Significant increase of credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information (refer to Note 29 for more details).

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario

For treasury operations, the Bank calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty's/issuer's environment in the future. In particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default.

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage.

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 29 for more details.

The key inputs used for measuring ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default. The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

PD for individually assessed loans of corporate, small and medium businesses is estimated using an internal rating model based on the quantitative and qualitative characteristics of the borrower. The calculation of PD on loans assessed on a collective basis is carried out on the basis of historical data using the migration matrices and roll-rates.

Loss Given Default

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, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch, and Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated, sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

Exposure at Default

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios.

Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Notes 5, 8, 9, 10, 12 and 27 for more details on allowances for ECL and Note 32 for more details on fair value measurement.

The Bank makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are reasonable in current circumstances.

In order to reflect objectively the impact of the prevailing macroeconomic conditions and in accordance with the recommendations of the International Accounting Standards Board, the Bank adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recorded in the separate financial statements for the year ended 31 December 2023:

- The Bank refined the approach of calculating macroeconomic parameters in the probability of default rates of borrowers, as disclosed in Note 29. The impact of macroeconomic indicators is assessed, which more accurately reflects the changing economic conditions and an updated forecast of macroeconomic indicators is used based on the most relevant information.

The allowances for ECL of financial assets in the separate financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in Kazakhstan and in other countries it operates in and what effect such changes might have on the adequacy of the allowances for ECL of financial assets in future years.

The carrying amount of the allowance for ECL of loans to customers as at 31 December 2023 is KZT 476,466 million (31 December 2022 - KZT 410,751 million).

Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Bank uses valuation models to determine the fair value of its financial instruments. Refer to Note 32 for more details on fair value measurement.

Property and equipment carried at revalued amounts

Buildings and construction are measured at revalued amounts. The latest appraisal was in November 2023. Details of the valuation techniques used are set out in Note 13.

(Millions of Kazakhstani Tenge)

Taxation

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

Management has concluded that all deferred tax assets are properly recognized, as it is probable that sufficient future taxable income will exist to fully utilize the assets.

As at 31 December 2023 and 2022, management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Banks's reported net income.

4b. Restatements

In preparing the separate financial statements for the year ended 31 December 2023, the Bank carried out an inventory of its financial instruments. The inventory process identified financial instruments measured at fair value through profit or loss that were previously restricted in use and were incorrectly measured at cost. The Bank revaluated these financial instruments and recognized prior period adjustments. These financial assets measured at fair value through profit or loss are classified as Level 2.

Separate statement of financial position	As previously reported 31 December 2022	Adjustment 31 December 2022	As restated 31 December 2022
Financial assets at fair value through profit or loss	20,250	107,763	128,013
Deferred tax liability	50,085	21,552	71,637
Retained earnings and other reserves	1,932,655	86,211	2,018,866

Separate statement of profit and loss	As previously reported Year ended 31 December 2022	Adjustment Year ended 31 December 2022	As restated Year ended 31 December 2022
Net gain on financial assets and liabilities at fair value through profit or loss	10,880	3,108	13,989
Income tax expense	(93,974)	(621)	(94,596)

The separate statement of profit or loss for the year ended 31 December 2022 has been reclassified to conform to the presentation for the year ended 31 December 2022 because the presentation of the current year's report provides a clearer picture of the Bank's financial performance.

(Millions of Kazakhstani Tenge)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2023	31 December 2022
Correspondent accounts with Organization for Economic Cooperation and Development countries (the "OECD") based banks	360,430	491,662
Short-term deposits with NBRK	350,310	769,907
Cash on hand	301,989	242,251
Correspondent accounts with NBRK	176,766	236,507
Short-term deposits with non-OECD based banks	45,523	2,939
Correspondent accounts in Kazakhstan banks	30,849	27,200
Correspondent accounts with non-OECD based banks	13,661	15,950
Short-term deposits with OECD based banks	-	46,267
Overnight deposits with OECD based banks	-	92,536
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	-	5,003
	1,279,528	**1,930,222**

As at 31 December 2023 and 2022, cash and cash equivalents allowances for expected credit losses comprised KZT 32 million and KZT 19 million, respectively.

The movements in accumulated allowances for expected credit losses of cash and cash equivalents were as follows:

	31 December 2023	31 December 2022
	Stage 1	**Stage 1**
At the beginning of the year	(19)	(18)
Changes in risk parameters	(16)	(1)
Foreign exchange differences and other movements	3	-
At the end of the year	**(32)**	**(19)**

Interest rates and currencies in which interest earning cash equivalents are denominated are as follows:

	31 December 2023		31 December 2022	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposit with NBRK	14.8%-15.8%	-	15.8%	4.03%-4.53%
Short-term deposits with non-OECD based bank	-	5.7%	-	3.2%-5.33%
Short-term deposits with OECD based banks	-	-	-	0.7%
Overnight deposit with OECD based banks	-	-	-	2.5%
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	-	-	17.6%	-

(Millions of Kazakhstani Tenge)

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements as at 31 December 2023 and 2022 are as follows:

	31 December 2023		31 December 2022	
	Carrying amount of loans	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Notes of NBRK	-	-	5,003	5,155
	-	**-**	**5,003**	**5,155**

As at 31 December 2023 and 2022, maturities of loans under reverse repurchase agreements are less than one month.

6. Obligatory reserves

Obligatory reserves comprise:

	31 December 2023	31 December 2022
Cash and funds at the NBRK allocated to obligatory reserves	234,054	234,552
	234,054	**234,552**

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by NBRK and used for calculation of the minimum reserve requirement.

7. Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	31 December 2023	31 December 2022
Financial assets held for trading:		
Equity securities of foreign organizations	132,681	107,763
Derivative financial instruments	23,531	10,513
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	14,885	-
NBRK Notes	5,843	-
Bonds of foreign countries	3,313	-
Equity securities of Kazakhstan corporations	746	9,737
	180,999	**128,013**

Financial liabilities at fair value through profit or loss comprise:

	31 December 2023	31 December 2022
Financial liabilities held for trading:		
Derivative financial instruments	4,202	9,642

(Millions of Kazakhstani Tenge)

Derivative financial instruments comprise:

	31 December 2023			31 December 2022		
	Notional Amount	Asset	Fair value Liability	Notional Amount	Asset	Fair value Liability
Foreign currency cont-racts						
Swaps	789,753	23,487	4,030	472,592	10,456	9,289
Spots	78,676	21	172	34,212	57	20
Forwards	479	23	-	7,198	-	333
	868,908	**25,531**	**4,202**	**514,002**	**10,513**	**9,642**

As at 31 December 2023 and 2022, the Bank used quoted market prices from independent information sources for all of its financial assets recorded at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on observable market data.

8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2023	31 December 2022
Term deposits and restricted accounts	182,049	122,419
Loans to credit institutions	117,657	108,588
Deposit pledged as collateral	51,052	53,424
	350,758	**284,431**
Less - Allowances for expected credit losses	(564)	(488)
	350,194	**283,943**

Interest rates and maturities of amounts due from credit institutions are presented as follows:

	31 December 2023		31 December 2022	
	Interest rate, %	Maturity, Year	Interest rate, %	Maturity, year
Term deposits and restricted accounts	16.7%	2024 -2028	1.5%-15.5%	2023-2028
Loans to credit institutions	2.8%-9.1%	2024 -2028	1.0%-8.9%	2023-2027
Deposit pledged as collateral	1.8%-5.4%	2024 -2027	1.8%-4.14%	2023-2046

(Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of amounts due from credit institutions were as follows:

			31 December 2023
	Stage 1	Stage 2	Total
At the beginning of the year	(344)	(144)	(488)
Changes in risk parameters	(140)	71	(69)
Foreign exchange differences and other movements	(10)	3	(7)
At the end of the year	**(494)**	**(70)**	**(564)**

			31 December 2022
	Stage 1	Stage 2	Total
At the beginning of the year	(415)	-	(415)
Changes in risk parameters	170	(144)	26
Foreign exchange differences and other movements	(99)	-	(99)
At the end of the year	**(344)**	**(144)**	**(488)**

9. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	31 December 2023	31 December 2022
Treasury bills of the Ministry of Finance of Kazakhstan	1,480,697	1,053,885
Eurobonds of foreign states	206,347	404,556
Corporate bonds	200,858	223,115
Bonds of foreign organizations	188,038	106,449
Bonds of JSC Development Bank of Kazakhstan	147,646	133,463
Bonds of foreign financial organisations	89,887	68,690
Local municipal bonds	10,756	10,578
Bonds of Kazakhstan banks	10,465	10,465
	2,334,694	**2,011,201**

As at 31 December 2023 and 2022, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan, JSC Development Bank of Kazakhstan, JSC Industrial Development Fund, JSC Kazakhstan Sustainability Fund, JP Morgan Securities PLC, and Citigroup Global Markets Ltd at fair value of KZT 184,537 million and KZT nill million, respectively, pledged under repurchase agreements with the other banks (see Note 17). All repurchase agreements as at 31 December 2023 and 2022 will mature before 17 November 2025 and 25 January 2023, respectively.

As at 31 December 2023 and 2022, the allowances for expected credit losses on financial assets at fair value through other comprehensive income was KZT 2,159 million and KZT 952 million, respectively (Note 10).

(Millions of Kazakhstani Tenge)

Interest rates and maturities of financial assets at fair value through other comprehensive income are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2023		31 December 2022	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, year**
Treasury bills of the Ministry of Finance of Kazakhstan	5.7%	2024-2045	4.4%	2023-2045
Eurobonds of foreign countries	3.8%	2024-2025	1.6%	2023-2025
Corporate bonds	10.2%	2024-2031	10.3%	2023-2031
Bonds of foreign organizations	3.8%	2024-2027	2.1%	2023-2025
Bonds of JSC Development Bank of Kazakhstan	6.3%	2024-2032	4.9%	2024-2032
Bonds of foreign financial organisations	9.0%	2024-2030	7.6%	2023-2026
Local municipal bonds	10.8%	2026	10.8%	2026
Bonds of Kazakhstan banks	11.9%	2026	10.8%	2026

10. Debt securities at amortised cost, net of allowances for expected credit losses

Debt securities at amortised cost, net of allowances for expected credit losses comprise:

	31 December 2023	31 December 2022
Treasury bills of the Ministry of Finance of Kazakhstan	521,665	783,594
Corporate bonds	187,966	191,141
Bonds of foreign organisations	5,332	8,221
	714,963	**982,956**

As at 31 December 2023 and 2022, the allowances for expected credit losses on debt securities at amortised cost was KZT 651 million and KZT 343 million, respectively.

As at 31 December 2023 and 2022, debt securities at amortised cost, net of allowances for expected credit losses included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 269,231 million and KZT 505,588 million, respectively, were pledged under repurchase agreements with the other banks (see Note 17). All repurchase agreements as at 31 December 2023 and 2022 mature before 3 January 2024 and 25 January 2023, respectively.

Interest rates and maturities of debt securities at amortised cost, net of allowances for expected credit losses are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2023		31 December 2022	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, year**
Treasury bills of the Ministry of Finance of Kazakhstan	9.1%	2026-2027	9.2%	2023-2027
Corporate bonds	3.3%	2024	3.2%	2024
Bonds of foreign organisations	3.4%	2025	1.9%	2025

(Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of debt securities at amortised cost and financial assets at fair value through other comprehensive income were as follows:

	31 December 2023		31 December 2022	
	Stage 1	**Total**	**Stage 1**	**Total**
At the beginning of the year	**(1,295)**	**(1,295)**	**(1,491)**	**(1,491)**
Changes in risk parameters*	(1,236)	(1,236)	192	192
New originations or purchases of financial assets*	(465)	(465)	(205)	(205)
Derecognition of financial assets*	102	102	205	205
Foreign exchange differences and other movements	84	84	4	4
At the end of the year	**(2,810)**	**(2,810)**	**(1,295)**	**(1,295)**

* FS line "Expected redit loss expense" in the statement of profit or loss is comprised from "Changes in risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets"

11. Investments in subsidiaries

Subsidiaries	**Holding %**		**Country**	**Industry**
	31 December 2023	**31 December 2022**		
JSC Insurance Company Halyk	99.86	99.86	Kazakhstan	General insurance
JSCB Tenge Bank	100	100	Uzbekistan	Banking
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLP Halyk Activ	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Halyk Global Markets	100	100	Kazakhstan	Broker and dealer activities
LLP KUSA Halyk	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Halyk Bank Georgia	100	100	Georgia	Banking
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
LLP Halyk Finservice	100	100	Kazakhstan	Payment card processing and other related services

(Millions of Kazakhstani Tenge)

Subsidiaries	31 December 2023	31 December 2022
JSC Insurance Company Halyk	79,552	73,549
JSCB Tenge Bank	50,592	53,557
JSC Halyk-Life	107,162	57,549
JSC Halyk Finance	29,307	24,469
LLP Halyk Activ	48,212	46,425
JSC Halyk Global Markets	17,371	20,595
LLP KUSA Halyk	32,091	29,038
JSC Halyk Bank Georgia	40,171	26,574
OJSC Halyk Bank Kyrgyzstan	-	18,967
JSC Halyk-Leasing	8,511	8,060
JSC Kazteleport	8,746	5,594
LLC Halyk Collection	7,367	3,731
LLP Halyk Finservice	2,324	3,033
	431,406	**371,141**

On 24 October 2023, an agreement was signed on the sale of 100% of the shares of OJSC Halyk Bank Kyrgyzstan. The completion of the transaction is planned after receiving the consent of the National Bank of the Kyrgyz Republic from the Buyer. The expected completion date for the sale of JSC Halyk Bank Kyrgyzstan is the 1st quarter of 2024, as such assets and liabilities of OJSC Halyk Bank Kyrgyzstan were classified as held for sale (Note 14).

On 16 May 2022, the Board of Directors of the Bank decided to merge the Bank's subsidiaries Halyk Aktiv 1 LLP and Halyk Project LLP with the Bank's subsidiary Halyk Aktiv LLP.

On 16 November 2022, the Bank signed an agreement with CJSC International Bank of Tajikistan on the sale of 100% share capital of CJSC Halyk Bank Tajikistan (the "HBT"). On 1 December 2023, the Bank completed the procedure for the sale of 100% shares of the HBT.

On 18 November 2022, in accordance with the terms of contract of sale, the Bank sold 100% share capital of JSC CB Moskommertsbank ("MKB") in the amount of 7,923,455 ordinary shares at par value RUB 450 per share. On 20 December 2023, the Bank completed the sale of 100% shares of the MKB.

(Millions of Kazakhstani Tenge)

12. Loans to customers

Loans to customers comprise:

	31 December 2023	31 December 2022
Originated loans to customers	9,545,825	8,063,135
Overdrafts	22,200	19,995
	9,568,025	**8,083,130**
Stage 1	8,751,424	7,337,325
Stage 2	36,574	91,368
Stage 3	749,659	617,141
POCI	30,368	37,296
Total	**9,568,025**	**8,083,130**
Less – Allowances for expected credit losses	(476,466)	(410,751)
Loans to customers	**9,091,559**	**7,672,379**

The weighted average interest rate on loans to customers is calculated as interest income from loans to customers divided by monthly average balances of loans to customers. For the year ended 31 December 2023, average interest rate on loans was 16.5% (31 December 2022 - 14.3%).

As at 31 December 2023, the Bank had a concentration of loans of KZT 1,745,993 million to the ten largest borrowers that comprised 18.2% of the Bank's total gross loan portfolio (31 December 2022 – KZT 1,549,351 million, 19%) and 73% of the Bank's total equity (31 December 2022 – 82%).

As at 31 December 2023, the allowances for expected credit losses created against these loans was KZT 17,489 million (31 December 2022 – KZT 23,725 million).

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, charges over real estate properties, equipment, guarantees of legal entities with external rating not lower than 'B';
- For retail lending, mortgages over residential properties, motor vehicles.

The Bank obtained the following financial and non-financial assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Bank's policy is to realise collateral on a timely basis. The primary purpose of collateral is to reduce the potential credit loss in case of default. Management monitors the market value of collateral obtained during its review of the adequacy of the allowance for expected credit losses.

(Millions of Kazakhstani Tenge)

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2023	31 December 2022
Loans collateralized by pledge of real estate or rights thereon	2,376,795	2,061,182
Consumer loans issued within the framework of payroll projects*	1,802,732	1,453,510
Loans collateralized by mixed types of collateral	1,055,343	1,032,697
Loans collateralized by guarantees	1,050,600	850,181
Loans collateralized by cash	505,981	426,791
Loans collateralized by pledge of equipment	391,839	355,808
Loans collateralized by pledge of corporate shares	408,871	344,630
Loans collateralized by pledge of vehicles	322,691	299,764
Loans collateralized by pledge of inventories	227,918	217,962
Loans collateralized by pledge of agricultural products	-	183
Unsecured loans	1,425,255	1,040,422
	9,568,025	**8,083,130**
Less – Allowances for expected credit losses	(476,466)	(410,751)
Total loans to customers	**9,091,559**	**7,672,379**

*These loans are collateralized by cash to be received in the future from the employees of companies within the framework of salary projects.

Loans are granted to the following sectors:

	31 December 2023	%	31 December 2022	%
Retail loans:				
- consumer loans	2,623,316	27%	2,073,832	26%
- mortgage loans	371,910	4%	359,748	4%
	2,995,226		**2,433,580**	
Services	939,597	10%	791,199	10%
Wholesale trade	810,831	9%	627,378	8%
Retail trade	614,938	6%	506,446	6%
Energy	508,732	5%	319,488	4%
Real estate	401,298	4%	396,427	5%
Financial services	381,164	4%	370,164	4%
Metallurgy	355,818	4%	183,323	2%
Oil and gas	339,337	4%	393,721	5%
Transportation	327,838	3%	326,189	4%
Chemical industry	323,494	3%	327,015	4%
Food industry	285,990	3%	283,754	4%
Agriculture	285,339	3%	257,224	3%
Machinery	268,132	3%	214,519	3%
Construction	261,858	3%	270,752	3%
Communication	145,947	2%	92,857	1%
Mining	124,784	1%	145,072	2%
Hotel industry	61,466	1%	43,750	1%
Light industry	44,939	0%	35,509	0%
Other	91,297	1%	64,763	1%
	9,568,025	**100%**	**8,083,130**	**100%**

Restructured and modified loans to customers

The Bank derecognises a financial asset, such as a loan to a customer, if the terms of the contract are renegotiated in such a way that it effectively becomes a new loan and the difference is recognized as a gain or loss on derecognition before an impairment loss is recognized. On initial recognition, loans to customers are classified in Stage 1 for the purpose of estimating expected credit losses, unless the loan originated is considered POCI. If the modification does not result in a significant change in cash flows, then derecognition does not occur.

As at 31 December 2023, accrued interest on loans comprised KZT 208,809 million (31 December 2022 – KZT 173,607 million).

During the years ended 31 December 2023 and 2022, the Bank received financial and non-financial assets by taking possession of collateral it held as security. As at 31 December 2022 and 2023, such assets of KZT 22,910 million and KZT 4,032 million, respectively, are included in assets classified as held for sale.

As at 31 December 2023 and 2022, loans to customers included loans of KZT 328,102 million and KZT 273,204 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

(Millions of Kazakhstani Tenge)

The following is a reconciliation of the gross carrying amounts at the beginning and end of year:

					31 December 2023
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**7,337,325**	**91,368**	**617,141**	**37,296**	**8,083,130**
Transfer to Stage 1	65,988	(28,175)	(37,813)	-	-
Transfer to Stage 2	(99,524)	105,129	(5,605)	-	-
Transfer to Stage 3	(379,077)	(105,060)	484,137	-	-
New originations or purchases of financial assets	8,005,157	-	-	-	8,005,157
Assets derecognised or repaid	(3,849,007)	(8,320)	(166,959)	(1,599)	(4,025,885)
Write-offs	-	-	(42,923)	(204)	(43,127)
Changes in the gross value of financial assets*	(2,329,438)	(18,368)	(98,319)	(5,125)	(2,451,250)
At the end of the year	**8,751,424**	**36,574**	**749,659**	**30,368**	**9,568,025**

					31 December 2023
Corporate Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**4,025,421**	**63,849**	**361,006**	**27,970**	**4,478,246**
Transfer to Stage 1	11,131	-	(11,131)	-	-
Transfer to Stage 2	(10,747)	10,747	-	-	-
Transfer to Stage 3	(245,817)	(58,609)	304,426	-	-
New originations or purchases of financial assets	4,480,704	-	-	-	4,480,704
Assets derecognised or repaid	(2,518,422)	(2,188)	(79,962)	(1,113)	(2,601,685)
Write-offs	-	-	(419)	(204)	(623)
Changes in the gross value of financial assets*	(1,136,069)	(6,929)	(114,809)	(2,284)	(1,260,091)
At the end of the year	**4,606,201**	**6,870**	**459,111**	**24,369**	**5,096,551**

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2023
(Millions of Kazakhstani Tenge)

					31 December 2023
Retail Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**2,260,322**	**13,063**	**156,943**	**3,252**	**2,433,580**
Transfer to Stage 1	36,083	(18,086)	(17,997)	-	-
Transfer to Stage 2	(49,625)	53,780	(4,155)	-	-
Transfer to Stage 3	(85,997)	(32,450)	118,447	-	-
New originations or purchases of financial assets	1,912,129	-	-	-	1,912,129
Assets derecognised or repaid	(643,622)	(898)	(49,181)	(81)	(693,782)
Write-offs	-	-	(32,954)	-	(32,954)
Changes in the gross value of financial assets*	(640,788)	(1,589)	19,655	(1,025)	(623,747)
At the end of the year	**2,788,502**	**13,820**	**190,758**	**2,146**	**2,995,226**

					31 December 2023
SME Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**1,051,582**	**14,456**	**99,192**	**6,074**	**1,171,304**
Transfer to Stage 1	18,774	(10,089)	(8,685)	-	-
Transfer to Stage 2	(39,152)	40,602	(1,450)	-	-
Transfer to Stage 3	(47,263)	(14,001)	61,264	-	-
New originations or purchases of financial assets	1,612,324	-	-	-	1,612,324
Assets derecognised or repaid	(686,963)	(5,234)	(37,816)	(405)	(730,418)
Write-offs	-	-	(9,550)	-	(9,550)
Changes in the gross value of financial assets*	(552,581)	(9,850)	(3,165)	(1,816)	(567,412)
At the end of the year	**1,356,721**	**15,884**	**99,790**	**3,853**	**1,476,248**

(Millions of Kazakhstani Tenge)

					31 December 2022
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**5,258,330**	**201,826**	**520,492**	**33,293**	**6,013,941**
Transfer to Stage 1	106,700	(66,217)	(40,483)	-	-
Transfer to Stage 2	(156,157)	162,784	(6,627)	-	-
Transfer to Stage 3	(272,112)	(116,461)	388,573	-	-
New originations or purchases of financial assets	6,330,162	-	-	14,180	6,344,342
Assets derecognised or repaid	(2,646,011)	(57,104)	(140,358)	(1,963)	(2,845,436)
Write-offs	-	-	(37,139)	(725)	(37,864)
Changes in the gross value of financial assets*	(1,283,587)	(33,460)	(67,317)	(7,489)	(1,391,853)
At the end of the year	**7,337,325**	**91,368**	**617,141**	**37,296**	**8,083,130**

					31 December 2022
Corporate Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**2,850,118**	**179,521**	**296,909**	**26,973**	**3,353,521**
Transfer to Stage 1	68,195	(48,861)	(19,334)	-	-
Transfer to Stage 2	(77,457)	77,457	-	-	-
Transfer to Stage 3	(149,928)	(73,900)	223,828	-	-
New originations or purchases of financial assets	3,415,552	-	-	4,079	3,419,631
Assets derecognised or repaid	(1,727,442)	(44,362)	(62,655)	(606)	(1,835,065)
Write-offs	-	-	(587)	-	(587)
Changes in the gross value of financial assets*	(353,617)	(26,006)	(77,155)	(2,476)	(459,254)
At the end of the year	**4,025,421**	**63,849**	**361,006**	**27,970**	**4,478,246**

(Millions of Kazakhstani Tenge)

					31 December 2022
Retail Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**1,657,216**	**7,122**	**124,720**	**-**	**1,789,058**
Transfer to Stage 1	23,234	(11,919)	(11,315)	-	-
Transfer to Stage 2	(40,512)	43,221	(2,709)	-	-
Transfer to Stage 3	(77,312)	(23,318)	100,630	-	-
New originations or purchases of financial assets	1,645,115	-	-	5,450	1,650,565
Assets derecognised or repaid	(432,332)	(504)	(45,772)	-	(478,608)
Write-offs	-	-	(25,065)	-	(25,065)
Changes in the gross value of financial assets*	(515,087)	(1,539)	16,454	(2,198)	(502,370)
At the end of the year	**2,260,322**	**13,063**	**156,943**	**3,252**	**2,433,580**

					31 December 2022
SME Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**750,996**	**15,183**	**98,863**	**6,320**	**871,362**
Transfer to Stage 1	15,271	(5,437)	(9,834)	-	-
Transfer to Stage 2	(38,188)	42,106	(3,918)	-	-
Transfer to Stage 3	(44,872)	(19,243)	64,115	-	-
New originations or purchases of financial assets	1,269,495	-	-	4,651	1,274,146
Assets derecognised or repaid	(486,237)	(12,238)	(31,931)	(1,357)	(531,763)
Write-offs	-	-	(11,487)	(725)	(12,212)
Changes in the gross value of financial assets*	(414,883)	(5,915)	(6,616)	(2,815)	(430,229)
At the end of the year	**1,051,582**	**14,456**	**99,192**	**6,074**	**1,171,304**

* Changes in the gross value of financial assets includes changes in gross carrying amount associated with partial repayment of debt, accrual of interest income and foreign exchange differences

(Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of loans to customers were as follows:

					31 December 2023
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(110,281)**	**(16,777)**	**(262,575)**	**(21,118)**	**(410,751)**
Transfer to Stage 1	(21,774)	4,917	16,857	-	-
Transfer to Stage 2	4,795	(7,065)	2,270	-	-
Transfer to Stage 3	15,067	20,209	(35,276)	-	-
Changes in risk parameters*	58,099	(8,430)	(165,422)	16,889	(98,864)
New originations or purchases of financial assets*	(109,883)	-	-	-	(109,883)
Derecognition of financial assets*/**	45,988	596	83,824	2,982	133,390
Recoveries of allowances on previously written-off assets	(420)	-	(24,622)	(12,231)	(37,273)
Write-offs	-	-	42,923	204	43,127
Foreign exchange differences and other movements	148	2	3,124	514	3,788
At the end of the year	**(118,261)**	**(6,548)**	**(338,897)**	**(12,760)**	**(476,466)**

					31 December 2023
Corporate Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**(32,739)**	**(14,708)**	**(127,027)**	**(19,281)**	**(193,755)**
Transfer to Stage 1	(5,810)	-	5,810	-	-
Transfer to Stage 2	17	(17)	-	-	-
Transfer to Stage 3	5,278	10,388	(15,666)	-	-
Changes in risk parameters*	28,918	1,248	(69,769)	15,962	(23,641)
New originations or purchases of financial assets*	(36,096)	-	-	-	(36,096)
Derecognition of financial assets*/**	19,227	192	30,025	2,708	52,152
Recoveries of allowances on previously written-off assets	(243)	-	(16,596)	(11,878)	(28,717)
Write-offs	-	-	419	204	623
Foreign exchange differences and other movements	139	2	3,069	515	3,725
At the end of the year	**(21,309)**	**(2,895)**	**(189,735)**	**(11,770)**	**(225,709)**

(Millions of Kazakhstani Tenge)

					31 December 2023
Retail Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(67,929)**	**(1,319)**	**(98,728)**	**(125)**	**(168,101)**
Transfer to Stage 1	(13,132)	3,771	9,361	-	-
Transfer to Stage 2	3,508	(5,589)	2,081	-	-
Transfer to Stage 3	8,357	7,578	(15,935)	-	-
Changes in risk parameters*	25,997	(7,289)	(75,667)	128	(56,831)
New originations or purchases of financial assets*	(58,165)	-	-	-	(58,165)
Derecognition of financial assets*/**	21,127	174	37,940	1	59,242
Recoveries of allowances on previously written-off assets	-	-	(6,350)	(173)	(6,523)
Write-offs	-	-	32,954	-	32,954
Foreign exchange differences and other movements	3	-	48	-	51
At the end of the year	**(80,234)**	**(2,674)**	**(114,296)**	**(169)**	**(197,373)**

					31 December 2023
SME Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(9,614)**	**(750)**	**(36,820)**	**(1,712)**	**(48,896)**
Transfer to Stage 1	(2,832)	1,146	1,686	-	-
Transfer to Stage 2	1,270	(1,459)	189	-	-
Transfer to Stage 3	1,432	2,243	(3,675)	-	-
Changes in risk parameters*	3,184	(2,389)	(19,986)	799	(18,392)
New originations or purchases of financial assets*	(15,622)	-	-	-	(15,622)
Derecognition of financial assets*/**	5,634	230	15,859	273	21,996
Recoveries of allowances on previously written-off assets	(177)	-	(1,676)	(180)	(2,033)
Write-offs	-	-	9,550	-	9,550
Foreign exchange differences and other movements	7	-	7	(1)	13
At the end of the year	**(16,718)**	**(979)**	**(34,866)**	**(821)**	**(53,384)**

(Millions of Kazakhstani Tenge)

					31 December 2022
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(65,956)**	**(44,761)**	**(212,163)**	**(19,576)**	**(342,456)**
Transfer to Stage 1	(12,620)	3,898	8,722	-	-
Transfer to Stage 2	3,400	(4,925)	1,525	-	-
Transfer to Stage 3	803	32,767	(33,570)	-	-
Changes in risk parameters*	14,026	(18,430)	(79,574)	275	(83,702)
New originations or purchases of financial assets*	(73,291)	-	-	-	(73,291)
Derecognition of financial assets*/**	25,122	14,997	37,622	2,327	80,068
Recoveries of allowances on previously written-off assets	-	-	(20,372)	(3,109)	(23,481)
Write-offs	-	-	37,139	725	37,864
Foreign exchange differences and other movements	(1,766)	(323)	(1,904)	(1,760)	(5,753)
At the end of the year	**(110,281)**	**(16,777)**	**(262,575)**	**(21,118)**	**(410,751)**

					31 December 2022
Corporate Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(11,490)**	**(42,456)**	**(112,851)**	**(16,698)**	**(183,495)**
Transfer to Stage 1	(2,512)	569	1,943	-	-
Transfer to Stage 2	392	(392)	-	-	-
Transfer to Stage 3	(2,698)	24,741	(22,043)	-	-
Changes in risk parameters*	(8,250)	(10,633)	(7,490)	540	(25,832)
New originations or purchases of financial assets*	(12,909)	-	-	-	(12,909)
Derecognition of financial assets*/**	6,651	13,786	27,825	1,064	49,326
Recoveries of allowances on previously written-off assets	-	-	(13,440)	(2,507)	(15,947)
Write-offs	-	-	587	-	587
Foreign exchange differences and other movements	(1,923)	(323)	(1,558)	(1,680)	(5,484)
At the end of the year	**(32,739)**	**(14,708)**	**(127,027)**	**(19,281)**	**(193,755)**

(Millions of Kazakhstani Tenge)

					31 December 2022
Retail Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(49,063)**	**(1,643)**	**(60,138)**	**-**	**(110,844)**
Transfer to Stage 1	(8,790)	2,702	6,088	-	-
Transfer to Stage 2	2,828	(4,243)	1,415	-	-
Transfer to Stage 3	6,380	5,642	(12,022)	-	-
Changes in risk parameters*	15,807	(3,881)	(59,841)	(125)	(48,040)
New originations or purchases of financial assets*	(49,086)	-	-	-	(49,086)
Derecognition of financial assets*/**	13,995	104	6,015	-	20,114
Recoveries of allowances on previously written-off assets	-	-	(5,041)	-	(5,041)
Write-offs	-	-	25,065	-	25,065
Foreign exchange differences and other movements	-	-	(269)	-	(269)
At the end of the year	**(67,929)**	**(1,319)**	**(98,728)**	**(125)**	**(168,101)**

					31 December 2022
SME Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(5,403)**	**(662)**	**(39,174)**	**(2,878)**	**(48,117)**
Transfer to Stage 1	(1,318)	627	691	-	-
Transfer to Stage 2	180	(290)	110	-	-
Transfer to Stage 3	(2,879)	2,384	495	-	-
Changes in risk parameters*	6,469	(3,916)	(12,243)	(140)	(9,830)
New originations or purchases of financial assets*	(11,296)	-	-	-	(11,296)
Derecognition of financial assets*/**	4,476	1,107	3,782	1,263	10,628
Recoveries of allowances on previously written-off assets	-	-	(1,891)	(602)	(2,493)
Write-offs	-	-	11,487	725	12,212
Foreign exchange differences and other movements	157	-	(77)	(80)	-
At the end of the year	**(9,614)**	**(750)**	**(36,820)**	**(1,712)**	**(48,896)**

* FS line "Expected redit loss expense" in the separate statement of profit or loss is comprised from "Changes in risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".
*/** Derecognition of financial assets includes changes in the amount of allowances for expected credit losses on fully repaid loans to customers.

In 2023, the accrual of expected credit losses resulting from the deterioration in the financial position of borrowers was compensated by the recovery of provisions of corporate impaired loans as a result of the sale of foreclosed collateral and restructuring strategies applied, as well as collection of funds of individuals impaired loans resulting of the sale to collection companies, in addition to the recovery of reserves due to the positive impact of government support programs for businesses and the population of Kazakhstan.

During the years ended 31 December 2023 and 2022, the Bank has written off loans of KZT 43,127 million and KZT 37,864 million, respectively. The Tax Code of Kazakhstan allows the write-off of loans without being considered forgiveness of the loan for tax purpose and are therefore not subject to corporate income tax.

Allowance for expected credit losses and provisions

For the year ended 31 December 2023, credit loss expense on loans to customers comprised KZT 73,357 million (2022 year: credit loss expense on loans to customers comprised KZT 76,925 million). The credit loss expense was due to the formation of provisions for corporate, SME and retail businesses portfolios, reflecting the impact of economic scenarios and changes in the loan portfolio, as well as recovery of expected credit losses as a result of the ongoing work on the sale of collateral, reduction of debt on impaired loans through borrowers repayment and sale of unsecured loans to collection companies. Allowances for expected credit losses reflect the net impact of economic scenarios, actions taken on problem assets of corporate and retail business to ensure the repayment of overdue debts, sale of unsecured loans to collection companies, as well as the effect of government programs to support the SME sector.

Internal rating model for loans to customers

Loans to customers are classified based on internal assessments and other analytical procedures. The respective business units classify loans according to their risk and the exposure that they potentially present to the Bank, and this classification is verified by the risk management function.

The Bank is using an internal rating model to classify loans in different risk categories. The model assists to assess the risk category based on a borrowers' financial performance, credit history, quality of accounts receivable, liquidity of the borrower, market risks relating to the borrower, industry of the borrower and other factors. At the same time, the rating is an auxiliary criterion in assessing the level of increase in credit risk and staging. In addition to the rating, the bank takes into account such factors borrowers' credit history and financial performance, changes in the value of collateral and the quality of financial guarantees. Periodically, the required information is inputted into the model by credit analysts. Information input into the system and the estimate of the allowance for loan loss is verified by the risk management department.

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The following classifications are used by the rating model:

- Rating score 1 - superior loan rating, minimal credit risk;
- Rating score 2 - very high quality of loan, very low credit risk;
- Rating score 3 - high quality of loan, low credit risk;
- Rating score 4 - satisfactory quality of loan, insignificant risk;
- Rating score 5 - credit risk can increase at economic variation;
- Rating score 6 - high risk at economic variation;
- Rating score 7 - high risk of default, in the absence of other factors mentioned above, paying capacity of the borrower depends on favorable economic circumstances;
- Rating score 8 - 10 - very high risk of default/default;
- Not rated – loans to customers to subsidiaries.

Pools of homogeneous loans – loans to customers are included in groups of loans with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults, internal ratings and other factors). Pools of homogeneous loans include assets that have been assessed collectively.

An analysis of the Bank's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

					31 December 2023
Rating Score	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**
1-3	-	-	-	-	-
4	1,749,142	-	-	-	1,749,142
5	2,623,091	710	5,850	10,515	2,640,166
6	212,773	6,160	231,950	4,834	455,717
7	-	-	54,494	610	55,104
8-10	-	-	83,389	8,410	91,799
Not rated	21,195	-	83,428	-	104,623
Loans to corporate customers that are individually assessed for impairment	4,606,201	6,870	459,111	24,369	5,096,551
Loans to SME customers and retail business that are individually assessed for impairment	840,174	10,182	53,276	4,441	908,073
Loans to customers that are collectively assessed for impairment	3,305,049	19,522	237,272	1,558	3,563,401
	8,751,424	36,574	749,659	30,368	9,568,025
Less – Allowances for expected credit losses	(118,261)	(6,548)	(338,897)	(12,760)	(476,466)
Loans to customers	**8,633,163**	**30,026**	**410,762**	**17,608**	**9,091,559**

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					31 December 2022
Rating Score	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
1-3	-	-	-	-	-
4	1,779,603	-	-	-	1,779,603
5	1,906,159	27,188	26,557	9,787	1,969,691
6	323,594	36,661	126,067	6,769	493,091
7	-	-	50,818	334	51,152
8-10	-	-	83,238	11,080	94,318
Not rated	16,065	-	74,326	-	90,391
Loans to corporate customers that are individually assessed for impairment	4,025,421	63,849	361,006	27,970	4,478,246
Loans to SME customers and retail business that are individually assessed for impairment	639,964	10,041	51,945	7,267	709,217
Loans to customers that are collectively assessed for impairment	2,671,940	17,478	204,190	2,059	2,895,667
	7,337,325	91,368	617,141	37,296	8,083,130
Less – Allowances for expected credit losses	(110,281)	(16,777)	(262,575)	(21,118)	(410,751)
Loans to customers	**7,227,044**	**74,591**	**354,566**	**16,178**	**7,672,379**

Analysis by credit quality of loans to retail business and SME customers that are collectively and individually assessed for impairment as at 31 December 2023 and 2022 is as follows:

As at 31 December 2023	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	**2,767,435**	**(87,107)**	**2,680,328**
Overdue:	-	-	-
up to 30 days	53,885	(9,146)	44,739
31 to 60 days	14,606	(3,354)	11,252
61 to 90 days	10,788	(2,882)	7,906
91 to 180 days	24,138	(21,030)	3,108
over 180 days	98,462	(69,739)	28,723
Loans to retail business that are collectively and individually assessed for impairment	**2,969,314**	**(193,258)**	**2,776,056**
Loans to SME customers			
Not past due	**1,398,668**	**(24,005)**	**1,374,663**
Overdue:	-	-	-
up to 30 days	17,124	(1,317)	15,807
31 to 60 days	9,284	(1,557)	7,727
61 to 90 days	3,105	(1,427)	1,678
91 to 180 days	10,974	(7,086)	3,888
over 180 days	37,093	(17,992)	19,101
Loans to SME customers that are collectively and individually assessed for impairment	**1,476,248**	**(53,384)**	**1,422,864**
Loans to SME customers and retail business that are collectively and individually assessed for impairment	**4,445,562**	**(246,642)**	**4,198,920**
Loans to corporate customers that are collectively and individually assessed for impairment	**5,096,551**	**(225,709)**	**4,870,842**
Loans related to card transactions	**25,912**	**(4,115)**	**21,797**
Loans to customers	**9,568,025**	**(476,466)**	**9,091,559**

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As at 31 December 2022	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	**2,236,889**	**(79,543)**	**2,157,346**
Overdue:			
up to 30 days	56,433	(9,501)	46,932
31 to 60 days	14,390	(3,627)	10,763
61 to 90 days	10,037	(3,015)	7,022
91 to 180 days	20,448	(15,745)	4,703
over 180 days	72,112	(53,100)	19,012
Loans to retail business that are collectively and individually assessed for impairment	**2,410,309**	**(164,531)**	**2,245,778**
Loans to SME customers			
Not past due	**1,090,846**	**(21,007)**	**1,069,839**
Overdue:			
up to 30 days	19,874	(1,081)	18,793
31 to 60 days	10,727	(3,461)	7,266
61 to 90 days	8,181	(4,066)	4,115
91 to 180 days	4,764	(2,307)	2,457
over 180 days	36,912	(16,974)	19,938
Loans to SME customers that are collectively and individually assessed for impairment	**1,171,304**	**(48,896)**	**1,122,408**
Loans to SME customers and retail business that are collectively and individually assessed for impairment	**3,581,613**	**(213,427)**	**3,368,186**
Loans to corporate customers that are collectively and individually assessed for impairment	**4,478,246**	**(193,754)**	**4,284,492**
Loans related to card transactions	**23,271**	**(3,570)**	**19,701**
Loans to customers	**8,083,130**	**(410,751)**	**7,672,379**

(Millions of Kazakhstani Tenge)

13. Property and equipment and intangible assets

The movements in property and equipment are as follows:

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2022	**124,656**	**1,675**	**52,990**	**997**	**22,769**	**6,211**	**23,047**	**232,345**
Additions	198	247	8,570	11,032	3,218	1,345	1,164	25,774
Disposals	(1,011)	(6)	(2,222)	-	(697)	(889)	(220)	(5,045)
Revaluation	12	-	-	-	-	-	-	12
Transfers to assets classified as held for sale	(968)	-	-	-	-	-	-	(968)
Transfers	1,130	-	(130)	(1,134)	134	-	-	-
31 December 2023	**124,017**	**1,916**	**59,208**	**10,895**	**25,424**	**6,667**	**23,991**	**252,118**
Accumulated depreciation:								
31 December 2022	**898**	**984**	**25,916**	**-**	**13,519**	**2,876**	**14,422**	**58,615**
Charge for the year	2,658	257	6,237	-	1,892	1,432	1,453	13,929
Disposals	(605)	(6)	(2,182)	-	(684)	(816)	(219)	(4,512)
Transfers	(8)	-	-	-	-	-	-	(8)
Write-off at revaluation	-	-	(1)	-	1	-	-	-
31 December 2023	**2,943**	**1,235**	**29,970**	**-**	**14,728**	**3,492**	**15,656**	**68,024**
Net book value:								
31 December 2023	**121,074**	**681**	**29,238**	**10,895**	**10,696**	**3,175**	**8,335**	**184,094**

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	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2021	**104,816**	**1,682**	**48,043**	**3,027**	**21,028**	**5,918**	**21,099**	**205,613**
Additions	416	33	8,730	1,804	2,330	1,529	2,554	17,396
Disposals	(2,899)	(40)	(3,785)	(4)	(780)	(1,236)	(604)	(9,348)
Revaluation	19,344	-	-	-	-	-	-	19,344
Transfers to assets classified as held for sale	-	-	-	(660)	-	-	-	(660)
Transfers	2,979	-	2	(3,170)	191	-	(2)	-
31 December 2022	**124,656**	**1,675**	**52,990**	**997**	**22,769**	**6,211**	**23,047**	**232,345**
Accumulated depreciation:								
31 December 2021	**2,604**	**786**	**24,303**	**-**	**12,372**	**2,435**	**13,625**	**56,125**
Charge for the year	1,678	238	5,377	-	1,834	1,361	1,367	11,855
Disposals	(49)	(40)	(3,764)	-	(718)	(920)	(570)	(6,061)
Transfers	(31)	-	-	-	31	-	-	-
Write-off at revaluation	(3,304)	-	-	-	-	-	-	(3,304)
31 December 2022	**898**	**984**	**25,916**	**-**	**13,519**	**2,876**	**14,422**	**58,615**
Net book value:								
31 December 2022	**123,758**	**691**	**27,074**	**997**	**9,250**	**3,335**	**8,625**	**173,730**

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As at 31 December 2023, the increase in construction in progress in amount of KZT 11,032 million is associated with the construction of the Bank's administrative buildings in Astana and Tashkent, as well as the construction of a Data Processing Center in Astana.

The Bank's revaluation policy requires the entire asset class of buildings and construction to be revalued every three years. In the event of specific market or property indicators, the Bank may opt to perform revaluations more regularly. In 2023, the management of the Bank has not identified such significant changes in the commercial property market for similar buildings that Bank owns and no revaluation has been performed accordingly.

The Bank had its buildings and properties revalued during 2022 by independent appraisers. The independent appraisers used three approaches to identify the fair value of the property and equipment - the income approach with the income capitalisation method, the comparative approach, using market information to identify the fair value of buildings and structures under active market conditions, and the cost approach when no active market existed for items subject to revaluation.

As at 31 December 2023, the fair value measurements of the Bank's buildings and construction, are categorised into Level 2, in the amount of KZT 121,074 million (31 December 2022: KZT 104,144 million). A description of the measurement hierarchy is disclosed in Note 32.

As at 31 December 2023, the total fair value of buildings and construction was KZT 121,074 million (31 December 2022 – KZT 123,758 million). As at 31 December 2023, the carrying amount of property and equipment that would have been recognised had the assets been carried under the cost model is KZT 101,378 million (31 December 2022 – KZT 101,390 million).

14. Assets classified as held for sale

After the default of certain counterparties on loans to customers, the Bank recognized the property pledged as collateral for the loans as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less cost to dispose or the carrying value, as the appropriate level of management committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan was initiated.

Assets held for sale comprised the following:

	31 December 2023	31 December 2022
Assets held for sale related to OJSC Halyk Bank Kyrgyzstan	15,829	-
Real estate	9,439	8,784
Land plots	12,578	11,203
Movable property	51	42
	37,897	**20,029**

In November 2022, the Bank performed an independent valuation of its assets held for sale and based on the results recognised an impairment loss of KZT 810 million.

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Despite the Bank actively marketing these assets for sale, the majority have not been sold within a short timeframe. However, the management remains committed to the sale of these assets. As the assets are carried at a price not exceeding the current fair value less costs to sell, they continued to be classified as held for sale at the end of 2023 and 2022.

The fair value of the Banks's non-current assets held for sale was determined by independent appraisers. Income approach, comparative approach and cost based approach were used to estimate the fair value of those non-current assets. To estimate the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Bank's assets held for sale and information about the fair value hierarchy as at 31 December 2023 and 2022 are as follows:

	Level 2	Level 3	Total
31 December 2023			
Shares of OJSC Halyk Bank Kyrgyzstan held for sale	-	15,829	15,829
Real estate	6,455	2,984	9,439
Land plots	-	12,578	12,578
Movable property	-	51	51
31 December 2022			
Real estate	5,508	3,276	8,784
Land plots	-	11,203	11,203
Movable property	-	42	42

15. Other assets

Other assets include:

	31 December 2023	31 December 2022
Other financial assets:		
Banking debtors	28,401	24,292
Debtors for non-banking activities	2,921	2,576
Accrued commission income	7,293	5,275
Other	25,757	8,107
	64,372	**40,250**
Less – Allowance for expected credit losses	(14,613)	(19,597)
Total financial assets	**49,759**	**20,653**
Other non-financial assets:		
Investments in associated organizations	51,464	42,005
Prepayment for fixed assets	8,092	5,395
Prepaid taxes, excluding income tax	4,692	3,041
Inventory	3,662	3,751
Other investments	3,864	1,277
Precious metals	2,253	2,046
Prepayment for investment property	2,414	15,108
Other	976	1,158
Total non-financial assets	**77,417**	**73,781**
Total other assets	**127,176**	**94,434**

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As at 31 December 2023, investments in associated organizations include investments in JSC Altyn Bank (SB of China CITIC Bank Corporation Ltd.) in the amount of KZT 51,195 million and Open Travel Networks Ltd in the amount of KZT 269 million (31 December 2022 – KZT 42,005 million and nil, respectively).

Movements in accumulated provisions for expected credit losses on other assets are as follows:

				31 December 2023
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the period	**(329)**	**(560)**	**(18,708)**	**(19,597)**
Transfer to Stage 1	(8)	-	8	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	23	(561)	538	-
Changes in risk parameters*	(147)	1,120	3,818	4,791
Recoveries of allowances on previously written-off assets	-	-	(160)	(160)
Write-offs	-	-	419	419
Foreign exchange differences and other movements	10	-	(76)	(66)
At the end of the period	**(451)**	**(1)**	**(14,161)**	**(14,613)**

				31 December 2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the period	**(1,277)**	**-**	**(11,481)**	**(12,758)**
Transfer to Stage 1	(78)	-	78	-
Transfer to Stage 2	1	(1)	-	-
Transfer to Stage 3	288	(231)	(57)	-
Changes in risk parameters*	65	(328)	(8,671)	(8,934)
Recoveries of allowances on previously written-off assets	-	-	(167)	(167)
Write-offs	670	-	1,582	2,252
Foreign exchange differences and other movements	2	-	8	10
At the end of the period	**(329)**	**(560)**	**(18,708)**	**(19,597)**

* The item "Expected redit loss expense" in the consolidated income statement consists of the following items: "Changes in risk parameters", "New issues or acquisitions of financial assets" and "Derecognition of financial assets".

Below is a reconciliation of gross book value at the beginning and end of the year:

				31 December 2023
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the period	**16,021**	**560**	**23,669**	**40,250**
Transfer to Stage 1	2,194	561	(2,755)	-
Changes in risk parameters*	(8,480)	(1,100)	34,239	24,659
Write-offs	-	-	(402)	(402)
Other adjustments	(391)	-	256	(135)
At the end of the period	**9,344**	**21**	**55,007**	**64,372**

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				31 December 2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the period	**18,722**	**-**	**20,131**	**38,853**
Transfer to Stage 2	-	231	(231)	-
Transfer to Stage 3	(1,307)	396	911	-
Changes in risk parameters*	(365)	(67)	5,016	4,584
Write-offs	(670)	-	(1,582)	(2,252)
Disposals of subsidiaries	-	-	-	-
Other adjustments	(359)	-	(576)	(935)
At the end of the period	**16,021**	**560**	**23,669**	**40,250**

16. Amounts due to customers

Amounts due to customers include the following:

	31 December 2023	31 December 2022
Recorded at amortized cost:		
Term deposits:		
Individuals	4,728,234	4,275,909
Legal entities	3,332,062	2,875,481
	8,060,295	**7,151,390**
Current accounts:		
Legal entities	1,729,552	2,305,023
Individuals	1,013,314	876,377
	2,742,866	**3,181,400**
	10,803,162	**10,332,790**

As at 31 December 2023, the Bank's ten largest groups of related customers accounted for approximately 11% of the total amounts due to customers (31 December 2022 – 18%), where each group of related customers represents customers related to each other within that group.

As at 31 December 2023, customer accounts include collateral in the amount of KZT 138,686 million (31 December 2022 – KZT 175,025 million).

Management believes that in the event of withdrawal of funds, the Bank would be given sufficient notice so as to realize its liquid assets to enable repayment.

(Millions of Kazakhstani Tenge)

An analysis of customer accounts by sector is as follows:

	31 December 2023	%	31 December 2022	%
Individuals and entrepreneurs	5,741,548	53%	5,152,286	50%
Oil and gas	454,353	4%	808,688	8%
Other consumer services	677,612	6%	747,729	7%
Wholesale trade	831,941	8%	660,679	6%
Financial services	449,266	4%	666,039	6%
Transportation	403,266	4%	415,678	4%
Construction	556,519	5%	296,172	3%
Communication	132,540	1%	262,712	3%
Healthcare and social services	261,150	2%	233,700	2%
Metallurgy	356,948	3%	209,479	2%
Government	91,174	1%	170,575	2%
Insurance and pension funds activity	97,925	1%	103,312	1%
Education	160,920	2%	110,875	1%
Energy	106,069	1%	69,385	1%
Other	481,931	5%	425,481	4%
	10,803,162	**100%**	**10,332,790**	**100%**

17. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2023	31 December 2022
Recorded at amortized cost:		
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	268,663	502,619
Loans and deposits from OECD based banks	143,511	14,006
Loans from JSC Entrepreneurship Development Fund DAMU	83,302	81,084
Loans from JSC Development Bank of Kazakhstan	80,873	80,071
Correspondent accounts	62,778	75,801
Loans and deposits from non-OECD based banks	59,776	61,654
Loans from JSC Agrarian Credit Corporation	27,873	9,655
Loans from JSC Industrial Development Fund	22,637	22,632
Loans from other financial institutions	1,528	-
Deposits of JSC National Payment Corporation of the National Bank of the Republic of Kazakhstan	6,890	-
	757,831	**847,522**

As at 31 December 2023, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included a long-term loan of KZT 82,904 million (31 December 2022 – KZT 80,686 million) at a 1.0%-4.5% interest rate maturing in 2021-2035 with an early recall option. The loan was received in accordance with the Government program (the "Program") to finance small and medium enterprises ("SMEs") operating in certain industries. According to the loan agreement between DAMU and the Bank, the Bank is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate.

(Millions of Kazakhstani Tenge)

As at 31 December 2023, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 36,844 million (31 December 2022 – KZT 36,045 million) at a 2.0% interest rate maturing in 2029-2037, to finance corporate enterprises operating in manufacturing industries, as well as a long-term loan of KZT 43,796 million (31 December 2022 – KZT 43,796 million) at a 1.0% interest rate maturing in 2037, to finance the purchase of cars by the Bank's retail customers. According to the loan agreement between DBK and the Bank, the Bank is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate, and to retail borrowers – up to 5 years at a 4.0% interest rate.

As at 31 December 2023, loans from JSC Agricultural Credit Corporation under the annual program "Ken Dala" included short-term loans in the amount of KZT 27,775 million at 1.5% interest rate maturing on 3 January 2024. Loans should be used for subsequent lending to subjects of the agro-industrial complex for carrying out spring field and harvesting work with at a rate of 5% per annum for the final borrower.

The Bank's management believes that there are no other similar financial instruments and, due to their special nature, loans from JSC Agrarian Credit Corporation represent separate segments in the lending market for agricultural entities. As a result, the loans from JSC Agrarian Credit Corporation were received in an orderly transaction and, as such, were recorded at fair value at the date of recognition.

As at 31 December 2023, loans from JSC Industrial Development Fund ("IDF") included long-term loans of of KZT 22,500 million at 1.0% interest rate maturing in 2052 to finance the purchase of domestically produced vehicles by the Bank's retail customers. According to the loan agreement between the IDF and the Bank, the Bank is responsible for providing loans to retail business borrowers at a rate of 4.0% with a maturity of no more than 7 years.

The management of the Bank believes that there are no other similar financial instruments and due to their specific nature, the loans from DAMU, DBK and IDF represent separate segments in corporate, SME and retail lending. As a result, the loans from DAMU, DBK and IDF were received in an orderly transaction and as such have been recorded at fair value at the recognition date, which was determined to be the cash consideration transferred to the customers.

Interest rates and maturities of amounts due to credit institutions are presented as follows:

	31 December 2023		31 December 2022	
	Interest rate, %	**Maturity, Year**	**Interest rate, %**	**Maturity, Year**
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	14.75%-16.75%	2024	16%-17.75%	2023
Loans and deposits from OECD based banks	6.02%-6.83%	2024-2025	14.5%	2023
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-4.5%	2024-2035	1.0%-4.5%	2023-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2029-2037	1.0%-2.0%	2029-2037
Loans and deposits from non-OECD based banks	14.8%	2024	5.08%-14.5%	2023-2027
Loans from JSC Agrarian Credit Corporation	1.5%	2024	1.5%	2024
Loans from JSC Industrial Development Fund	1.0%	2052	1.0%	2052
Loans from other financial institutions	3.0%-25.0%	2024-2027	1.5%-10.0%	2023-2052
Deposits of JSC National Payment Corporation of the National Bank of the Republic of Kazakhstan	14.75%	2024	-	-

(Millions of Kazakhstani Tenge)

Fair value of assets pledged (Note 10) and the carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 December 2023 and 2022 are as follows:

	31 December 2023		31 December 2022	
	Fair value of collateral	**Carrying amount of loans**	**Fair value of collateral**	**Carrying amount of loans**
Financial assets at fair value through other comprehensive income	184,537	143,511	-	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	269,231	268,663	505,588	502,620
	453,768	**412,174**	**505,588**	**502,620**

Details of transferred financial assets that are not derecognised in their entirety as at 31 December 2023 and 2022 are disclosed below.

Loans under repurchase agreements are used by the Bank to provide current cash flows in KZT within the Bank's operating activities. The Bank regularly uses this type of instrument to attract short-term liquidity and plans to continue raising funds through loans under repurchase agreements when necessary.

The Bank has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

	Debt securities at amortised cost, net of allowances for expected credit loss (Note 10)	Financial assets at fair value at value through profit or loss (Note 7)	Financial assets at fair value through other comprehensive income (Note 9)
As at 31 December 2023:			
Carrying amount of transferred assets	269,231	-	184,537
Carrying amount of associated liabilities	268,663	-	143,511
As at 31 December 2022:			
Carrying amount of transferred assets	218,919	-	283,701
Carrying amount of associated liabilities	218,166	-	286,422

(Millions of Kazakhstani Tenge)

18. Debt securities issued

Debt securities issued comprise:

	31 December 2023	31 December 2022
Recorded at amortised cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	102,629	102,457
Total subordinated debt securities outstanding	**102,629**	**102,457**
Unsubordinated debt securities issued:		
USD denominated bonds	323,939	135,788
KZT denominated bonds	234,359	232,617
Total unsubordinated debt securities outstanding	**558,298**	**368,405**
Total debt securities issued	**660,927**	**470,862**

On 6 February 2023 the Group repurchased bonds listed on AIX in the amount of USD 100 million with a coupon rate of 2.5%, issued on 1 June 2022.

On 17 May 2023 the Group issued bonds listed on AIX in the total amount of USD 200 million with a coupon rate of 3.5%, of which as of 31 December 2023 USD 185.5 million were placed.

On 29 May 2023 the Group issued bonds listed on AIX in the total amount of USD 300 million with a coupon rate of 3.5%, of which as of 31 December 2023 USD 300 million were placed.

On 3 July 2023 the Group issued bonds listed on AIX in the total amount of USD 500 million with a coupon rate of 3.5%, of which as of 31 December 2023 USD 221.7 million were placed.

The coupon rates and maturities of the debt securities issued follow:

	31 December 2023		31 December 2022	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:				
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025
Unsubordinated debt securities issued:				
USD denominated bonds	3.5%	2025	2.5%	2025
KZT denominated bonds	7.5%	2024-2025	7.5%	2024-2025

As at 31 December 2023, accrued interest on debt securities issued was KZT 8,999 million (as at 31 December 2022 – KZT 6,979 million).

Subordinated securities are unsecured obligations of the Bank and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Bank. Coupon payments on debt securities issued are payable on a semi-annual and an annual basis.

(Millions of Kazakhstani Tenge)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's separate statement of cash flows as cash flows from financing activities.

		Cash changes		Non-cash changes		
	1 January 2023	Issuance of the debt securities	Redemption and repayment of debt securities	Foreign exchange movement	Changes in amortised cost	31 December 2023
Debt securities issued	470,862	325,696	(140,705)	1,136	3,938	660,927

		Cash changes		Non-cash changes		
	1 January 2022	Issuance of the debt securities	Redemption and repayment of debt securities	Foreign exchange movement	Changes in amortised cost	31 December 2022
Debt securities issued	514,365	127,886	(177,600)	12,374	(6,163)	470,862

19. Taxation

The Bank is subject to income tax in the Republic of Kazakhstan.

The income tax expense comprises:

	Year ended 31 December 2023	Year ended 31 December 2022
Current tax charge	124,799	93,069
Deferred income tax (benefit)/expense	(13,459)	1,527
Income tax expense	**111,340**	**94,596**

Deferred income tax benefit relating to the following temporary difference:

	Year ended 31 December 2023	Year ended 31 December 2022
Fair value of derivatives and financial assets at fair value through other comprehensive income	4,460	(1,899)
Deferred tax liability on financial instruments	4,982	622
Deferred tax liability on deposits held at JSC "Fund of Problem Loans"	(22,299)	(1,676)
Property and equipment, accrued depreciation	462	4,658
Other	(1,064)	(178)
Deferred income tax (benefit)/expense recognized in profit or loss	**(13,459)**	**1,527**

The tax rate for Kazakhstan companies was 20% during the years ended 31 December 2023 and 2022. Income on state and other qualifying securities is tax exempt.

(Millions of Kazakhstani Tenge)

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on Kazakhstan statutory rate of 20% with the reported income tax expense is as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Income before income tax expense	758,549	636,194
Statutory tax rate	20%	20%
Income tax expense at the statutory rate	151,710	127,239
Tax-exempt interest income and other related income on state and other qualifying securities and derivatives	(35,119)	(32,477)
Tax-exempt income on dividends	-	-
Non-deductible expenditures:		
- other provisions	467	2,920
Other	(5,718)	(3,086)
Income tax expense	**111,340**	**94,596**

Deferred tax assets and liabilities comprise:

	31 December 2023	31 December 2022
Tax effect of deductible temporary differences:		
Bonuses accrued	5,245	4,299
Fair value of derivatives	813	1,624
Vacation pay accrual	605	487
Other	-	-
Deferred tax asset	**6,663**	**6,410**
Tax effect of taxable temporary differences:		
Fair value adjustment on customer accounts	(16,422)	(38,721)
Property and equipment, accrued depreciation	(17,990)	(17,527)
Fair value of derivatives and financial assets at fair value through other comprehensive income	(30,430)	(21,798)
Deferred tax liability	**(64,842)**	**(78,048)**
Net deferred tax liability	**(58,179)**	**(71,638)**

Current tax assets and liabilities comprise:

	31 December 2023	31 December 2022
Income tax refundable	4,892	-
Current income tax payable	-	(9,844)
Current income tax liability	**4,892**	**(9,844)**

(Millions of Kazakhstani Tenge)

The Bank has offset deferred tax assets and liabilities on the statement of financial position where a right of offset existed. The amounts presented after offset comprise:

	31 December 2023	31 December 2022
Deferred tax liability	(58,179)	(71,638)
Net deferred tax liability	**(58,179)**	**(71,638)**

Kazakhstan has a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (for examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Commercial legislation of the Republic of Kazakhstan, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on Management's judgment of the Bank's business activities, was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally, such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit.

In Kazakhstan tax years remain open to review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

Management believes that the Bank is in compliance with the tax law affecting its operations; however, the risk that relevant authorities could take differing positions with regard to interpretive issues remains.

Movements in net deferred tax liability:

	2023	2022
Net deferred tax liability at the beginning of the year	71,638	70,111
Deferred tax benefit recognized in profit or loss	(13,459)	1,527
Net deferred tax liability at the end of the year	**58,179**	**71,638**

(Millions of Kazakhstani Tenge)

20. Other liabilities

Other liabilities include:

	31 December 2023	31 December 2022
Liabilities from continuing involvement	104,921	95,346
Banking creditors	56,396	23,301
Accrual for settlements with employees, bonuses and vacations	26,974	22,068
Lenders for non-banking activities	5,789	4,704
Other advances received	13,284	10,675
Tax debts other than income tax	6,493	10,385
Lease liabilities	3,477	3,602
General and administrative expenses payable	3,647	3,316
Other	37	375
Total other liabilities	**221,018**	**173,772**

The liability from continuing involvement represents obligations towards JSC Kazakhstan Sustainability Fund (hereinafter referred to as the "Operator") associated with the state mortgage program "7-20-25" and other programs. In accordance with the terms of this program, the Bank provides mortgage loans to borrowers and transfers the rights of claim on the loans to the Program Operator. In accordance with the program and the trust management agreement, the Bank carries out trust management of the transferred mortgage loans. At the same time, the Bank is obliged to redeem the rights of claim on the transferred mortgage loans if there is a delay in the principal debt and interest on loans for more than 90 calendar days. The repurchase is carried out at the nominal value of the loan on the date of purchase.

The Bank has determined that It has no transferred or retained all the risks and rewards of ownership of these assets, in particular credit risk, but has retained control of the transferred assets and continues to recognize loans to the extent of its continuing involvement in them. The extent of the continuing involvement is limited to the maximum amount of consideration received that the Bank may be required to repay because the Banks continuing involvement takes the form of a guarantee over the transferred asset. Because the Bank continues to recognize an asset to the extent of its continuing involvement in loans to customers, the Bank also recognizes an associated liability.

21. Equity

The number of shares authorized, issued and fully paid as at 31 December 2023 and 2022 were as follows:

31 December 2023	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(2,539,270,930)	10,908,273,852

31 December 2022	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(2,539,270,930)	10,908,273,852

(Millions of Kazakhstani Tenge)

All shares are KZT denominated. Movements of shares outstanding are as follows:

	Number of shares Common	Nominal (placement) amount Common
31 December 2022	**10,908,273,852**	**(47,909)**
Purchase of treasury shares	-	-
31 December 2023	**10,908,273,852**	**(47,909)**

	Number of shares Common	Nominal (placement) amount Common
31 December 2021	**10,908,273,852**	**(47,909)**
Purchase of treasury shares	-	-
31 December 2022	**10,908,273,852**	**(47,909)**

Common shares

As at 31 December 2023 and 2022, share capital comprised KZT 212,690 million.
As at 31 December 2023, the Bank held 2,539,270,930 of the Bank's common shares as treasury shares at KZT 260,599 million (31 December 2022 – 2,539,270,930 common shares at KZT 260,599 million).

Each common share outstanding is entitled to one vote and dividends. Treasury shares are not entitled to any vote or dividend.

Dividends paid for the previous financial years were as follows:

	Paid in 2023 for the year ended 31 December 2022	Paid in 2022 for the year ended 31 December 2021
Dividends declared during the period	276,852	138,644
Dividend paid per one common share	25.38	12.71

Share premium reserve

Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

(Millions of Kazakhstani Tenge)

22. Financial commitments and contingencies

The Bank's financial commitments and contingencies comprise the following:

	31 December 2023	31 December 2022
Guarantees issued	817,371	601,079
Commercial letters of credit	120,477	94,183
Commitments to extend credit	60,481	59,983
Financial commitments and contingencies	998,329	755,245
Less: cash collateral against letters of credit	(45,279)	(63,693)
Less: provisions	(11,653)	(13,806)
Financial commitments and contingencies, net	**941,397**	**677,746**

Guarantees issued represent bank guarantees issued by the Bank by order of its clients, and which are in effect as at the reporting date. As at 31 December 2023, the ten largest guarantees accounted for 46% of the Bank's total financial guarantees (31 December 2022 – 45%) and represented 14% of the Bank's total equity (31 December 2022 – 14%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 31 December 2023, the ten largest unsecured letters of credit accounted for 57% of the Bank's total commercial letters of credit (31 December 2022 – 31%) and represented 3% of the Bank's total equity (31 December 2022 – 2%).

The Bank requires collateral to support credit-related financial instruments when it is deemed necessary. The Bank typically requires collateral support unless it is determined to be not necessary through review of the credit risk of the borrower or analysis of other deposit accounts held by the Bank. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

Provision represents other credit loss expenses against letters of credit and guarantees issued.

The movements in provisions were as follows:

				31 December 2023
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	(8)	(6,714)	(7,084)	(13,806)
Transfer to Stage 1	(5,211)	-	5,211	-
Transfer to Stage 2	1	(1)	-	-
Transfer to Stage 3	2,439	-	(2,439)	-
New originations	962	3,281	(2,467)	1,776
Foreign exchange differences	-	213	164	377
At the end of the year	**(1,817)**	**(3,221)**	**(6,615)**	**(11,653)**

(Millions of Kazakhstani Tenge)

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the year	(77)	(6,477)	(6,131)	(12,685)
Transfer to Stage 2	3	(3)	-	-
Transfer to Stage 3	3,155	25	(3,180)	-
Additional provisions recognised	2,010	281	(2,304)	(13)
New originations	(5,107)	-	-	(5,107)
Repayments	7	-	5,093	5,100
Foreign exchange differences	1	(540)	(562)	(1,101)
At the end of the year	**(8)**	**(6,714)**	**(7,084)**	**(13,806)**

Capital commitments

As at 31 December 2023, the Bank had commitments for capital expenditures in respect of construction in progress amounted to KZT 34,110 million, of which KZT 33,871 million relate to the construction of the Bank's administrative building in Astana (31 December 2022 – KZT 10 million).

Operating lease commitments

There were no material operating lease commitments under irrevocable operating leases outstanding as at 31 December 2023 and 2022.

23. Net interest income

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income:		
Loans to customers	1,327,106	963,701
- Corporate business	620,254	445,030
- Retail business	501,052	381,398
- SME business	205,800	137,273
Debt securities at amortised cost, net of allowances for expected credit losses	145,860	87,649
Financial assets at fair value through other comprehensive income	63,907	87,807
Amounts due from credit institutions and cash and cash equivalents	47,674	38,878
Other financial assets	1,619	1,833
Total interest income calculated using the effective interest method	**1,586,166**	**1,179,868**
Financial assets at fair value through profit or loss	4,206	-
Other interest income	**4,206**	**-**
Total interest income	**1,590,372**	**1,179,868**
Interest expense:		
Amounts due to customers	(745,935)	(465,619)
- Legal entities	(408,137)	(245,754)
- Individuals	(337,798)	(219,865)
Amounts due to credit institutions	(42,669)	(60,569)
Debt securities issued	(36,312)	(31,977)
Other interest expense	(470)	(595)
Total interest expense	**(825,386)**	**(558,760)**
Net interest income before credit loss expense	**764,986**	**621,108**

(Millions of Kazakhstani Tenge)

Other interest and similar expenses include loss on initial recognition of long-term financial receivables.

The total interest income calculated using the EIR method for financial assets measured at amortised cost is KZT 1,440,306 million for the year ended 31 December 2023 (December 2022: KZT 1,092,061 million).

24. Fees and commissions

Fee and commission income was derived from the following sources:

	Year ended 31 December 2023	Year ended 31 December 2022
Transaction income of individuals	138,152	127,679
Transaction income of legal entities	39,267	35,863
Letters of credit and guarantees issued	19,999	13,163
Other	9,924	7,102
Loyalty program expenses	(13,343)	(12,221)
	193,999	**171,586**

Fee and commission expense comprised the following:

	Year ended 31 December 2023	Year ended 31 December 2022
Transactional expense of individuals	(74,861)	(78,323)
Deposit insurance	(12,792)	(5,688)
Transactional expense of legal entities	(3,863)	(4,080)
Other	(5,512)	(5,346)
	(97,028)	**(93,437)**

Transactional income of individuals and legal entities includes fee and commission income derived from bank transfers on settlements and salary projects, maintenance of customer accounts and plastic card operations, cash operations and servicing customers' pension payments.

Transactional expense of individuals and legal entities includes fee and commission expense derived from payment cards, bank transfers and cash operations.

25. Net gain from financial assets and liabilities at fair value through profit or loss

Net gain from financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2023	Year ended 31 December 2022
Net gain from operations with financial assets and liabilities classified as held for trading:		
Realized net gain on derivative operations	28,129	13,586
Net gain on trading operations	27,362	3,109
Unrealized net gain/(loss) on derivative operations	9,508	(2,706)
Total net gain from operations with financial assets and liabilities classified as held for trading	**64,999**	**13,989**

(Millions of Kazakhstani Tenge)

26. Net foreign exchange gain

Net foreign exchange gain comprises:

	Year ended 31 December 2023	Year ended 31 December 2022
Dealing, net	101,038	161,998
Translation differences, net	(14,978)	(4,133)
Total net foreign exchange gain	**86,060**	**157,865**

27. Operating expenses

Operating expenses comprised:

	Year ended 31 December 2023	Year ended 31 December 2022
Salaries and other employee benefits	96,711	82,218
Depreciation and amortization expenses	13,929	11,856
Collection expenses	8,112	4,649
Taxes other than income tax	8,000	9,471
Communication	6,274	6,216
Information services	6,119	5,434
Advertisement	4,768	3,668
Repair and maintenance	4,755	5,202
Security	4,575	5,025
Charity*	4,401	6,423
Utilities	3,767	3,386
Rent	3,212	2,782
Stationery and office supplies	2,948	2,437
Professional services	1,044	1,010
Business trip expenses	689	470
Transportation	184	181
Other	5,936	3,083
	175,424	**153,511**

*In response to the economic implications of January 2022 events, the Government has prepared initiatives designed to address the current crisis. A special charitable fund "For the People of Kazakhstan", which is funded from private and public sources, is established to support citizens of Kazakhstan in the field of healthcare, education and provide other social support. The Bank has contributed KZT 3 billion to the fund, which are part of charity expenses.

(Millions of Kazakhstani Tenge)

28. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to equity holders of the Bank by the weighted average number of participating shares outstanding during the year.

According to Kazakhstan legislation on Joint Stock Companies, dividend payments per common share cannot exceed the dividends per share on preferred shares for the same period. Therefore, net income for the period is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Year ended 31 December 2023	Year ended 31 December 2022
Basic and diluted earnings per share		
Net income for the year attributable to equity holders of the parent	647,209	541,598
Earnings attributable to common shareholders	647,209	541,598
Weighted average number of common shares for the purposes of basic and diluted earnings per share	10,908,273,852	10,908,273,852
Basic and diluted earnings per share (in Kazakhstani Tenge)	**59.33**	**49.65**

As required by KASE rules for listed companies the book value of one share per each class of shares as at 31 December 2023 and 2022, is disclosed as follows:

			31 December 2023
Class of shares	**Outstanding shares**	**Equity (as calculated per KASE rules)**	**Book value of one share, in KZT**
Common	10,908,273,852	2,446,149	224.25
		2,446,149	

			31 December 2022
Class of shares	**Outstanding shares**	**Equity (as calculated per KASE rules)**	**Book value of one share, in KZT**
Common	10,908,273,852	1,964,100	180.06
		1,964,100	

Equity attributable to common shares is calculated as the difference between total equity and total net book value of intangible assets.

The management of the Bank believes that it fully complies with the requirement of KASE as at the reporting dates.

29. Financial risk management

Risk management is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Bank recognises that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. Through the risk management framework, the Bank manages the following risks:

Risk appetite management

Risk appetite is the aggregate level and types of risks that the Bank is ready to accept when achieving strategic objectives and business plan.

In order to build an effective system for managing the Bank's risk appetite, the risk appetite strategy of JSC Halyk Bank was developed and approved.

The risk appetite strategy defines clear boundaries of the volume of accepted significant risks in which the Bank operates as part of the implementation of the overall development strategy of Halyk Group, and also determines the risk profile of the Bank's activities in order to prevent the implementation of risks or minimize their negative impact on the financial position of the Bank.

As part of the development and implementation of the risk appetite strategy for each significant level of risk, the Board of Directors approved the levels of risk appetite (for credit risk, market risk, liquidity risk, operational risk), taking into account the adopted business model, scale of activities, types and complexity of the Bank's operations.

Internal process for assessing capital adequacy

In accordance with the requirements of the rules for the formation of a risk management and internal control system for second-tier banks, the Bank developed and implemented an internal process for assessing capital adequacy, which was approved by the Board of Directors. The internal capital adequacy assessment process (the "ICAAP") is a set of processes for managing significant risks, taking into account the volume of assets, the nature and level of complexity of the activity, the organizational structure, strategic plans, risk profile, regulatory framework, assessment and aggregation of such risks in order to determine target level of the Bank's capital adequacy to maintain a stable financial position and solvency.

The purpose of the ICAAP development is to identify, assess, aggregate and control significant types of risks inherent in the Bank's activities in order to determine the required level of capital sufficient to cover them, including: credit risk, market risk, liquidity risk and operational risk. The Bank assesses the adequacy of its equity capital, taking into account the current level of risk appetite and development strategy, based on the approved budget. Equity capital adequacy is assessed taking into account the results of stress testing of the Bank's risks. The internal process for assessing capital adequacy is subject to continuous review of both quantitative and qualitative indicators, including the application of its results, approaches to stress testing, risk identification and information collection process, validation of risk assessment models.

Credit risk

Credit risk is the risk of loss arising for the Bank when a counterparty is unable to meet its contractual obligations on time or in full.

The risk management department plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification, evaluation and implementation of control and monitoring measures. As part of the credit risk management system, the Bank maintains a sufficient level of allowances for expected credit losses, controls the credit risk assessment process, takes the necessary measures to ensure the completeness and reliability of information in order to make decisions, adhere to internal policies and procedures, and maintain a credit assessment procedures independent of the business units risks.

The risk management department directly participates in credit decision - making processes and the development process of internal rules, regulations and loan programs. In addition, the department provides independent recommendations concerning credit exposure minimisation measures, controls limits and monitors credit risks, the level of risk appetite for credit risk, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (the "ALMC"). The Bank sets the levels of risk appetite for the concentration of the loan portfolio by types of lending: corporate business, small and medium business, retail business to the Bank's loan portfolio, portfolio concentration by 10 large borrowers of the Bank, the concentration of the portfolio on foreign currency loans, the concentration of the loan portfolio by the acceptable rating level, PD level and NPL level in small and retail business in the loan portfolio by lending segment. Limits on credit risk exposure with respect to credit programmes (SME and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures, which are reviewed by the Credit Committees and the ALMC. Actual exposures against limits are monitored daily.

The risk, that the counterparty will not meet its obligations, is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the statement of financial position (i.e. the policy based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring). The Bank monitors the term to maturity of off-balance sheet contingencies, as longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Structure and authorities of credit committees

Credit committees, the ALMC, the Management Board and the Board of Directors are credit authorities responsible for the implementation of the Bank's Credit Policy and credit decision-making process.

Head Office Credit Committee ("CC")

The primary goal of the CC is the implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers.

Branch Credit Committee and Branch Network Credit Committee ("BCC", "BNCC")

The primary goal of the BCC and the BNCC is the implementation of the Bank's Credit Policy in terms of granting financial instruments via branches to SME customers.

Delegated credit authority limits for the BCC and the BNCC are established by the Management Board. The BCC makes credit decisions within its limits. If the loan application exceeds the relevant credit limit or the authorities of the BCC, the final decision has to be taken by the BNCC. The procedure of the decision-making by the BNCC involves consideration of a package of documents, including complex analysis and assessments of the potential borrowers conducted by the Bank's experts.

Retail Branch Credit Committee of the Head Office ("RCCHO") and Decision Making Center ("DMC")

The primary goal of the RCCHO and the DMC, which are credit authorities, is the implementation of the Bank's Credit Policy in terms of granting retail financial instruments via branches.

The DMC is comprised of credit underwriters with delegated credit authorities based on a four eyes principle. The DMC makes credit decisions within their authorities and limits established by the Management Board and the RCCHO. The RCCHO is authorized to consider loan applications that exceed relevant credit limits or the authorities of the DMC, as well as other matters within the authorities established by the Management Board.

Along with the functioning of the DMC and RCCHO, there is an automated approach for making decisions when lending to individuals. Automation of decision making is based on a risk-based approach, including Risk Based Pricing and the use of additional parameters when assessing customer solvency. Based on the results of consideration of applications, loan proposals are formed both according to the requested conditions and by offering alternative solutions for all segments of applicants for individuals (participants / non-participants of the salary project, pensioners, etc.). This approach takes into account the risk profile of the potential borrower and allows minimising the credit risk exposure in the decision making process.

Decision Making Center for Small Business ("DMC for SB")

The DMC for SB was established in 2018, the main task of which is to consider loan applications in the small business sector in an amount not exceeding KZT 150 million.

The DMC for SB consists of credit underwriters with delegated decision-making powers based on the four-eye principle. The Decision Making Center takes decisions within the framework of the authority approved by the Board of the Bank and the limits approved by the BNCC.

Problem loans committee of the Head Office, branches

The primary goal of the problem loans committee of the Head Office, branches is the implementation of the Bank's Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

Authorized credit authorities of the Bank's subsidiaries

Consideration and approval of the loan applications in the subsidiaries are performed by the authorized credit authorities in accordance with the internal rules and regulations of the subsidiary. Loan applications exceeding the established limits and authorities have to be approved by the Board of Directors of the subsidiaries with the preliminary consideration by the relevant credit committee according to the Bank's internal rules and regulations.

ALMC

The primary goal of the ALMC is profit maximization and to limit the risks of banking activities related to raising and allocating funds and the establishment of a medium-term policy for the management of assets and liabilities. The main tasks of the ALMC are: liquidity management, market risk management, ensuring effective control over the activities of the Bank's executive bodies on financial risk management and determining priority areas for minimizing the Bank's risks

The ALMC is also responsible for establishing country and counterparty-bank limits. The ALMC reports to the Board of Directors.

The Management Board

For loan applications exceeding the authorities of the Head Office Credit Committee, the BNCC and the RCCHO, or exceeding the relevant limits of the BNCC and the RCCHO, have to be considered by the Management Board.

(Millions of Kazakhstani Tenge)

Risk Committee

The Committee is a collegial body under the Board of Directors and assists in the implementation of functions related to the formation of an effective risk management and internal control system in the Bank, ensuring its functioning and informing the Board of Directors about the level of risks assumed by the Bank.

The Board of Directors

If the loan application exceeds 5% of the Bank's equity capital or the potential borrower is a related party, such applications have to be considered by the Board of Directors.

Maximum Exposure

The Bank's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on (Note 22). The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

	31 December 2023	
	Maximum exposure and net exposure after offset	**Collateral pledged**
Cash equivalents*	977,539	-
Financial assets at fair value through profit or loss	47,572	-
Amounts due from credit institutions	350,194	-
Financial assets at fair value through other comprehensive income	2,334,694	-
Debt securities at amortised cost, net of allowance for expected credit losses	714,963	-
Loans to customers	9,091,559	7,666,304
Other financial assets	49,759	-
Commitments and contingencies	986,676	45,279

(Millions of Kazakhstani Tenge)

	31 December 2022	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,687,971	5,003
Financial assets at fair value through profit or loss	10,513	-
Amounts due from credit institutions	283,943	-
Financial assets at fair value through other comprehensive income	2,011,201	-
Debt securities at amortised cost, net of allowance for expected credit losses	982,956	-
Loans to customers	7,672,379	6,631,957
Other financial assets	20,653	
Commitments and contingencies	741,439	63,693

*Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

As at 31 December 2023 and 2022, there is no any difference between maximum exposure and net exposure after offset.

Significant increase in credit risk

As explained in Note 4, the Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

For treasury operations (interbank transactions, securities, reverse repurchase agreements), a significant increase in credit risk is determined individually for each financial asset on the basis of quantitative indicators (rating downgrades by 3 or more steps since initial recognition, overdue by 1 day or more since initial recognition) and qualitative indicators (negative information relating to the issuer/counterparty, including deterioration of financial condition, change of shareholders, the realization of the risk of loss of reputation, the systematic violation of prudential standards) since initial recognition.

For bank loans assessed on a collective basis, a significant increase in credit risk is determined for loans with an overdue of over 30 days since initial recognition, for loans assessed on an individual basis - additionally in case of the decrease of internal credit rating and increase in lifetime PD on 10 percentage points in accordance with the internal rating model (the presence of restructuring during deterioration of the financial position for classification to Stage 3), expert opinions of the Bank's specialists based on the changes in the qualitative and quantitative indicators of the borrower, a significant deterioration of collateral and other objective evidence of significant financial difficulties since initial recognition.

The Bank considers that certain financial instruments with low credit risk at the reporting date, have not experienced a significant increase in credit risk. The Bank applies this policy to financial instruments issued to sovereign and financial institutions only. The Bank considers a financial instrument to have low credit risk when their external credit risk rating is equivalent to definition of 'investment grade' by international rating agencies.

The Bank has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Incorporation of forward-looking information

The Bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The incorporation of forward-looking elements reflects the expectations of the Bank and involves the creation of two scenarios ("base case" and "downside" scenarios), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The "base case" scenario enters with a probability of 75% and the "downside" scenario with a probability of 25%.

Development of forecasting was carried out by JSC Halyk Finance using internal and external information for creating "base case" and "downside" scenarios of future forecasting of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Bank applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Bank for strategic planning and budgeting. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

When applying these stress factors, the results of stress testing performed at the end of 2023 show a slight decrease in certain financial indicators of the Bank (growth in provisions for expected credit losses, decrease in net profit and outflow of customer accounts).

At the same time, given that, the Bank has a sufficient amount of equity and liquid assets, significant deterioration in the financial position of the Bank and violation of regulatory requirements and norms are not predicted.

(Millions of Kazakhstani Tenge)

In general, a worsening of forecasted macroeconomic variables for each scenario or an increase in the probability of the "downside" scenario occurring will both increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated allowances for expected credit losses. In contrast, an improvement in the outlook on forecasted macroeconomic variables or an increase in the probability of the "base case" scenario occurring will have a positive impact. It is not possible to meaningfully isolate the impact of changes in the various macroeconomic variables for a particular scenario due to the interrelationship between the variables as well as the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring.

The table below summarizes the forecasts for the following year for the principal macroeconomic indicators included in economic scenarios as at 31 December 2023 and 2022 for Kazakhstan, which is the country where the Bank operates and therefore is the country that has a material impact in ECLs.

	31 December 2023		31 December 2022	
List of macro variables used	**Definition**	**Range**	**Definition**	**Range**
Real GDP growth	% change	Between 2.8% and 4.5%	% change	Between 1.6% and 3.2%
Inflation	Inflation %	Between 10.3% and 12.5%	Inflation %	Between 14.3% and 16.0%
Oil price (USD/bbl.)	Price per barrel	Between USD 60 and USD 80	Price per barrel	Between USD 60 and USD 80

Financial assets are graded according to the current credit rating they have been issued by an international rating agency or in accordance with the Bank's internal rating system. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

The following table details the credit ratings of financial assets held by the Bank (except for loans to customers, which are disclosed in details below), before any allowances for expected credit losses:

	AA	AA-	A	BBB	<BBB	Not rated	31 December 2023 Total
Cash and cash equivalents*	234,561	102,010	69,426	558,067	626	12,881	977,571
Obligatory reserves	-	-	-	234,054	-	-	234,054
Financial assets at fair value through profit or loss	4,035	99,773	55,481	21,676	11	23	180,999
Amounts due from credit institutions	5,666	26,212	52,716	51,296	198,725	16,143	350,758
Financial assets at fair value through other comprehensive income	203,639	79,983	110,517	1,886,368	54,187	-	2,334,694
Debt securities at amortised cost	-	-	-	710,267	5,347	-	715,614
Other financial assets	-	-	-	-	-	49,759	49,759
Commitments and contingencies	-	-	-	-	-	998,329	998,329

(Millions of Kazakhstani Tenge)

	AA	AA-	A	BBB	<BBB	Not rated	31 December 2022 Total
Cash and cash equivalents*	338,678	111,290	180,453	1,041,709	647	15,213	1,687,990
Obligatory reserves	-	-	-	234,552	-	-	234,552
Financial assets at fair value through profit or loss	-	79,714	38,562	9,737	-	-	128,013
Amounts due from credit institutions	8,624	25,341	37,157	165,855	26,644	20,810	284,431
Financial assets at fair value through other comprehensive income	351,324	27,843	92,863	1,482,234	56,931	-	2,011,201
Debt securities at amortised cost	-	-	-	975,153	8,146	-	983,299
Other financial assets	-	-	-	-	-	20,653	20,653
Commitments and contingencies	-	-	-	-	-	755,245	755,245

*Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Bank is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

(Millions of Kazakhstani Tenge)

The following table details the carrying value of financial assets that are impaired and for those that are past due but not impaired:

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowances for expected credit losses	Gross carrying amount of assets	Amount of allowances for expected credit losses	Gross carrying amount of assets	Amount of allowances for expected credit losses	31 December 2023 Total
Amounts due from credit institutions	350,758	(564)	-	-	-	-	350,194
Financial assets at fair value through other comprehensive income	2,336,853	(2,159)	-	-	-	-	2,334,694
Debt securities at amortized cost	715,615	(652)	-	-	-	-	714,963
Loans to customers	5,137,977	(36,303)	536,072	(224,860)	3,893,976	(215,303)	9,091,559
Other financial assets	-	-	34,367	(14,161)	30,005	(452)	49,759

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowances for expected credit losses	Gross carrying amount of assets	Amount of allowances for expected credit losses	Gross carrying amount of assets	Amount of allowances for expected credit losses	31 December 2022 Total
Amounts due from credit institutions	284,431	(488)	-	-	-	-	283,943
Financial assets at fair value through other comprehensive income	2,012,153	(952)	-	-	-	-	2,011,201
Debt securities at amortized cost	983,299	(343)	-	-	-	-	982,956
Loans to customers	4,744,216	(41,710)	448,187	(180,332)	2,890,727	(188,709)	7,672,379
Other financial assets	-	-	34,663	(18,707)	5,587	(890)	20,653

As at 31 December 2023, the carrying amount of unimpaired overdue loans was KZT 62,832 million (31 December 2022 – KZT 67,128 million). Maturities of these overdue loans are not greater than 90 days.

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Bank to provide funds for repayment of its obligations in due time. The Bank's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

In accordance with the requirements of the Rules for the formation of a risk management and internal control system for second-tier banks, the Bank has developed and implemented an internal process for assessing liquidity adequacy ("IPALA"), which was approved by the Board of Directors. IPALA is a set of liquidity risk management processes in order to maintain an adequate level of liquidity and implement an appropriate liquidity risk management system at different time intervals depending on the type of activity, currency. IPALA was developed in accordance with the risk appetite strategy, taking into account the current market and economic situation, the risk profile and the requirements of the legislation of the Republic of Kazakhstan in terms of the formation of a risk management and internal control system for second-tier banks, as well as the internal needs of the Bank in determining the main approaches and principles of the process assessing the adequacy of liquidity. In order to determine the risk appetite, the Board of Directors approves the levels of risk appetite for liquidity risk, and also uses a quantitative internal indicator of liquidity adequacy within the IPALA, which limits the risks of current, short-term, medium-term and long-term liquidity. In order to identify weaknesses, the IPALA is subject to continuous review at least once a year, which is submitted for approval by the Board of Directors.

As part of the risk management system, liquidity risk is measured and controlled through the following tools:

- monitoring compliance with regulatory (prudential) liquidity ratios;
- setting and regular monitoring of internal limits and triggers for liquidity risk: risk appetite level, IPALA ratio, limit on GAP gaps, liability concentration limits, early warning indicators of liquidity risk;
- analysis of contractual maturities (GAP-analysis) and cash flow forecasting, including: planned transactions, projected rollover of attracted customer funds (taking into account the calculation of the stable part of funding);
- analysis of the concentration of funding sources (by largest depositors, by currency, by funding maturity, by funding source;
- indicators of early warning about liquidity risk, allowing to monitor and control liquidity risk;
- analysis of the volume of assets that can be used as collateral to raise liquidity;
- development and regular testing of a contingency financing plan with a description of the process of eliminating liquidity shortage in emergency situations;
- stress testing of the impact of changes in various macroeconomic and other factors and parameters on liquidity.

Short-term liquidity needs are managed by the Bank's Treasury function collecting daily cash inflow/outflow forecasts. Long-term liquidity management is performed by the ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Bank analyses and evaluates cash inflows and outflows to determine the potential shortage of liquid assets in the future. The Bank measures and forecasts estimated cash flows for assets and liabilities, including off-balance sheet claims and liabilities, which analyzes the structure of gaps between cash flows for financial assets and financial liabilities (GAP analysis). In a GAP analysis, cash flows are grouped into time buckets based on the following principles:

- assets and liabilities are broken down into economically homogeneous and significant items;
- securities at fair value through profit or loss are classified in the column "Less than 1 month" because they are available to meet the Bank's short-term liquidity needs;
- part of long-term loans provided to customers are classified in the column "From 3 months to 1 year", because for them, the Bank has the right to unilaterally withdraw within ten months after due notice issued by the Bank;
- loans to customers, amounts due from credit institutions, financial assets at fair value through other comprehensive income, debt securities at amortized cost, other financial assets, customer accounts, amounts due to credit institutions, debt securities issued, other financial liabilities included analysis of the liquidity position based on expected contractual maturities;
- Assets and liabilities other than those listed above are generally classified according to the payment schedule and the remaining period from the reporting date to the earliest contractual payment date or available maturity date.

For the purposes of effective control, the Bank divides liquidity management into:

- management of current (intraday)/short-term liquidity – management of assets and liabilities with a maturity of less than 3 months;
- management of mid-term/long-term liquidity – management of assets and liabilities with maturity from 3 months to 1 year and more than 1 year.

Liquidity risk management is generally carried out by ALMC, whose main tasks are to control the implementation of the asset and liability management policy and the liquidity management policy, and to determine the need for liquid funds. The treasury department directly manages the Bank's cash flows and short-term liquidity within the established level of risk appetite for liquidity risk and the limits established by ALMC. The treasury department develops and implements measures for operational liquidity management. The risk management division is responsible for the implementation of the liquidity risk management process, for identifying, measuring, monitoring, controlling and analyzing liquidity risk as part of periodic management reporting on the current state of liquidity risk with related analysis, and, if necessary, provides its recommendations for minimizing risks. The risk management division also conducts stress testing of the impact of changes in various macroeconomic and other factors and parameters on liquidity, including taking into account the scenario of the outflow of customer funds.

Liquidity risk management (identification, measurement, monitoring, control and analysis of liquidity risk) is carried out in accordance with the IPALA and the liquidity risk management policy, as well as regulatory requirements.

The following tables provide an analysis of financial assets and liabilities grouped based on the above principles.

(Millions of Kazakhstani Tenge)

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	31 December 2023 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,279,528	-	-	-	-	1,279,528
Obligatory reserves	111,656	23,652	64,201	24,272	10,273	234,054
Financial assets at fair value through profit or loss	160,645	337	2,029	17,988	-	180,999
Amounts due from credit institutions	99,376	155	66,118	184,276	269	350,194
Financial assets at fair value through other comprehensive income	94,310	109,353	503,099	1,136,226	491,706	2,334,694
Debt securities at amortised cost, net of allowances for expected credit losses	-	1,603	208,067	505,293	-	714,963
Loans to customers*	309,101	720,638	4,754,911	2,950,257	356,652	9,091,559
Other financial assets	47,074	268	1,743	74	600	49,759
	2,101,690	**856,006**	**5,600,168**	**4,818,386**	**859,500**	**14,235,750**
FINANCIAL LIABILITIES:						
Amounts due to customers	5,446,139	1,174,995	3,215,374	604,531	362,123	10,803,162
Amounts due to credit institutions	411,445	50,828	19,529	104,087	171,942	757,831
Financial liabilities at fair value through profit or loss	1,734	3,785	102,740	552,668	-	660,927
Debt securities issued	3,672	-	-	530	-	4,202
Other financial liabilities	168,402	146	5,273	-	447	174,268
	6,031,392	**1,229,754**	**3,342,916**	**1,261,816**	**534,512**	**12,400,390**
Net position	**(3,929,702)**	**(373,748)**	**2,257,252**	**3,556,570**	**324,988**	**1,835,360**
Accumulated gap	**(3,929,702)**	**(4,303,450)**	**(2,046,198)**	**1,510,372**	**1,835,360**	**-**

(Millions of Kazakhstani Tenge)

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	31 December 2022 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,930,222	-	-	-	-	1,930,222
Obligatory reserves	119,767	14,670	71,901	16,814	11,400	234,552
Financial assets at fair value through profit or loss	117,581	-	-	10,432	-	128,013
Amounts due from credit institutions	79,857	21,372	100,012	77,967	4,735	283,943
Financial assets at fair value through other comprehensive income	54,682	148,779	383,106	1,253,712	170,922	2,011,201
Debt securities at amortised cost, net of allowances for expected credit losses	-	1,654	283,541	697,761	-	982,956
Loans to customers*	312,886	652,470	4,440,626	2,196,703	69,694	7,672,379
Other financial assets	8,587	458	10,868	118	622	20,653
	2,623,582	**839,403**	**5,290,054**	**4,253,507**	**257,373**	**13,263,919**
FINANCIAL LIABILITIES:						
Amounts due to customers	5,293,170	714,132	3,559,201	367,848	398,439	10,332,790
Amounts due to credit institutions	654,997	9,480	2,761	13,454	166,830	847,522
Financial liabilities at fair value through profit or loss	-	3,785	3,193	463,884	-	470,862
Debt securities issued	8,968	-	-	674	-	9,642
Other financial liabilities	129,831	302	8	3	500	130,644
	6,086,966	**727,699**	**3,565,163**	**845,863**	**565,769**	**11,791,460**
Net position	**(3,463,384)**	**111,704**	**1,724,891**	**3,407,644**	**(308,396)**	**1,472,459**
Accumulated gap	**(3,463,384)**	**(3,351,680)**	**(1,626,789)**	**1,780,855**	**1,472,459**	

* Loans to customers "3 months to 1 year" include loans with non-standard repayment schedule.

The change in liquidity gaps during the reporting period is associated with a change in the volume and/or structure of liquid assets, a change in the maturity structure of the Bank's assets and liabilities, including due to a change in the maturity of assets (reduction/increase in the maturity of the portfolio of securities, funds of amounts due to credit institutions, for debt securities issued).

As at 31 December 2023 and 2022 the Bank complies with main liquidity ratios and regulatory liquidity requirements.

The analysis of liabilities by maturity does not reflect the historical stability of customer current account balances, which have traditionally been repaid over a longer period than indicated in the tables above. In this regard, Management believes that although a substantial portion of current accounts and customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Bank, indicate that these deposits provide a long-term and stable source of funding for the Bank. Therefore, an essential part of the Bank's current accounts is considered to be stable resources for the purposes of liquidity analysis and management. Additionally, the accumulated gap can be sufficiently covered by refinancing with the repurchase agreements and sale of liquid government and other high-quality rated securities or attracting long-term debt funding on capital markets when necessary.

Changes in liquidity gaps during the reporting period may be associated with changes in the volume and/or structure of liquid assets, changes in the maturity structure of the Bank's assets and liabilities, including due to changes in the maturity of assets (reduction/increase in the maturity of securities, loans to customers) and liabilities (reduction/increase in terms of funding for customer accounts, for funds of amounts due to credit institutions, for debt securities isssued).

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

(Millions of Kazakhstani Tenge)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2023 Total
FINANCIAL AND CONTINGENT LIABILITIES:						
Amounts due to customers	5,450,272	1,191,956	3,329,656	630,552	435,491	11,038,234
Amounts due to credit institutions	411,827	50,828	19,529	107,592	190,616	780,392
Debt securities issued	1,734	4,937	132,760	563,346	-	702,777
Other financial liabilities	173,473	146	202	-	447	174,268
Guarantees issued	817,370	-	-	-	-	817,370
Commercial letters of credit	120,477	-	-	-	-	120,477
Commitments to extend credit	60,481	-	-	-	-	60,481
	7,035,941	**1,247,867**	**3,482,147**	**1,301,490**	**626,554**	**13,693,999**
Derivative financial assets	762,961	23,731	30,522	51,694	-	868,908
Derivative financial liabilities	765,828	22,773	25,168	44,046	-	857,815

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2022 Total
FINANCIAL AND CONTINGENT LIABILITIES:						
Amounts due to customers	5,297,376	721,232	3,679,633	399,509	457,947	10,555,697
Amounts due to credit institutions	656,813	9,505	2,778	19,060	201,458	889,614
Debt securities issued	-	4,937	25,491	510,600	-	541,028
Other financial liabilities	129,832	302	8	3	499	130,644
Guarantees issued	601,079	-	-	-	-	601,079
Commercial letters of credit	94,183	-	-	-	-	94,183
Commitments to extend credit	59,984	-	-	-	-	59,984
	6,839,267	**735,976**	**3,707,910**	**929,172**	**659,904**	**12,872,229**
Derivative financial assets	358,493	102,895	-	52,614	-	514,002
Derivative financial liabilities	375,114	103,250	-	55,971	-	534,335

(Millions of Kazakhstani Tenge)

Transactions with government agencies and government-controlled companies

In the course of its operations, the Bank enters into transactions with the National Bank of the Republic of Kazakhstan, the Government of the Republic of Kazakhstan represented by the Ministry of Finance of the Republic of Kazakhstan and government agencies, as well as with state-controlled companies (with an equity stake of 50% or more). The Bank provides these customers with banking services, including, but not limited to: placing deposits, providing loans, transactions for the sale and purchase of securities, accepting funds for deposits, etc.

The balances of transactions with government institutions and state-controlled companies that were significant in terms of their carrying value (TOP 10) as at 31 December 2023 and 31 December 2022 are as follows:

31 December 2023

Counterparty/Issuer	Cash and cash equivalents	Loans to customers	Investments in securities	Amounts due to customers/due to credit institutions	Total
NBRK	786,104	-	5,843	152	792,099
Government of the Republic of Kazakhstan	-	-	2,028,554	34,392	2,062,946
Other government agencies and state-controlled companies	-	499,061	449,961	952,439	1,901,461
Including:	-	-	-		
funds of state programs	-	-	-	186,812	186,812
conditional deposits	-	-	-	74,184	74,184
	786,104	**499,061**	**2,484,358**	**986,983**	**4,756,504**

31 December 2022

Counterparty/Issuer	Cash and cash equivalents	Loans to customers	Investments in securities	Amounts due to customers/due to credit institutions	Total
NBRK	1,259,672	-	-	65	1,259,737
Government of the Republic of Kazakhstan	-	2,780	1,848,218	39,820	1,890,818
Other government agencies and state-controlled companies	1,607	441,768	464,639	1,688,686	2,596,700
Including:					
funds of state programs	-	-	-	103,362	103,362
conditional deposits	-	-	-	82,712	82,712
	1,261,279	**444,548**	**2,312,857**	**1,728,571**	**5,747,255**

Cash and cash equivalents include balances on nostro accounts and term deposits with the NBRK in national and foreign currencies.

Loans to customers represent transactions for the financing of state-controlled companies, concluded on the terms of payment, urgency, repayment.

Securities are represented by debt and equity financial instruments denominated in national and foreign currencies, evaluated at fair value or amortized cost, depending on the purpose of acquisition.

Amounts due to credit institutions / due to customers represent liabilities to state-controlled companies in the form of current account balances, term deposits, funds placed under government financing programs small and medium-sized businesses, as well as conditional deposits placed by quasi-state companies as part of subsoil use operations.

In order to manage liquidity risk, including monitoring the concentration of assets and liabilities, the Bank sets concentration limits for certain groups of customers, both in terms of claims to customers and liabilities to them (by the largest depositors / borrowers, by currency baskets, by source of funding); on a regular basis monitors the fulfillment of the specified limits, analyzes the dynamics of changes in indicators, and, if necessary, develops action plans to reduce the risk of concentration.

Additionally, on a regular basis, the Bank conducts stress testing on the impact of potential changes in various macroeconomic and other indicators on the financial stability of the Bank. One of the scenarios that must be considered and analyzed is a stressful outflow of customer funds (withdrawals from current accounts, early termination of term deposits), as well as the conversion of customer funds into foreign currency (from tenge to foreign currency), based on the results of a stress test, if necessary preventive measures are being developed to prevent a negative impact on the Bank's operations.

The results of monitoring limits on the concentration of assets and liabilities and the results of stress testing are mandatory submitted for consideration by the authorized collegial bodies to get acquainted with the current level of the main types of risk inherent in the Bank's activities and take corrective measures to minimize the risk, if necessary.

Market risk

Market risk is the risk that Bank's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Bank is exposed to market risks which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimize risk/return, minimize losses in case of adverse events and decrease deviation of factual financial results from expected financial results.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes, the ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review at least on an annual basis and should be monitored continuously.

Interest rate risk

The Bank is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decrease, interest expense increase or a negative impact on equity resulting from adverse changes in market interest rates.

The Bank determines two types of interest rate risk:

- Interest rate risk related to changes in fair values of securities portfolios, which are reflected through equity;
- Interest rate risk resulting from assets and liabilities maturity dates (dates of interest rate repricing) mismatch that are sensitive to interest rate changes (risk of interest rate changes).

The ALMC manages interest rate risks and market risks through the management of the Bank's position on interest rates to reach positive interest margins.

The Bank manages interest rates by determining the Bank's exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Bank's exposure to the interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities.

Sensitivity analysis of interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The Bank assesses the reasonably possible changes in interest rates in tenge and foreign currencies separately, in which financial assets and liabilities are denominated due to the different volatility of interest rates. Particularly, a scenario of interest rate changes in tenge takes into account the dynamics of market interest rates (loans/deposits, NBRK base rate etc.).

The impact on profit before tax is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2023 and 2022, and the effect of revaluing instruments with fixed rates accounted for at fair value. The management of the Bank believes income tax not to have a substantial effect for the purpose of interest rate risk management.

(Millions of Kazakhstani Tenge)

The impact on income before tax based on asset and liability values as at 31 December 2023 and 2022 is as follows:

	31 December 2023		31 December 2022	
	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%
FINANCIAL ASSETS:				
Financial assets at fair value through profit or loss	2,654	(2,791)	3,700	(3,963)
CCY	2,654	(2,791)	3,700	(3,963)
Amounts due from credit institutions	766	(766)	1,135	(1,135)
CCY	766	(766)	1,135	(1,135)
Financial assets at fair value through other comprehensive income	1,223	(1,223)	479	(479)
KZT	1,223	(1,223)	479	(479)
Loans to customers	4,682	(4,682)	2,284	(2,284)
CCY	4,682	(4,682)	2,284	(2,284)
FINANCIAL LIABILITIES:				
Amounts due to credit institutions	-	-	-	-
CCY	-	-	-	-
Net impact on income before tax	**9,326**	**(9,462)**	**7,598**	**(7,861)**

The impact on equity is the effect of the assumed changes in interest rates due to changes in retained earnings and the effect of revaluation of financial assets at fair value through other comprehensive income with fixed rates.

The impact on equity based on asset and liability values as at 31 December 2023 and 2022 is as follows:

	31 December 2023		31 December 2022	
	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%
FINANCIAL ASSETS:				
Financial assets at fair value through profit or loss	2,654	(2,791)	3,700	(3,963)
CCY	2,654	(2,791)	3,700	(3,963)
Amounts due from credit institutions	1,223	(1,223)	1,135	(1,135)
CCY	1,223	(1,223)	1,135	(1,135)
Financial assets at fair value through other comprehensive income	(117,534)	117,534	(83,744)	83,744
KZT	(63,495)	63,495	(50,201)	50,201
CCY	(54,040)	54,040	(33,543)	33,543
Loans to customers	4,682	(4,682)	2,284	(2,284)
CCY	4,682	(4,682)	2,284	(2,284)
FINANCIAL LIABILITIES:				
Amounts due to credit institutions	-	-	-	-
CCY	-	-	-	-
Net impact on equity	**(108,975)**	**108,839**	**(76,625)**	**76,362**

Currency Risk

The Bank is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Bank.

The ALMC controls currency risk by management of the open currency position based on the estimations of KZT devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rate fluctuations of national and foreign currencies.

The treasury department performs daily monitoring of the Bank's open currency position with the aim to comply with the requirements of the regulatory authority.

The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position, results of operations and cash flows, which are monitored daily. ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority.

The Bank's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Bank's USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the statement of financial position and off-balance sheet positions. The current Bank's sensitivity to fluctuations in exchange rates is acceptable due to the fact that the off balance sheet items significantly neutralize the statement of financial position.

(Millions of Kazakhstani Tenge)

The Bank's exposure to foreign currency exchange rate risk is as follows:

	31 December 2023						
	USD	EUR	RUB	Other foreign currencies	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	525,194	57,059	22,045	104,854	709,152	570,376	1,279,528
Obligatory reserves	3,697	548	-	105,596	109,841	124,213	234,054
Financial assets at fair value through profit or loss	133,062	-	-	-	133,062	47,937	180,999
Amounts due from credit institutions	225,729	57,895	16,073	10,718	310,415	39,779	350,194
Financial assets at fair value through other comprehensive income	1,405,151	133,479	8,255	-	1,546,885	787,809	2,334,694
Debt securities at amortised cost, net of allowances for expected credit losses	193,298	-	-	-	193,298	521,665	714,963
Loans to customers	1,252,089	73,798	13,637	64	1,339,588	7,751,971	9,091,559
Other financial assets	24,958	365	24	9	25,356	24,403	49,759
	3,763,178	**323,144**	**60,034**	**221,241**	**4,367,597**	**9,868,153**	**14,235,750**
FINANCIAL LIABILITIES:							
Amounts due to customers	3,113,118	207,584	38,241	29,623	3,388,566	7,414,596	10,803,162
Amounts due to credit institutions	191,838	7,115	39,273	962	239,188	518,643	757,831
Financial liabilities at fair value through profit or loss	-	-	530	-	530	3,672	4,202
Debt securities issued	323,939	-	-	-	323,939	336,988	660,927
Other financial liabilities	2,439	1,307	2	690	4,438	169,830	174,268
	3,631,334	**216,006**	**78,046**	**31,274**	**3,956,661**	**8,443,729**	**12,400,390**
Net balance sheet position	**131,844**	**107,138**	**(18,012)**	**189,966**	**410,936**	**1,424,424**	**1,835,360**
Net off balance sheet position	**35,573**	**(109,426)**	**21,147**	**(188,523)**	**(241,229)**	**256,524**	**15,295**
Net position	**167,417**	**(2,288)**	**3,135**	**1,443**	**169,707**	**1,680,948**	**1,850,655**

(Millions of Kazakhstani Tenge)

							31 December 2022
	USD	EUR	RUB	Other foreign currencies	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,171,965	40,365	24,900	202,799	1,440,029	490,193	1,930,222
Obligatory reserves	7,344	388	-	152,020	159,752	74,800	234,552
Financial assets at fair value through profit or loss	108,076	-	1	-	108,076	19,936	128,013
Amounts due from credit institutions	177,134	58,200	20,666	17,720	273,720	10,223	283,943
Financial assets at fair value through other comprehensive income	1,285,949	135,359	10,742	-	1,432,050	579,151	2,011,201
Debt securities at amortised cost, net of allowances for expected credit losses	199,457	-	-	-	199,457	783,499	982,956
Loans to customers	1,001,008	39,875	53,213	-	1,094,096	6,578,283	7,672,379
Other financial assets	907	311	65	4	1,287	19,366	20,653
	3,951,840	**274,498**	**109,587**	**372,543**	**4,708,468**	**8,555,451**	**13,263,919**
FINANCIAL LIABILITIES:							
Amounts due to customers	4,036,356	257,284	43,537	47,059	4,384,236	5,948,554	10,332,790
Amounts due to credit institutions	48,352	16,605	52,449	1,083	118,489	729,033	847,522
Financial liabilities at fair value through profit or loss	-	-	674	-	674	8,968	9,642
Debt securities issued	135,788	-	-	-	135,788	335,074	470,862
Other financial liabilities	889	669	2	120	1,680	128,964	130,644
	4,221,385	**274,558**	**96,662**	**48,262**	**4,640,867**	**7,150,593**	**11,791,460**
Net balance sheet position	**(269,545)**	**(60)**	**12,925**	**324,281**	**67,601**	**1,404,858**	**1,472,459**
Net off balance sheet position	**371,402**	**(1,479)**	**(16,806)**	**(319,140)**	**33,976**	**(44,668)**	**(10,691)**
Net position	**101,857**	**(1,539)**	**(3,881)**	**5,141**	**101,577**	**1,360,190**	**1,461,767**

(Millions of Kazakhstani Tenge)

Sensitivity analysis of currency risk

The table below indicates the currencies in which the Bank had significant exposure at 31 December 2023 and 2022, and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate with all other variables held constant on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase. Sensitivity of currency risk is assessed based on balance sheet and off-balance sheet open currency positions. The management of the Bank believes income tax not to have substantial effect for the purpose of currency risk management.

The impact on income before tax and equity, based on asset values was calculated using the currency rate fluctuation analysis.

The impact on income before tax and equity, based on asset values as at 31 December 2023 and 2022, was calculated using the annual analysis of the exchange rates volatility based on historical data of the exchange rates dynamics over the last two years:

	31 December 2023		31 December 2022	
	+30% KZT/USD	-30% KZT/USD	+30% KZT/USD	-30% KZT/USD
Impact on financial result/equity	50,225	(50,225)	(1,772)	1,772

	31 December 2023		31 December 2022	
	+30% KZT/EUR	-30% KZT/EUR	+30% KZT/EUR	-30% KZT/EUR
Impact on financial result/equity	(686)	686	(462)	462

	31 December 2023		31 December 2022	
	+30% KZT/RUB	-30% KZT/RUB	+30% KZT/RUB	-30% KZT/RUB
Impact on financial result/equity	940	(940)	(1,164)	1,164

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Bank is exposed to price risks of its products which are subject to general and specific market fluctuations.

To limit price risk the Bank determines limits for maximum losses (stop-loss) on each security from trade portfolio to minimize potential losses of trade portfolio.

Price risk assessment is also performed on the basis of the Value At Risk ("VaR") method, through the establishment of Expected Shortfall ("ES") limits on the level of expected losses, which the Bank is able to undertake within one day in a situation when factual losses may exceed the level of VaR.

Calculation of VaR is based on the following parameters:

- Reporting period – 252 working days;
- Confidence interval – 99%;
- The method of measurement – historical simulation.

The Bank estimates the price risk at 31 December 2023 and 2022 to be not material and therefore quantitative information is not disclosed.

30. Capital risk management

The Bank's objectives when managing capital, which are a broader concept than the "equity" on the face of the statement of financial position, are as follows:

- To comply with the capital requirements set by the NBRK;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The required level of capital is determined during the annual budgeting process, taking into account the above objectives, and is approved by the Management Board and the Board of Directors. As of the current date, the capital adequacy of the Bank is calculated according to prudential norms set for banks by the Kazakhstan regulatory authority, applying Basel Committee principles and methods.

(Millions of Kazakhstani Tenge)

Currently, regulatory capital is represented by:

- Tier 1 capital, which is required to maintain the normal operating activity of the Bank and absorb losses, as they arise. It consists of Common Equity Tier 1 capital ("CET 1 capital") and Additional Tier 1 capital, which includes common shares issued by the Bank, share premium, retained earnings, other accrued comprehensive income and disclosed reserves and regulatory adjustments (deductions);
- Tier 2 capital, which is required to absorb losses in case of the Bank's liquidation. This part of capital consists of instruments issued by the Bank and deductions.

Risk-weighted assets are split into five different groups, based on the risk level of the investment and its possible impairment, and weighted according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments made to reflect the more contingent nature of the potential losses.

The below table summarizes the regulatory capital composition and capital adequacy ratios of the Bank for the years ended 31 December 2023 and 2022. During these two years, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

	31 December 2023	31 December 2022
Composition of regulatory capital		
CET		
Common shares, net of treasury shares	(47,909)	(47,909)
Share premium	1,768	1,768
Retained earnings of prior years	1,585,596	1,360,933
Net income for the current year	647,209	541,598
Accumulated disclosed reserves*	53,761	53,761
Property and financial assets at fair value through other comprehensive income revaluation reserves	211,900	61,620
Less: goodwill and intangible assets	(11,436)	(11,756)
Common Equity Tier 1 (CET 1) Capital	**2,440,890**	**1,960,015**
Additional tier 1		
Subordinated debt	40,983	40,983
Tier 2	40,983	40,983
Total regulatory capital	**2,481,873**	**2,000,998**
Risk weighted assets	12,477,193	10,135,289
CET 1 capital adequacy ratio	**19.56%**	**19.34%**
Tier 1 capital adequacy ratio	**19.56%**	**19.34%**
Total capital adequacy ratio	**19.89%**	**19.74%**

*As at 31 December 2023, accumulated disclosed reserves comprised from KZT 53,761 million capital reserve (31 December 2022: KZT 53,761 million capital reserve).

Starting from 1 January 2017, prudential norms on the NBRK, which apply certain principles and methods prescribed by Basel III committee, set minimum CET 1 capital, Additional Tier 1 capital and total capital adequacy ratios at 9.5%,10.5% and 12.0%, respectively.

As at 31 December 2023 and 2022, the Bank had complied with NBRK's capital requirements.

31. Segment analysis

The Bank is managed and reported on the basis of four main operating segments – corporate banking, SME banking, retail banking and investment banking. These segments are strategic business units that offer different products and services and are managed separately.

Retail banking represents private banking services to individuals, including private customer current accounts, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, cash and foreign currency related services to individuals.

Corporate banking represents banking services to corporate clients and financial organizations, including current accounts and correspondent accounts, deposits, custody, overdrafts, loans and other credit facilities, documentary operations, including guarantees and letters of credit, interbank operations, as well as cash services and foreign exchange transactions.

SME banking represents banking services to SME clients and individual entrepreneurs, including current accounts, deposits, overdrafts, loans and other credit facilities, documentary operations and guarantees, foreign exchange transactions and trade finance products.

Investment banking represents services on sale and purchase of securities on the market.

Unallocated amounts are account balances and classes of transactions, which are not allocated to particular segment, not initiated by any business function and relate to the current activity of the Bank. Unallocated assets include fixed assets, intangible assets, non-current assets held for sale, cash on hand and other unallocated assets. Unallocated liabilities include deferred tax liabilities and other unallocated liabilities. Unallocated income includes other income from main and non-operating activities. Unallocated expenses include allowance for expected credit losses on accounts receivable, operating overhead expenses, insurance expenses and income tax.

The segment information below is based on financial information used for performance evaluation by the Bank's Chairperson of the Management Board, the Bank's chief operating decision maker, in accordance with IFRS 8. The Bank's Management reviews discrete financial information for each segment, including evaluation of operating segment results, assets and liabilities. Segment result is the measure reported to the Bank's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment information for the main reportable business segments of the Bank for the years ended 31 December 2023 and 2022, is set out below:

(Millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2023 and for the year then ended						
External revenues	651,611	747,494	274,204	238,882	18,439	1,930,630
Total revenues	**651,611**	**747,494**	**274,204**	**238,882**	**18,439**	**1,930,630**
Total revenues comprise:						
- Interest income	501,126	669,930	205,343	213,973	-	1,590,372
- Fee and commission income, including:	132,856	24,946	36,197	-	-	193,999
Transactional income of individuals	138,152	-	-	-	-	138,152
Transactional income of legal entities	-	9,108	30,159	-	-	39,267
Letters of credit and guarantees issued	-	15,368	4,631	-	-	19,999
Other	7,747	770	1,407	-	-	9,924
Loyalty program expenses	(13,043)	(300)	-	-	-	(13,343)
- Net gain from financial assets and liabilities at fair value through profit or loss	-	40,090	-	24,909	-	64,999
- Net foreign exchange gain	17,629	50,794	32,664	-	(15,027)	86,060
- Share in profit of associate	-	-	-	-	13,593	13,593
- Dividends received from subsidiaries	-	18,310	-	-	-	18,310
- Other expense and income from non-banking activities	-	(56,576)	-	-	19,873	(36,703)
Total revenues	**651,611**	**747,494**	**274,204**	**238,882**	**18,439**	**1,930,630**
- Interest expense	(337,799)	(304,580)	(136,979)	(40,043)	(5,985)	(825,386)
- (Credit loss expense)/recovery of credit loss expense	(55,712)	(4,078)	(15,479)	(1,599)	4,619	(72,249)
- Fee and commission expense	(90,916)	(4,041)	(1,117)	(954)	-	(97,028)
- Net realized loss from financial assets at fair value through other comprehensive income	-	-	-	(3,712)	-	(3,712)
- Reversal of previous impairment loss of non-financial assets	-	6,934	-	-	(6,992)	(58)
- Operating expenses	(116,570)	(24,582)	(23,563)	(1,597)	(9,112)	(175,424)
- Other credit loss expense	-	2,053	(277)	-	-	1,776
Total expenses	**(600,997)**	**(328,294)**	**(177,415)**	**(47,905)**	**(17,470)**	**(1,172,081)**
Segment result	**50,614**	**419,200**	**96,789**	**190,977**	**969**	**758,549**
Income before income tax expense					(111,340)	(111,340)
Income tax expense					-	-
Net income	**50,614**	**419,200**	**96,789**	**190,977**	**(110,371)**	**647,209**
Total segment assets	2,797,852	6,468,891	1,412,388	3,207,126	1,085,199	14,971,456
Total segment liabilities	5,550,762	3,583,351	2,380,002	652,529	350,328	12,516,972
Other segment items:						
Capital expenditures						(24,430)
Depreciation and amortization						(13,929)
Investments in associated organizations						51,464

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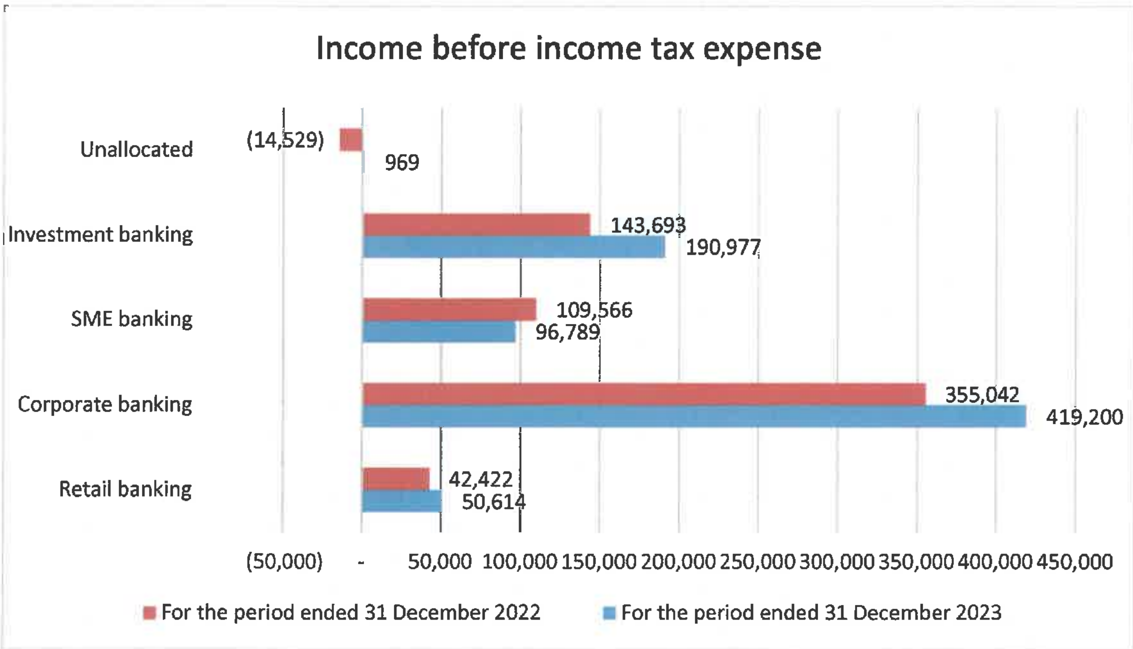
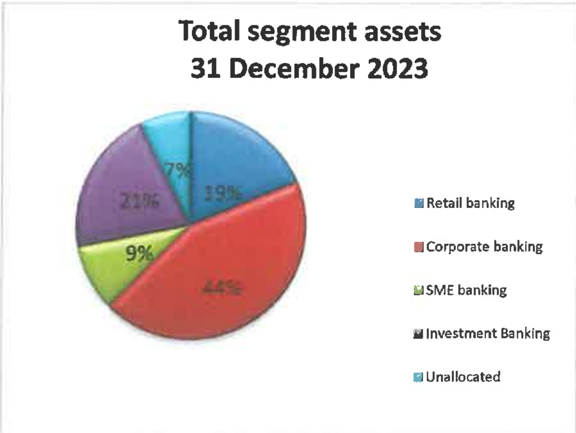
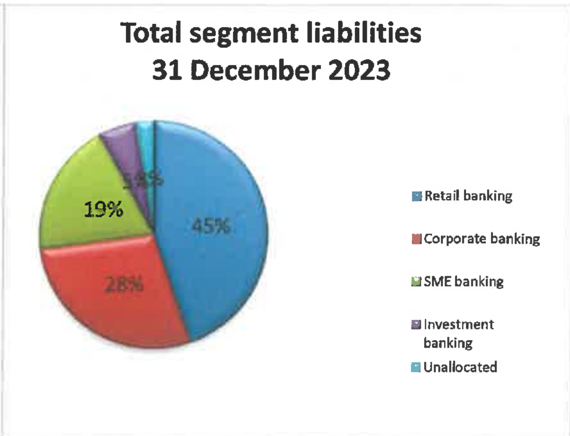
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2022 and for the year then ended						
External revenues	528,819	608,564	204,568	178,566	6,589	1,527,106
Total revenues	**528,819**	**608,564**	**204,568**	**178,566**	**6,589**	**1,527,106**
Total revenues comprise:						
- Interest income	381,398	483,908	139,105	175,457	-	1,179,868
- Fee and commission income, including:	121,234	19,442	30,910	-	-	171,586
Transactional income of individuals	127,679	-	-	-	-	127,679
Transactional income of legal entities	-	8,784	27,079	-	-	35,863
Letters of credit and guarantees issued	-	10,187	2,976	-	-	13,163
Other	5,709	538	855	-	-	7,102
Loyalty program expenses	(12,154)	(67)	-	-	-	(12,221)
- Net gain from financial assets and liabilities at fair value through profit or loss	-	10,880	-	3,109	-	13,989
- Net foreign exchange gain	26,202	101,370	34,553	-	(4,260)	157,865
- Share in profit of associate	-	-	-	-	9,708	9,708
- Other expense and income from non-banking activities	(15)	(7,036)	-	-	1,141	(5,910)
Total revenues	**528,819**	**608,564**	**204,568**	**178,566**	**6,589**	**1,527,106**
- Interest expense	(219,866)	(240,535)	(65,788)	(31,977)	(594)	(558,760)
- (Credit loss expense)/recovery of credit loss expense	(72,262)	2,725	(7,421)	192	(8,866)	(85,632)
- Fee and commission expense	(87,752)	(3,890)	(1,033)	(762)	-	(93,437)
- Net realized loss from financial assets at fair value through other comprehensive income	-	-	-	(1,118)	-	(1,118)
- Reversal of previous impairment loss of non-financial assets	-	-	-	-	2,376	2,376
- Loss from impairment assets held for sale	-	-	-	-	(810)	(810)
- Operating expenses	(106,852)	(11,420)	(20,807)	(1,208)	(13,224)	(153,511)
- Other credit loss expense	335	(402)	47	-	-	(20)
Total expenses	**(486,397)**	**(253,522)**	**(95,002)**	**(34,873)**	**(21,118)**	**(890,912)**
Segment result	**42,422**	**355,042**	**109,566**	**143,693**	**(14,529)**	**636,194**
Income before income tax expense	42,422	355,042	109,566	143,693	(14,529)	636,194
Income tax expense					(94,596)	(94,596)
Net income	**42,422**	**355,042**	**109,566**	**143,693**	**(109,125)**	**541,598**
Total segment assets	2,269,208	6,481,530	1,120,899	3,111,659	919,306	13,902,602
Total segment liabilities	5,022,768	4,116,323	2,005,561	502,059	283,167	11,929,878
Other segment items:						
Capital expenditures						(18,483)
Depreciation and amortization						(11,856)
Investment in associate						46,413

Income before income tax expense by segments were as follows:

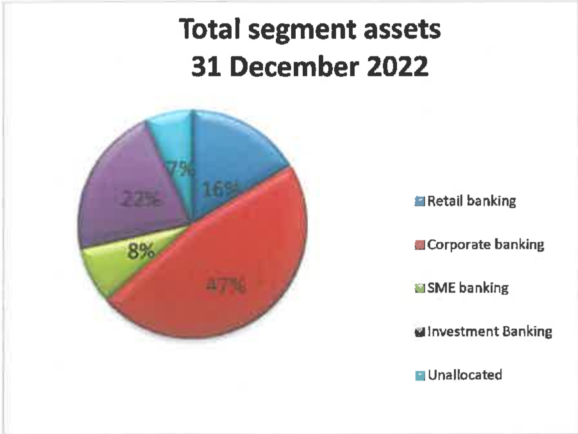


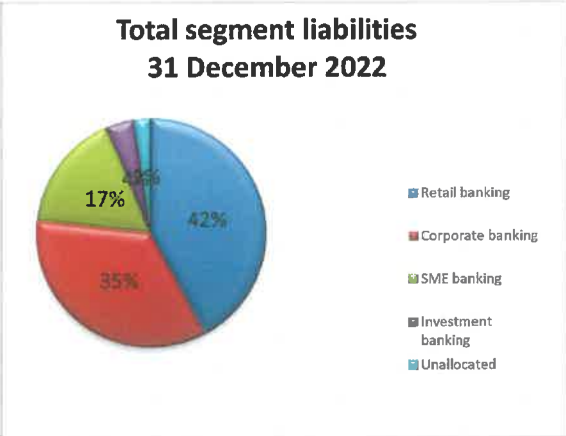
Share of segment assets and liabilities as at 31 December 2023 and 2022 presented as follows:





(Millions of Kazakhstani Tenge)





Geographical information

Information for the main geographical areas of the Bank is set out below as at 31 December 2023 and 2022, and for the years then ended.

	Kazakhstan	OECD	Non-OECD	Total
2023				
Total assets	13,659,865	991,384	320,207	14,971,456
External revenues	1,855,595	63,897	11,138	1,930,630
Capital expenditure	(24,430)	-	-	(24,430)
2022				
Total assets	12,326,385	1,252,950	323,267	13,902,602
External revenues	1,484,138	34,539	8,429	1,527,106
Capital expenditure	(18,483)	-	-	(18,483)

External revenues, assets and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated in the Republic of Kazakhstan.

32. Fair values of financial instruments

IFRS defines fair value as 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.

Fair value of the Bank's financial assets and financial liabilities measured at fair value on a recurring basis.

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

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Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Bank considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on its statement of financial position as well as its profit/(loss) could be material.

During the year ended 31 December 2023, the Bank changed the definition of an active market in its accounting policies. In accordance with the changes in policy, the Bank has revised the classification of securities for previous periods.

The impact of restatements is as follows:

Financial assets and liabilities	Fair value hierarchy	31 December 2022 (as previously reported)	Adjustment	31 December 2022 (restated)
Non-derivative financial assets at fair value through profit or loss (Note 7)	Level 3	-	107,763	107,763
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	Level 1	1,676,889	(1,293,223)	383,666
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	Level 2	334,312	1,293,223	1,627,535

The adjustments of these misclassifications did not result in any changes to the Bank's separate financial statements or basic and diluted earnings per share.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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The table below summarises the Bank's financial assets and liabilities held at fair value by valuation methodology at 31 December 2023 and 2022:

	Fair value at					
Financial Assets/Liabilities	**31 December 2023**	**31 December 2022**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Non-derivative financial assets at fair value through profit or loss, excluding options (Note 7)	774	9,737	Level 1	Quoted prices in an active market	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss, excluding options (Note 7)	24,022	-	Level 2	Quoted prices in a market that is not sufficiently active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 7)	132,672	107,763	Level 3	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Percentage discount	Not applicable
Derivative financial assets at fair value through profit or loss (Note 7)	23,531	10,513	Level 2	Discounted cash flows.	Not applicable	Not applicable
Total financial assets at fair value through profit or loss	**180,999**	**128,013**				
Derivative financial liabilities at fair value through profit or loss excluding options (Note 7)	4,202	9,642	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Financial liabilities at fair value through profit or loss	**4,202**	**9,642**				
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	421,252	383,666	Level 1	Quoted prices in an active market	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	1,913,442	1,627,535	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable

Financial assets at fair value through other comprehensive income	**2,334,694**	**2,011,201**

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There were no transfers between Level 1 and 2, nor between Levels 2 and 3, during the years ended 31 December 2023 and 2022.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The following methods and assumptions are used by the Bank to estimate the fair value of financial instruments not carried at fair value.

Amounts due from and to credit institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows, discounted at the appropriate year-end market rates.

Loans to customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Amounts due to customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	350,194	351,582	283,943	304,803
Loans to customers	9,091,559	9,116,986	7,672,379	7,234,399
Debt securities at amortised cost, net of allowances for expected credit losses	714,963	662,535	982,956	910,232
Financial liabilities				
Amounts due to customers	10,803,162	10,759,364	10,332,790	10,345,610
Amounts due to credit institutions	757,831	810,252	847,522	851,267
Debt securities issued	660,927	641,837	470,862	432,391

(Millions of Kazakhstani Tenge)

			31 December 2023
	Level 2	**Level 3**	**Total**
Financial assets			
Amounts due from credit institutions	351,582	-	351,582
Loans to customers	-	9,116,986	9,116,986
Debt securities at amortised cost, net of allowance for expected credit losses	469,114	193,421	662,535
Financial liabilities			
Amounts due to customers	10,759,364	-	10,759,364
Amounts due to credit institutions	810,252	-	810,252
Debt securities issued	641 837	-	641 837

			31 December 2022
	Level 2	**Level 3**	**Total**
Financial assets			
Amounts due from credit institutions	304,803	-	304,803
Loans to customers	-	-	7,234,399
Debt securities at amortised cost, net of allowance for expected credit losses	910,232	7,234,399	910,232
Financial liabilities		-	
Amounts due to customers	10,345,610	-	10,345,610
Amounts due to credit institutions	851,267	-	851,267
Debt securities issued	432,391	-	432,391

The carrying amounts of cash and cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

33. Related party transactions

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties.

Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties.

(Millions of Kazakhstani Tenge)

As at 31 December 2023 and 2022, the Bank had the following transactions outstanding with related parties:

	31 December 2023		31 December 2022	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Cash and cash equivalents	245	1,279,528	601	1,930,222
-subsidiaries	245		601	
Amounts due from credit institutions	187,541	350,194	157,894	283,943
-subsidiaries	187,541		157,894	
Investments in subsidiaries	431,406	431,406	371,141	371,141
-subsidiaries	431,406		371,141	
Loans to customers before allowances for expected credit losses	121,849	9,568,025	160,638	8,083,130
-entities with joint control or significant influence over the Bank	11,706		42,284	
-key management personnel of the Bank or its parent	311		392	
-subsidiaries	109,824		117,962	
-other related parties	8		-	
Allowances for expected credit losses	(1,637)	(476,466)	(6,262)	(410,751)
-entities with joint control or significant influence over the Bank	(44)		(177)	
-subsidiaries	(1,589)		(6,080)	
- key management personnel of the Bank or its parent	(3)		(5)	
-other related parties	(1)	-	-	
Other assets	1,463	127,176	499	94,434
-subsidiaries	1,463		499	
Other liabilities	1,043	221,018	1,241	173,772
-subsidiaries	1,043		1,241	
Investments in associated organizations	51,464	51,464	42,005	42,005
Amounts due to customers	208,907	10,803,162	532,976	10,332,790
-the parent	110,838		434,987	
-entities with joint control or significant influence over the Bank	46,305		60,332	
-key management personnel of the Bank or its parent	11,397		10,243	
-subsidiaries	30,238		16,752	
-other related parties	10,129		10,662	
Amounts due to credit institutions	5,569	757,831	4,300	847,522
-subsidiaries	2,967		1,609	
-investments in associate	2,602		2,691	
Debt securities issued	227,367	660,927	20	470,862
-the parent	223,473			
-key management personnel of the Bank or its parent	3,878		20	
-subsidiaries	16			

(Millions of Kazakhstani Tenge)

Included in the statements of profit or loss for the years ended 31 December 2023 and 2022, are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2023		Year ended 31 December 2022	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income calculated using the effective interest method	33,301	1,590,372	35,229	1,179,868
-entities with joint control or significant influence over the Bank	2,362		2,561	
-subsidiaries	30,909		32,646	
- associates	31		22	
Interest expense	(17,566)	(825,386)	(9,466)	(558,760)
-the parent	(10,270)		(3,668)	
-entities with joint control or significant influence over the Bank	(3,455)		(3,563)	
-key management personnel of the Bank or its parent	(445)		(140)	
-subsidiaries	(2,770)		(1,909)	
-other related parties	(626)		(186)	
Fee and commission income	8,755	193,999	6,256	171,586
-subsidiaries	8,755		6,256	
Fee and commission expense	(1,915)	(97,028)	(3,841)	(93,437)
-subsidiaries	(1,915)		(3,841)	
Dividends received from subsidiaries	18,310	18,310	-	-
-subsidiaries	18,310		-	
Operating expenses	(12,013)	(175,424)	(9,488)	(153,511)
-subsidiaries	(12,013)	-	(9,488)	
Share in profit of associate	13,593	13,593	9,708	9,708
Other income/(expense)	1,308	(41,305)	716	(7,264)
-subsidiaries	1,308	-	716	
Net gain from financial assets and liabilities at fair value through profit or loss	683	64,999	1,401	13,989
-subsidiaries	683	-	1,401	
Net foreign exchange gain	20	80,060	1,486	157,865
-subsidiaries	20	-	1,486	

(Millions of Kazakhstani Tenge)

	Year ended 31 December 2023		Year ended 31 December 2022	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	3,935	96,711	3,816	82,218
-salaries and other employee benefits	3,935		3,816	

34. Subsequent events

Management has not identified events occurred after 31 December 2023, requiring recognition or disclosure.