Eurasian Bank JSC

Unconsolidated Financial Statements

for the year ended 31 December 2022

Content

«КПМГ Аудит» жауапкершілігі шектеулі серіктестік
Қазақстан, A25D6T5, Алматы,
Достық д-лы, 180,
+7 (727) 298-08-98

KPMG Audit LLC
180 Dostyk Avenue, Almaty,
A25D6T5, Kazakhstan

Independent Auditors' Report

To the Shareholder and the Board of Directors of Eurasian Bank Joint Stock Company

Opinion

We have audited the unconsolidated financial statements of Eurasian Bank Joint Stock Company (the "Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2022, the unconsolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2022, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Unconsolidated 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) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the unconsolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

<table>
<tr><th colspan="2">Expected credit losses (ECL) for loans to customers</th></tr>
<tr><td colspan="2">Please refer to the Notes 3(g) and 15 in the unconsolidated financial statements.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Loans to customers represent 45% of total assets and are stated net of allowance for expected credit losses ('ECL') that is estimated on a regular basis and is sensitive to assumptions used.

The Bank applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas:
- timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9);
- assessment of probability of default (PD) and loss given default (LGD);
- assessment of adjustment to incorporate forward-looking information;
- evaluation of expected cash flows for loans allocated to Stage 3.

Due to the significant volume of loans to customers and the related estimation uncertainty in estimating of ECL allowance, this area is a key audit matter.</td><td>We analysed the key aspects of the Bank's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including involvement of our own specialists in financial risk management.

To analyse adequacy of professional judgement and assumptions made by the management in relation to ECL allowance estimate, we performed the following procedures:

— For loans to corporate clients we tested the design of the controls over allocation of loans into Stages. For loans to corporate and retail customers we tested the design and operating effectiveness of controls over timely reflection of delinquency events in the underlying systems.

— For a sample of loans to corporate clients, for which a potential change in ECL estimate may have a significant impact on the unconsolidated financial statements we tested whether Stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Bank.

— For a sample of loans to corporate customers, we tested the correctness of data inputs for PD and LGD calculations by agreeing to underlying documents as well as by valuating collateral used to estimate ECL, and by comparing with the data used by the Bank.

— For a sample of Stage 3 loans to corporate clients, where ECL are assessed individually we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realisable collateral and their expected disposal terms based on publicly available market information.

— We agreed input data for the model used to assess ECL for loans to retail customers to underlying documents and checked whether these loans have been correctly allocated into Stages on a sample basis.

— We assessed general predictive capability of the models used by the Bank to assess ECL by comparing the estimates made as at 1 January 2022 with actual results for 2022. We also</td></tr>
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	assessed the appropriateness of economic forecasts by comparing the Bank's forecasts with those we have simulated. — We also assessed whether the unconsolidated financial statements disclosures appropriately reflect the Bank's exposure to credit risk.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Bank for 2022, but does not include the unconsolidated financial statements and our auditors' report thereon. The Annual Report of the Bank for 2022 year is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the unconsolidated 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 unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the unconsolidated 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 Unconsolidated Financial Statements

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Andrei Kouznetsov Audit Partner	Mukhit Kossayev Certified Auditor of the Republic of Kazakhstan Auditor's Qualification Certificate No. 558 of 24 December 2003

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

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

17 April 2023

	Note	2022 KZT'000	2021 KZT'000
Interest income calculated using effective interest method	4	190,154,751	119,464,993
Other interest income	4	-	145,650
Interest expense	4	(84,564,604)	(63,709,635)
Net interest income	4	**105,590,147**	**55,901,008**
Fee and commission income	5	**47,378,817**	**29,033,882**
Fee and commission expense	5	(13,951,128)	(7,095,479)
Net fee and commission income		**33,427,689**	**21,938,403**
Net gain on financial instruments at fair value through profit or loss	6	2,302,965	1,914,659
Net foreign exchange gain	7	52,513,020	7,703,982
Net (loss)/gain on financial assets at fair value through other comprehensive income		(1,027)	1,667,241
Net other operating expenses		(1,007,567)	(857,922)
Operating income		**192,825,227**	**88,267,371**
Impairment losses on debt financial assets	8	(35,500,502)	(31,169,497)
Impairment losses on loan commitments and financial guarantee contracts		(11,181)	(171,880)
Estimated liabilities expenses		-	(2,686)
Personnel expenses	9	(33,072,538)	(23,888,102)
Other general and administrative expenses	10	(16,821,277)	(14,652,790)
Profit before income tax		**107,419,729**	**18,382,416**
Income tax expense	11	(24,186,817)	(5,650,000)
Profit for the year		**83,232,912**	**12,732,416**
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for financial assets at fair value through other comprehensive income:			
- Net change in fair value		(6,354,080)	(1,116,688)
- Net change in fair value transferred to profit or loss		1,027	(1,667,241)
Change in deferred tax		1,034,461	14,174
Total items that are or may be reclassified subsequently to profit or loss		(5,318,592)	(2,769,755)
Total other comprehensive loss for the year		**(5,318,592)**	**(2,769,755)**
Total comprehensive income for the year		**77,914,320**	**9,962,661**
Earnings per share			
Basic and diluted earnings per share (KZT)	27	**3,975.13**	**622.53**

The unconsolidated financial statements as set out on pages 8 to 97 were approved by management on 17 April 2023 and were signed on its behalf by:

L.A. Satiyeva *Chairperson of the Management Board*	N.M. Druzhinina *Deputy Chairperson of the Management Board*	S.K. Rakhmetova *Chief Accountant*

The unconsolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	Note	31 December 2022 KZT'000	31 December 2021 KZT'000
ASSETS			
Cash and cash equivalents	12	906,893,391	419,639,224
Financial instruments at fair value through profit or loss		500,923	18,900
Financial assets at fair value through other comprehensive income	13	111,821,826	124,000,016
Deposits and balances with banks	14	11,991,072	6,934,753
Loans to customers	15	1,062,917,295	640,295,321
Investments measured at amortised cost	16	224,912,211	170,290,941
Investments in subsidiaries	17	-	-
Current tax asset		7,293	350,000
Property, plant and equipment and intangible assets	18	20,774,151	20,288,733
Right-of-use assets	18	2,668,639	2,157,005
Other assets	19	12,347,906	28,010,879
Total assets		**2,354,834,707**	**1,411,985,772**
LIABILITIES			
Financial instruments at fair value through profit or loss		89,853	1,871
Deposits and balances from banks	20	22,051,481	566,311
Current accounts and deposits from customers	21	1,931,494,808	1,136,744,978
Debt securities issued	22, 24	16,667,144	16,462,157
Subordinated debt securities issued	23, 24	74,685,514	70,309,216
Other borrowed funds	24	70,058,378	26,029,572
Lease liabilities	24	3,175,407	2,562,741
Deferred tax liabilities	11	17,647,683	11,747,533
Other liabilities	25	23,220,606	29,731,880
Total liabilities		**2,159,090,874**	**1,294,156,259**
EQUITY			
Share capital	26	61,135,197	61,135,197
Share premium		2,025,632	2,025,632
Reserve for general banking risks		8,234,923	8,234,923
Revaluation reserve for financial assets at fair value through other comprehensive income		(5,491,407)	(172,815)
Retained earnings		129,839,488	46,606,576
Total equity		**195,743,833**	**117,829,513**
Total liabilities and equity		**2,354,834,707**	**1,411,985,772**
Book value per ordinary share (KZT)	26(c)	9,014.59	5,301.30

The unconsolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	2022 KZT'000	2021 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income received	188,188,210	128,853,088
Interest expense paid	(79,166,161)	(59,815,087)
Fee and commission income received	46,820,062	28,712,156
Fee and commission expense paid	(13,951,128)	(7,095,479)
Net receipts from financial instruments at fair value through profit or loss	2,094,860	466,312
Net receipts from foreign exchange	58,363,341	9,419,811
Other payments	(74,771)	(884,485)
Personnel expenses paid	(31,152,277)	(21,787,081)
Other general and administrative expenses paid	(13,032,489)	(9,501,865)
(Increase)/decrease in operating assets		
Deposits and balances with banks	(4,226,258)	36,075,609
Loans to customers	(430,084,234)	(111,696,572)
Other assets	4,921,202	(10,101,596)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	23,648,622	(292,546)
Amounts payable under repo agreements	316,591	(1,147,560)
Current accounts and deposits from customers	760,581,516	173,811,464
Other liabilities	4,087,586	3,195,545
Cash flows from operating activities before income tax paid	**517,334,672**	**158,211,714**
Income tax paid	(17,252,000)	-
Cash flows from operating activities	**500,082,672**	**158,211,714**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(15,068,795)	(151,306,064)
Sale and redemption of financial assets at fair value through other comprehensive income	20,810,317	125,038,446
Purchases of precious metals	(635,383)	(374,196)
Sale of precious metals	638,209	361,941
Acquisitions of investment at amortised cost	(332,059,775)	(272,503,090)
Repayment of investment at amortised cost	272,769,997	246,881,614
Acquisition of property, plant and equipment and intangible assets	(3,861,994)	(3,365,244)
Sale of property, plant and equipment and intangible assets	20,476	137,962
Cash flows used in investing activities	**(57,386,948)**	**(55,128,631)**

The unconsolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	2022 KZT'000	2021 KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt securities issued	-	6,160,840
Proceeds from other borrowed funds	35,000,000	-
Repayment of other borrowed funds	(2,611,181)	(1,287,009)
Payments under lease agreements	(1,242,881)	(1,260,347)
Cash flows from financing activities	**31,145,938**	**3,613,484**
Net increase in cash and cash equivalents	**473,841,662**	**106,696,567**
Effect of movements in exchange rates on cash and cash equivalents	13,798,777	5,331,088
Effect of movements in expected credit losses	(386,272)	(7,618)
Cash and cash equivalents at the beginning of the year	419,639,224	307,619,187
Cash and cash equivalents at the end of the year (Note 12)	**906,893,391**	**419,639,224**

The unconsolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

KZT'000	Share capital	Share premium	Reserve for general banking risks	Revaluation reserve for financial assets at fair value through other comprehensive income	Retained earnings	Total equity
Balance at 1 January 2021	**61,135,197**	**2,025,632**	**8,234,923**	**2,596,940**	**33,874,160**	**107,866,852**
Total comprehensive income						
Profit for the year	-	-	-	-	12,732,416	12,732,416
Other comprehensive loss						
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	(1,116,688)	-	(1,116,688)
Net change in fair value of financial assets at fair value through other comprehensive income, transferred to profit or loss	-	-	-	(1,667,241)	-	(1,667,241)
Change in deferred tax	-	-	-	14,174	-	14,174
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	(2,769,755)	-	(2,769,755)
Total other comprehensive loss	**-**	**-**	**-**	**(2,769,755)**	**-**	**(2,769,755)**
Total comprehensive income for the year	**-**	**-**	**-**	**(2,769,755)**	**12,732,416**	**9,962,661**
Balance at 31 December 2021	**61,135,197**	**2,025,632**	**8,234,923**	**(172,815)**	**46,606,576**	**117,829,513**

The unconsolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

KZT'000	Share capital	Share premium	Reserve for general banking risks	Revaluation reserve for financial assets at fair value through other comprehensive income	Retained earnings	Total equity
Balance at 1 January 2022	**61,135,197**	**2,025,632**	**8,234,923**	**(172,815)**	**46,606,576**	**117,829,513**
Total comprehensive income						
Profit for the year	-	-	-	-	83,232,912	83,232,912
Other comprehensive loss						
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	(6,354,080)	-	(6,354,080)
Net change in fair value of financial assets at fair value through other comprehensive income, transferred to profit or loss	-	-	-	1,027	-	1,027
Change in deferred tax (Note 11)	-	-	-	1,034,461	-	1,034,461
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	(5,318,592)	-	(5,318,592)
Total other comprehensive loss	**-**	**-**	**-**	**(5,318,592)**	**-**	**(5,318,592)**
Total comprehensive income for the year	**-**	**-**	**-**	**(5,318,592)**	**83,232,912**	**77,914,320**
Balance at 31 December 2022	**61,135,197**	**2,025,632**	**8,234,923**	**(5,491,407)**	**129,839,488**	**195,743,833**

The unconsolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

1 Background

(a) Principal activity

Eurasian Bank JSC (the "Bank") was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank carries on its activities in accordance with the banking licence No. 1.2.68/242/40 granted on 3 February 2020, to conduct banking and other operations and engage in activities on securities market. The principal activity of the Bank is deposit taking, maintaining customer accounts, extending loans and issuing guarantees, providing custodian services, and settlement and cash services, and securities and foreign exchange activities.

The Bank is a member of the Kazakhstan Deposit Insurance Fund (the "KDIF").

As at 31 December 2022, the Bank has 17 regional branches (2021: 17) and 119 cash settlement centres (2021: 115) through which it operates in the Republic of Kazakhstan.

The Bank's head office is registered at: 56 Kunayev street, Almaty, Republic of Kazakhstan.

On 1 April 2010, the Bank acquired a subsidiary, Eurasian Bank OJSC (Open Joint Stock Company), located in Moscow, Russian Federation. On 29 January 2015, the subsidiary was renamed Eurasian Bank PJSC (Public Joint Stock Company) (Note 17).

On 30 December 2015, the Bank acquired a subsidiary, BankPozitiv Kazakhstan JSC, located in Almaty, Republic of Kazakhstan which was renamed EU Bank JSC (SB of Eurasian Bank JSC). On 31 December 2015, the sole shareholder of the Bank approved a reorganisation plan, under which EU Bank JSC (SB of Eurasian Bank JSC) merged with the Bank. On 3 May 2016, the actual merger of EU Bank JSC (SB of Eurasian Bank JSC) with the Bank took place.

On 21 August 2017, the Bank's subsidiaries – Eurasian Project 1 LLP and Eurasian Project 2 LLP – were registered. The principal activity of these entities is acquisition and management of doubtful and bad assets of the Bank.

On 3 February 2020, the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan granted the licence No. 1.2.68/242/40 to the Bank to conduct banking and other operations and activities in the securities market.

On 29 December 2020, the Bank closed a deal to sell its holding of shares of the subsidiary bank of Eurasian Bank JSC (the Russian Federation) to Sovcombank PJSC; share purchase price was RUB 530,644 thousand, which was settled in cash.

(b) Shareholders

As at 31 December 2022 and 31 December 2021, Eurasian Financial Company JSC ("EFC") is the Bank's Parent Company, which owns 100% of the Bank's shares.

During 2021 the structure of the EFC shareholders changed: effective from 15 July 2021 the EFC shareholders are: Mukadaskhan Ibragimova, Patokh Chodiyev and Alexander Mashkevich; each of the shareholders owns 33.3% of stocks.

(c) Kazakhstan business environment

The Bank operates mainly in the Republic of Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstan Tenge and volatility in the global price of oil also increases the level of uncertainty in the business environment. The recent geopolitical uncertainty around Russia and Ukraine has further elevated levels of economic uncertainty in Kazakhstan.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

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

2 Basis of preparation

(a) Statement of compliance

The accompanying unconsolidated financial statements are prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS).

The Bank has also prepared consolidated financial statements for the year ended 31 December 2022 in accordance with IFRS, which can be obtained from the Bank's head office registered at: 56 Kunayev street, Almaty, the Republic of Kazakhstan.

(b) Basis of measurement

The unconsolidated financial statements are prepared on the historical cost basis except that certain financial instruments measured at fair value.

(c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

Tenge is also the presentation currency for the purposes of this unconsolidated financial statements.

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

(d) Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(d)(i).
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL – Note 3(g)(iv) and Note 15(b).
- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 3(g)(iv).
- recognition of fee and commission income from agency services - Note 3(m).

(e) Assessment of the Bank's ability to continue as a going concern

The accompanying unconsolidated financial statements have been prepared on assumption that the Bank will continue as a going concern.

3 Significant accounting policies

The accounting policies set out below have been applied consistently by the Bank to all periods presented in these unconsolidated financial statements.

(a) Accounting for investments in subsidiaries in unconsolidated financial statements

Subsidiaries are investees controlled by the Bank. The Bank controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are accounted for in the Bank's unconsolidated financial statements at cost.

Impairment of investments in subsidiaries

The Bank assesses at each reporting date whether there is any indication that investments in subsidiaries may be impaired. If any indication exists, or when annual impairment testing for investment is required, the Bank estimates the investment's recoverable amount. The recoverable amount of investment is the higher of an asset's fair value less costs to sell and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are confirmed by valuation multiples, quoted prices for publicly traded shares or other available fair value indicators. The Bank estimates the impairment amount based on detailed budgets and forecast calculations which are prepared separately for each of the cash generating units to which individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses on investments in subsidiaries are recognised in the unconsolidated statement of profit or loss and other comprehensive income in the 'Impairment losses on investments in subsidiaries' line item. For investments excluding goodwill, an assessment is made by the Bank at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the recoverable amount of investments. A previously recognised impairment loss is reversed only if there has been a change in the assumption used to determine the investments' recoverable amount since when the last impairment loss was recognised. Any impairment loss is only reversed to the extent that the investment's carrying amount does not exceed its recoverable amount and also does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised. Such reversal is recognised in the unconsolidated statement of profit or loss and other comprehensive income.

(b) Foreign currency

Foreign currency transactions are translated into the functional currency of the Bank using the exchange rates prevailing at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency translation differences are recognised in profit or loss, except for equity instruments for which the Bank decided to present subsequent changes in fair value within other comprehensive income. Foreign currency differences on such equity instruments are recognised in other comprehensive income.

The exchange rates used by the Bank in the preparation of the unconsolidated financial statements as at year-end are as follows:

	31 December 2022	**31 December 2021**
KZT/EUR	492.86	489.10
KZT/USD	462.65	431.80

(c) Cash and cash equivalents

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

(d) Financial instruments

(i) Classification of financial instruments

Under IFRS 9 *Financial Instruments*, financial assets are classified into the following categories based on a business model used by the Bank to manage its financial assets for cash flows generation:

Financial instruments measured at fair value through other comprehensive income within a business model “Holding assets in order to collect contractual cash flows and/or sell assets” that meet the SPPI (“solely payments of principal and interest”) criterion.| This business model implies that the objective is achieved by both collecting contractual cash flows and selling assets. The level of sales is usually higher (in respect of frequency and volumes of asset transactions) within this business model than those under the business model “hold to collect contractual cash flows”);

Financial instruments measured at amortised cost within the business model “Holding assets to collect contractual cash flows” that meet the SPPI criterion. The objective within this business model is:

- to hold assets in order to collect contractual cash flows;
- sales are secondary to the objective of this model;
- the level of sales within this model, as a rule, is the lowest as compared to other business models (in respect of frequency and volumes of asset transactions).

Financial instruments measured at fair value through profit or loss within a business model “Managing assets on a fair value basis and maximising cash flows through selling assets” that do not meet the SPPI criterion.

This business model does not seek both “to hold to collect” and “to hold to collect and/or sell”. Collecting contractual cash flows is irrelevant in relation to the objective of this model.

In order to define a business model for specific financial assets the Bank analyses the following:

- how performance of the business model (and the financial assets held within that business model) is measured and how this information is communicated to the key management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the Bank responsible for portfolio management are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised. In this case, the Group considers information about previous sales, the reasons for those sales and conditions that existed at that time as compared to current conditions.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition.

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

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

The Bank reclassifies financial assets if the Bank changes its business model for managing those financial assets. Reclassification is applied perspectively from the next reporting period preceding the period, in which a business model changes.

The Bank classifies its financial assets as follows:

– *loans and receivables* are classified as assets measured at amortised cost as they are managed within a business model 'Held for collecting contractual cash flows', which meet the SPPI criterion, except for the loans that do not meet the SPPI criterion;

– *correspondent balances, interbank loans and deposits and REPO transactions* are classified as assets measured at amortised cost since they are managed within the business model 'Held for collecting contractual cash flows', which meet the SPPI criterion;

– *debt securities* may be classified in any of the three classification categories depending on the business model chosen and compliance with the SPPI criterion;

– *equity securities*, generally will be classified as instruments measured at fair value through profit or loss;

– *derivative financial instruments* are classified as financial assets at fair value through profit or loss.

All financial liabilities are classified on initial recognition as measured at amortised cost, except for the following:

– financial liabilities at fair value through profit or loss (IFRS 9 says that the Bank may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss).

(ii) Recognition

Financial assets and liabilities are recognised in the unconsolidated statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on their sale or other disposal, except for:

– loans and receivables which are measured at amortised cost using the effective interest method; *correspondent balances, interbank credits and deposits and cash and cash equivalents.*

– investments within a business model 'Held for collecting contractual cash flows', which are measured at amortised cost using effective interest method.

(iv) Amortised cost versus gross carrying amount

The “amortised cost” of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

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

Financial assets or liabilities originated at interest rates different from market rates are measured at origination at their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. If transaction was entered into with the Bank’s unrelated parties, the arising difference is credited or charged to profit or loss as gains or losses on the origination of financial instruments at rates different from market rates (provided that fair value is measured on the basis of the observed inputs). Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(v) Fair value measurement principles

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 in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account under the circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at the bid price and liabilities and short positions at the ask price.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vi) Gains and losses on subsequent measurement

Profit or loss arising from change in fair value of financial asset or liability is recognised as follows:

– a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;

– a gain or loss on a financial asset measured at fair value through other comprehensive income is recognised as other comprehensive income in equity (except for expected credit losses and reversal of impairment losses and foreign exchange gains and losses on debt financial instruments measured at fair value through other comprehensive income) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in comprehensive income is recognised in profit or loss. Interest income in relation to financial asset measured at fair value through other comprehensive income is recognised in profit or loss, as accrued, using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortisation process.

(vii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the unconsolidated statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Bank enters into transactions whereby it transfers assets recognised in its unconsolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Bank purchases its own debt, it is removed from the unconsolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Bank writes off assets deemed to be uncollectible if there are no reasonable expectations for their recovery.

(viii) Repurchase and reverse repurchase agreements

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

Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(ix) Derivative financial instruments

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

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

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

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

(x) Offsetting

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

(e) Property, plant and equipment

(i) Owned assets

Items of property and equipment are stated in the unconsolidated financial statements at cost less accumulated depreciation and impairment losses.

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

(ii) Depreciation

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

– Buildings	40-100 years;
– Computers and banking equipment	5 years;
– Vehicles	7 years;
– Office furniture	8-10 years;
– Leasehold improvements	5 years.

(f) Intangible assets

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

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of various items of property, plant and equipment are as follows:

– Trademark	10 years;
– Software and other intangible assets	up to 15 years.

(g) Impairment

IFRS 9 requires application of an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

(i) Impairment

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

- interbank deposits and interbank loans;

- cash placed in correspondent accounts;
- financial assets that are debt instruments;
- receivables on documentary settlements and guarantees;
- financial guarantee contracts issued, contingent liabilities on unsecured letters of credit, guarantees issued or confirmed;
- loan commitments issued.

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

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

The Bank considers

- a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade';
- a financial asset to have low credit risk when a loan agreement has been concluded with a counterparty a credit rating of at least BBB- according to the international scale assigned by S&P agency or similar ratings assigned by Moody's and Fitch agencies a loan agreement has been concluded with a company owned by the Government of the Republic of Kazakhstan.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Significant increase in credit risk

When determining whether the credit risk on a financial asset has increased significantly, the Bank:

- assesses change in the risk of a default occurring over the expected life of the financial asset by comparing a risk of a default occurring on the financial asset with the risk of a default as at the date of initial recognition;
- analyses reasonable and supportable information, that is available without undue cost or effort and which indicates a significant increase in credit risk since initial recognition.

Significant increases in credit risk of a financial asset mean occurrence of one or several cases listed below:

- significant changes in indicators of credit risk (increase in LTPD PIT by 80% from initial recognition of the financial asset) for a particular financial asset or similar financial assets with the same expected life;
- an actual or expected internal credit rating downgrade for the borrower determined upon monitoring based on a set of quantitative and qualitative indicators of the counterparty;
- significant changes in value of collateral (over 50% of the value at the time of initial recognition of an asset) for asset or in guarantee quality;
- payments are past due for thirty calendar days or more.

Monitoring work implies controlling and analysing the status of a counteragent and of the entire relations between the Bank and the counteragent and consists of the following:

- control over compliance with payment discipline for a financial asset;
- regular review of a counteragent's financial statements;
- monitoring of the account turnover;
- monitoring the progress of the project funded by the Bank.

(iii) Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due for individual financial assets and 90 days past due for homogenous financial assets;
- the restructuring of a loan by the Bank due to the borrowers' financial difficulties;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties, delisting of a security.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether investments in sovereign debt where the Government acts as a debtor, are credit-impaired, the Bank considers the following factors.

- downgrade of the bonds' long-term sovereign credit rating below B in accordance with Standard&Poor's credit agency scale or in scale of other rating agencies transferred to Standard&Poor's scale;
- internal economic reasons (hostilities inside the state, global natural and/or man-made disasters affecting significantly the country economy, undemocratic seizure of power and denial to serve government liabilities, and other similar events affecting significantly the country economy);
- decision to restructure the obligation to purchase bonds.

(iv) Measurement of ECL

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

- _financial assets that are not credit-impaired at the reporting date_: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- _financial assets that are credit-impaired at the reporting date:_ as the difference between the gross carrying amount of a financial asset and the present value of estimated future cash flows;
- _undrawn loan commitments_: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive;
- _financial guarantee contracts_: the present value of expected payments to reimburse the holder less any amounts that the bank expects to recover.

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

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

For debt securities and financial assets arising from entering into transactions with financial organisations:

- PD is estimated on the basis of data on global corporate and global sovereign average cumulative values of PD published by S&P agency, depending on the counterparty's credit rating assigned by S&P or similar rating assigned by Moody's and Fitch;
- For interbank deposits and interbank loans and cash placed in correspondent accounts, LGD is derived based on Recovery Rate for unsecured bonds, published by Moody's agency;
- For unsecured corporate bonds of the issuers, LGD is determined at 70%.

For loans related both to individual and homogeneous financial assets, PD and LGD are derived based on statistical models employed by the Bank and other historical data, considering forward-looking information on macroeconomic factors.

Individual financial assets

Estimate of PD on loans related to individual financial assets is based on historical data on borrowers' ratings which are determined at the time of consideration of lending application and during quarterly monitoring, and on historical data on the borrowers' default rates for the period of observation of at least five years.

Estimate of PD corresponding to borrower's credit rating is based on determination of a ratio of total balance sheet debt of defaulted borrowers to total balance sheet debt (average for the year) of a borrower with a specific credit rating, for a period of 1 calendar year, at each reporting date of the observation period, for the observation period.

The correspondence of credit quality categories of individual financial assets to the statistics of cumulative PD values published by the international rating agency S&P is presented below:

– "Standard loans" - loans with a weighted average internal credit rating of 3 and a weighted average PD value of 2.7%, which corresponds to the statistics of cumulative PD values for "B+";

– "Low-risk loans" - loans with a weighted average internal credit rating of 5 and a weighted average PD value of 5.1%, which corresponds to the statistics of cumulative PD values for "B-" ;

– "Moderate- and high-risk loans" - loans with a weighted average credit rating of 6-7 and a weighted average PD value of 18.9%, which corresponds to the statistics of cumulative PD values for "B-";

– "Problem loans" are high-risk loans and problem loans but with high repayment expectations through realising the available liquid collateral;

– "High-risk problem loans" are high-risk loans and problem loans but with low repayment expectations due to the lack of liquid collateral.

Homogeneous financial assets

Estimate of PD on loans related to homogeneous financial assets is based on historical data on borrowers' default rates of each generation of issue (per month) for at least 5-year observation period, given the grouping of homogeneous assets based on their common risk characteristics, which include a type of credit product and type of available collateral.

PD for the group of homogeneous assets is estimated as a ratio of a number of defaulted loans to non-defaulted loans in each generation of loan issue, per each month of the observation period, with due account of subsequent estimate of an averaged probability of default for a group of homogeneous assets per each month of the observation period, with subsequent annualisation.

Impact of macroeconomic indicators

To take into account the impact of macroeconomic indicators on PD, estimated PDs are calibrated by PIT coefficient (Point-in-Time). Economic scenarios used as at 31 December 2022 used the following key indicators for the Republic of Kazakhstan:

- for financial assets: inflation rate, GDP growth rate, state budget revenue, oil price (Brent, annual average), US dollar exchange rate (annual average), base rate of NBRK, unemployment rate and other:

Period	USD exchange rate	EUR exchange rate	RUB exchange rate	GDP growth rate, %	Inflation rate, %	Brent oil price, USD	Export, USD mln	Import, USD mln
2023 forecast (base)	470.08	496.06	7.27	4.00	8.50	85.00	80,855.00	45,661.00

Period	Base rate, %	Unemployment rate, %	Revenues of the republican budget KZT mln	Average per capita nominal money income of the population, KZT	Real average per capita money income of the population, KZT	Real average per capita money expenditures of the population, KZT	Real average monthly wage, KZT	Banking system assets, KZT mln
2023 forecast (base)	14.50	4.80	13,911,400.00	174,305.68	160,650.40	236,626.34	267,613.82	45,423,534.44

Based on the correlation results, scripting was applied:

- for individual financial assets: oil prices, unemployment rate and real average per capita money expenditures of the population on the level of heterogeneous financial assets that defaulted in the analysed period:

Period	Brent oil price, USD	Unemployment rate, %	Real average per capita money expenditures of the population, KZT
2023 forecast (base)	85.00	4.80	236,626.34
2023 forecast (pessimistic)	60.00	5.90	213,720.05
2023 forecast (optimistic)	110.00	4.40	220,998.00

- for homogeneous financial assets: USD and RUB exchanges rates, GDP growth rate, inflation rate, Brent oil price, export and import, unemployment rate, state budget revenue, average nominal per capita money income of the population, real average per capita money income of the population, real average per capita money expenditures of the population, real average monthly wage in three scenarios on the level of homogeneous financial assets that defaulted during the year in the analysed period:

Period	USD exchange rate	RUB exchange rate	GDP growth rate, %	Inflation rate, %	Brent oil price, USD	Export, USD mln	Import, USD mln
2023 forecast (base)	470.08	7.27	4.00	8.50	85.00	80,855.00	45,661.00
2023 forecast (pessimistic)	482.90	7.47	2.90	9.50	60.00	62,300.00	42,700.00
2023 forecast (optimistic)	459.90	7.11	4.40	7.50	110.00	93,200.00	46,900.00

Period	Unemployment rate, %	Revenues of the republican budget, KZT mln	Average per capita nominal money income of the population, KZT	Real average per capita money income of the population, KZT	Real average per capita money expenditures of the population, KZT	Real average monthly wage, KZT
2023 forecast (base)	4.80%	13,911,400.00	174,305.68	160,650.40	236,626.34	267,613.82
2023 forecast (pessimistic)	5.90%	12,884,400.00	172,388.32	157,432.25	213,720.05	262,252.99
2023 forecast (optimistic)	4.40%	14,570,800.00	175,002.90	162,793.40	220,998.00	271,183.67

Impact assessment is performed using the linear regression method (statistics for at least 5 years); PIT coefficient is calculated as a ratio of projected default rate (D) to an average D over the over the latest 12-month period.

LGD is estimated by the Bank as a difference between carrying amount of an asset and overall recovery rate (Recovery Rates) for defaulted loans from the time of default against an outstanding debt as at the date of default and present value of estimated future cash flows from enforcement of collateral discounted at the original effective interest rate of a financial asset (i.e. effective interest rate calculated on initial recognition).

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of homogeneous financial assets is the gross carrying amount.

(v) Recognised impairment losses

All impairment losses on loans and receivables (including reversal of impairment losses or impairment gain) are recognised in profit or loss.

No loss allowance for debt financial assets measured at FVOCI is recognised in the unconsolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

(vi) Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(vii) Non-financial assets

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

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Provisions

A provision is recognised in the unconsolidated statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

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

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. *Subsequently they are measure*d at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

(j) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Kazakhstan legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that where the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan of the Bank.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(l) Income and expense recognition

(i) Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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

(ii) Calculation of interest income and expense

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

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

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

Fee and commission which relate to issue of a loan and are an inherent component of an effective interest rate, taking into account direct transaction costs, are stated as a discount on loans issued by the Bank. Within the effective period of a contract, the discount amount is amortised and stated as the Bank's income, using an effective interest rate. Fee and commission income related to provision of other services stipulated in a concluded contract and received as the services are provided can be stated simultaneously in "fee and commission receivable from a borrower" line item, unless otherwise provided for by the contract, and are recognised in "income" line items as the relevant services are provided.

(iii) Presentation

Interest income on financial instruments measured at fair value through profit or loss is included in "Other interest income" in the unconsolidated statement of profit or loss and other comprehensive income.

(m) Fee and commission income

Fee and commission income is stated at the amount which the Bank expects to receive in exchange for the services provided, and is recognised when or as the Bank provides the services to customers.

The Bank provides insurance agent services by offering life insurance policies of different insurance companies at its points of sale of retail loans and is paid an agency fee proportionate to premiums subscribed. As acquisition of a life insurance policy is voluntary and is not a condition to obtain a loan, it does not affect the interest rate on the loan. Therefore, the agent services fee was not considered as part of effective interest rate. A service is deemed to be completely provided when an insurance policy has been issued (insurance contract), therefore, the Bank recognises fee and commission simultaneously, when a performance obligation is satisfied, i.e., an insurance policy is issued (insurance contract is concluded).

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Fee and commission income for payment card maintenance comprises interchange fee from transactions with credit and debit cards carried out in trade and service enterprises, and is recognised upon receipt of compensation from payment systems. Other payment card fees are recognised at the time of transaction completion.

Fee and commission income for cash withdrawal comprises fee and commission for customer accounts maintenance as well as fee and commission for cash operations. Payment for customer account maintenance is recognised in the period when the services are provided, usually, on a monthly basis. Payment collected for cash operations is recognised at the time of the services provision.

Fee and commission for settlement transactions represent fee and commission income for payments and transfers charged at the time of the transaction.

Income in the form of fee and commission for issue of guarantees as well as fee and commission for issue and servicing of letters of credit are stated on an accrual basis, with daily amortisation on income line items.

(n) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(o) Leases

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Bank as a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments, and depreciation charge for right-of-use assets and interest expense on lease liabilities.

Lease liability is determined on initial recognition as present value of lease payments and expected payments till the end of the lease term using a discount rate as a borrowing rate. The cost of right-of-use assets includes the amount of initially estimated lease liabilities, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Upon initial recognition, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments.

The right-of-use assets and lease liabilities are stated in separate line items in the unconsolidated statement of financial position.

In the unconsolidated statement of profit or loss and other comprehensive income, lease expenses are stated as depreciation and amortisation expenses in "Other general and administrative expenses" and as expenses on interest paid in "Interest expenses".

For short-term leases (with a lease term less than 12 months) and for leases of low-value assets, the lease payments are recognised on a straight-line basis within the lease term in "Other general and administrative expenses".

In the unconsolidated statements of cash flows, the bank classifies separately the cash flows used for payment of principal amount of lease liabilities - as cash used in financing activities, and cash flows used in payments for interest on lease liabilities – as cash used in operating activities.

(p) Comparative information

In preparing the financial statements for 2022, the Bank has classified the margin security of KZT 6,520,180 thousand on Kazakhstan Stock Exchange into cash and cash equivalents as the Bank considers margin securities on the stock exchange to be highly liquid assets and classifies them as cash equivalents. The appropriate adjustments have been made in the unconsolidated statement of financial position as at 31 December 2021 and unconsolidated statement of cash flows for 2021.

(q) New standards and interpretations

A number of new amendments to standards and interpretations are effective from 1 January 2022. The amended standards and interpretations have no significant impact on the Bank's unconsolidated financial statements.

- *Annual Improvements to IFRS Standards 2018-2020 Cycle;*
- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets).*

New and revised IFRS standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 with earlier application permitted. The Bank has not early adopted the new or amended standards in preparing these unconsolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Bank's unconsolidated financial statements.

- *IFRS 17 Insurance Contracts;*
- *Amendment to IAS 8 – Definition of Accounting Estimates;*

- *Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting policies;*
- *Amendments to IAS 12 Income Tax – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*

4 Interest income and expense

	2022 KZT'000	2021 KZT'000
Interest income calculated using the effective interest method		
Loans to customers measured at amortised cost	162,798,929	98,430,751
Investments measured at amortised cost	11,195,442	9,349,759
Financial assets at fair value through other comprehensive income	8,105,159	10,247,727
Cash and cash equivalents	7,498,433	717,569
Amounts receivable under reverse repurchase agreements	344,663	543,198
Other financial assets	125,789	138,762
Deposits and balances with banks	86,336	37,227
	190,154,751	**119,464,993**
Other interest income		
Loans to customers measured at fair value	**-**	**145,650**
	190,154,751	**119,610,643**
Interest expense		
Current accounts and deposits from customers	(67,937,084)	(50,105,156)
Subordinated debt securities issued	(12,008,456)	(11,117,226)
Debt securities issued	(1,796,978)	(1,022,533)
Amounts payable under repurchase agreements	(1,655,689)	(474,750)
Other borrowed funds	(841,186)	(731,118)
Lease liabilities	(314,631)	(258,852)
Deposits and balances from banks	(10,580)	-
	(84,564,604)	**(63,709,635)**
	105,590,147	**55,901,008**

5 Fee and commission income and expense

	2022 KZT'000	2021 KZT'000
Fee and commission income		
Agency services	26,879,884	18,052,323
Payment card maintenance fees	12,194,117	5,958,017
Settlement	3,788,311	2,332,792
Cash withdrawal	1,836,279	1,304,261
Guarantee and letter of credit issuance	573,528	468,015
Custodian services	170,481	63,720
Cash collection	27,447	25,566
Other	1,908,770	829,188
	47,378,817	**29,033,882**
Fee and commission expense		
Payment card maintenance fees	(10,819,448)	(5,416,345)
Settlement	(1,093,035)	(798,583)
Services of the State Centre for Pension Payments and credit bureaus	(1,067,730)	(487,830)
Cash withdrawal	(407,748)	(159,001)
Custodian services	(169,317)	(71,502)
Securities operations	(35,104)	(29,056)
Guarantee and letter of credit issuance	-	(8,029)
Other	(358,746)	(125,133)
	(13,951,128)	**(7,095,479)**
	33,427,689	**21,938,403**

Contract assets and contract liabilities

The following table provides information about receivables from contracts with customers.

	31 December 2022 KZT'000	31 December 2021 KZT'000
Fee and commission receivable (Note 19)	1,324,527	765,772

As of 31 December 2022 and 31 December 2021, there are no performance obligations with an original expected duration of one year or less as required by IFRS 15.

Performance obligations and revenue recognition policies

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

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

Type of product/service	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition under IFRS 15*
Agency service fees	The Bank provides insurance agent services by offering life insurance policies of different insurance companies at its points of sale of retail loans and earns a commission fee proportionate to insurance premium (value) under insurance policies written. As acquisition of a life insurance policy is voluntary and is not a condition to obtain a loan, it does not affect the interest rate on the loan. Therefore, the agency services fee was not considered as part of effective interest rate. A service is deemed to be completely provided when an insurance policy has been issued (insurance contract). Commission fee for agent services is paid upon provision of the services (for the reporting period).	The Bank recognises the commission fee simultaneously with satisfaction of performance obligation, i.e. writing an insurance policy (insurance contract).
Payment card maintenance fees	Fee and commission income for payment card maintenance comprises interchange fee from transactions with credit and debit cards carried out in trade and service enterprises.	Revenue is recognised upon receipt of compensation from payment systems. Other payment card fees are recognised at the time of transaction completion.

6 Net gain on financial instruments at fair value through profit or loss

	2022 KZT'000	2021 KZT'000
Net realised gain on financial instruments at fair value through profit or loss	2,145,225	457,534
Net unrealised gain on financial instruments at fair value through profit or loss	343,676	23,749
Loss on change in value of other financial assets measured at fair value	(185,936)	-
Gain on change in the value of loans to customers measured at fair value	-	1,433,376
	2,302,965	**1,914,659**

7 Net foreign exchange gain

	2022 KZT'000	2021 KZT'000
Dealing operations, net	58,363,341	9,419,811
Translation differences, net	(5,850,321)	(1,715,829)
	52,513,020	**7,703,982**

8 Impairment losses on debt financial assets

	2022 KZT'000	2021 KZT'000
Loans to customers (Note 15)	17,541,383	33,618,980
Investments measured at amortised cost (Note 16)	10,758,875	47,069
Financial assets measured at fair value through other comprehensive income (Note 13)	5,860,100	11,851
Other assets (Note 19)	954,168	(2,516,063)
Cash and cash equivalents	386,272	7,618
Deposits and balances with banks	(296)	42
	35,500,502	**31,169,497**

9 Personnel expenses

	2022 KZT'000	2021 KZT'000
Wages, salaries, bonuses and related taxes	32,055,161	22,895,513
Other employee costs	1,017,377	992,589
	33,072,538	**23,888,102**

10 Other general and administrative expenses

	2022 KZT'000	2021 KZT'000
Communication and information services	4,189,014	3,200,211
Depreciation and amortisation	2,909,530	2,785,318
Taxes other than income tax	1,568,313	1,199,530
Depreciation of right-of-use assets	1,304,167	1,320,225
Security	1,248,606	847,833
Repair and maintenance	878,405	644,112
Advertising and marketing	776,248	964,322
Professional services	713,484	1,012,312
Operating lease expense	436,398	301,543
Cash collection	315,243	320,046
Business travel	262,294	206,712
Stationary and office supplies	247,642	200,632
Transportation	92,441	78,874
Training	81,006	80,546
Insurance	58,287	57,189
Other	1,740,199	1,433,385
	16,821,277	**14,652,790**

11 Income tax expense

	2022 KZT'000	2021 KZT'000
Current income tax expense		
Current period	17,252,206	-
	17,252,206	**-**
Deferred income tax expense		
Origination of temporary differences	6,934,611	5,650,000
Total income tax expense	**24,186,817**	**5,650,000**

In 2022, the applicable tax rate for current and deferred tax is 20% (2021: 20%).

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

	2022 KZT'000	%	2021 KZT'000	%
Profit before tax	**107,419,729**		**18,382,416**	
Income tax at the applicable tax rate	21,483,946	20.00	3,676,483	20.00
Tax-exempt income on securities	(3,368,455)	(3.14)	(3,979,197)	(21.65)
Non-deductible impairment losses	3,972,413	3.70	4,792,472	26.07
Non-deductible expenses	2,098,913	1.95	1,160,242	6.31
	24,186,817	**22.52**	**5,650,000**	**30.74**

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as at 31 December 2022 and 2021.

Tax loss carry-forwards originated in 2017 will expire on 31 December 2027. During 2022, the Bank fully utilised the remaining amount of tax loss carry-forwards (in 2021: the Bank utilised tax loss of KZT 35,275,836 thousand). Other deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2022 and 31 December 2021 are as follows:

2022 KZT'000	Balance at 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2022
Loans to customers	1,312,621	(1,275,239)	-	37,382
Property, plant and equipment	(1,173,434)	(84,561)	-	(1,257,995)
Other assets	25,158	(25,158)	-	-
Financial instruments at fair value through profit or loss	-	(82,214)	-	(82,214)
Interest payable on deposits and balances from banks	41,243	26,716	-	67,959
Subordinated debt securities issued	(19,450,720)	701,592	-	(18,749,128)
Other liabilities	950,348	237,612	-	1,187,960
Tax loss carry-forwards	6,453,565	(6,453,565)	-	-
Financial assets at fair value through other comprehensive income	12,539	-	1,034,461	1,047,000
Right-of-use assets	(431,401)	(102,327)	-	(533,728)
Lease liabilities	512,548	122,533	-	635,081
	(11,747,533)	**(6,934,611)**	**1,034,461**	**(17,647,683)**

2021 KZT'000	Balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2021
Loans to customers	1,101,134	211,487	-	1,312,621
Property, plant and equipment	(1,084,873)	(88,561)	-	(1,173,434)
Other assets	21,208	3,950	-	25,158
Interest payable on deposits and balances from banks	42	41,201	-	41,243
Subordinated debt securities issued	(20,045,289)	594,569	-	(19,450,720)
Other liabilities	321,076	629,272	-	950,348
Tax loss carry-forwards	13,508,732	(7,055,167)	-	6,453,565
Financial assets at fair value through other comprehensive income	(1,635)	-	14,174	12,539
Right-of-use assets	(488,687)	57,286	-	(431,401)
Lease liabilities	556,585	(44,037)	-	512,548
	(6,111,707)	**(5,650,000)**	**14,174**	**(11,747,533)**

12 Cash and cash equivalents

	31 December 2022 KZT'000	31 December 2021 KZT'000
Cash on hand	**70,070,846**	**32,498,229**
Nostro accounts with NBRK	**189,540,044**	**77,214,339**
Nostro accounts with other banks		
- rated from AA- to AA+	79,700,201	56,022,937
- rated from A- to A+	40,085,569	4,530,905
- rated from BBB- to BBB+	38,982,988	6,549,930
- rated from BB- to BB+	-	445,398
- rated from B- to B+	1,641,863	757,100
- not rated	9,747,892	125,531
Total Nostro accounts with other banks	**170,158,513**	**68,431,801**
Term deposits with NBRK	**463,592,732**	**223,465,217**
Term deposits with other banks		
- rated from BBB- to BBB+	-	2,880,592
- rated from B- to B+	-	8,638,015
Total term deposits with other banks	**-**	**11,518,607**
Margin security on Kazakhstan Stock Exchange	**13,925,765**	**6,520,180**
Total cash and cash equivalents before allowance for expected credit losses	**907,287,900**	**419,648,373**
Allowance for expected credit losses	(394,509)	(9,149)
Total cash and cash equivalents	**906,893,391**	**419,639,224**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

As at 31 December 2022 cash equivalents with net carrying amount of KZT 827,879,361 thousand are categorised into Stage 1 of the credit risk grade, of KZT 8,734,586 thousand – into Stage 2 of the credit risk grade, and of KZT 208,598 thousand – into Stage 3 of credit risk grade (31 December 2021: all cash and cash equivalents are categorised into Stage 1 of the credit risk grade).

As at 31 December 2022 the Bank has 4 banks (31 December 2021: 2 banks), whose balances on cash equivalents exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KZT 808,732,031 thousand (31 December 2021: KZT 356,702,493 thousand).

As at 31 December 2022 included in unrated Nostro accounts are claims to Russian banks and credit institutions totalling to KZT 9,337,694 thousand (equivalent to 1% of total gross carrying amount of cash and cash equivalents). In this regard, 91% of said claims to the Russian counterparties comprise balances with banks and financial institutions not included in the list of sanctions against Russia. For the purpose of calculation of the allowance for expected credit losses, the Bank used PD and LGD estimates rated CCC under international credit ratings by Moody's rating agency (31 December 2021: included in unrated Nostro accounts were claims to the Central securities depository and subsidiary bank of the Russian bank located in the European Union).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks' liabilities. Second-tier banks are required to comply with these requirements by maintaining average reserve (cash on hand in the national currency in the amount not exceeding 50% of average minimum reserve requirements for the period, for which the minimum reserve requirements are determined, and balances on accounts in the national currency with NBRK) equal to or in excess of the average minimum requirements. As at 31 December 2022, the minimum reserve is KZT 32,021,925 thousand (31 December 2021: KZT 28,350,084 thousand).

13 Financial assets at fair value through other comprehensive income

	31 December 2022 KZT'000	31 December 2021 KZT'000
Held by the Bank		
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	78,932,285	92,575,025
US treasury bonds	1,654,536	846,876
Bonds of development banks		
Asian Development Bank bonds	-	2,963,111
Eurasian Development Bank bonds	1,038,434	2,683,166
Corporate bonds		
Corporate bonds, rated from BBB- to BBB+	10,160,308	24,931,838
Corporate bonds, not rated	9,050,551	-
	100,836,114	**124,000,016**
Pledged as security of other borrowed funds		
Corporate bonds, rated from BBB- to BBB+ (Note 24)	7,839,694	-
Corporate bonds, rated from BB- to BB+ (Note 24)	3,146,018	-
	10,985,712	**-**
	111,821,826	**124,000,016**
Allowance for expected credit losses*	(5,929,413)	(43,408)
Total financial assets measured at fair value through other comprehensive income (carrying amount)	**111,821,826**	**124,000,016**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

**The above loss allowance is not recognised in the unconsolidated statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.*

As at 31 December 2022, financial assets at fair value through other comprehensive income (not rated) with total fair value of KZT 9,050,551 thousand comprise bonds of the Russian issuers which currently are rated "CCC" by the Bank for the purpose of calculating expected credit losses as at 31 December 2022, except for the credit rating of the issuers with defaulted bonds with fair value of KZT 63,638 thousand as at 31 December 2022 (before withdrawal of credit ratings, the issuers of bonds with carrying amount of KZT 8,468,722 thousand were rated from "BBB-" to "BBB", the issuers of bonds with carrying amount of KZT 581,829 thousand were rated "BB") (31 December 2021: none).

As at 31 December 2022, financial assets measured at fair value through other comprehensive income with the carrying amount of KZT 102,771,274 thousand (gross carrying amount being KZT 102,871,656 thousand) are categorised into Stage 1 of credit risk grade; financial assets measured at fair value through other comprehensive income with the carrying amount of KZT 8,986,914 thousand (gross carrying amount being KZT 12,668,495 thousand) are categorised into Stage 2 of credit risk grade; financial assets measured at fair value through other comprehensive income with the carrying amount of KZT 63,638 thousand (gross carrying amount being KZT 2,211,088 thousand) are categorised into Stage 3 of credit risk grade (31 December 2021: all financial assets measured at fair value through other comprehensive income with the carrying amount of KZT 124,000,016 thousand (gross carrying amount being KZT 124,043,424 thousand) were categorised into Stage 1 of credit risk grade).

PD value for securities for which loss allowance is recognised as 12-month expected credit losses ranges from 0.37% to 5.00%; PD value for not credit-impaired securities for which loss allowance is recognised in full, i.e. during the lifetime of the asset, ranges from 7.10% to 19.90%. LGD value applicable to securities by issuer's industry ranges from 56.00% to 70.65%. PD and LGD values are based on the statistics published by Moody's international rating agency.

As at 31 December 2022, allowance for expected credit losses on financial assets measured fair value through other comprehensive income was KZT 5,929,413 thousand (31 December 2021: KZT 43,408 thousand).

The following table shows reconciliations from opening and closing balances of the loss allowance on financial assets measured at fair value through other comprehensive income for 2022:

KZT'000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**43,408**	**-**	**-**	**43,408**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(14,019)	14,019	-	-
Transfer to Stage 3	(6,054)	-	6,054	-
Net remeasurement of loss allowance	74,511	3,652,144	2,133,445	5,860,100
Effect of foreign exchange differences	2,536	15,418	7,951	25,905
Balance at 31 December 2022	**100,382**	**3,681,581**	**2,147,450**	**5,929,413**

The following table shows reconciliations from opening and closing balances of the loss allowance on financial assets measured at fair value through other comprehensive income for 2021:

KZT'000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**44,185**	**-**	**-**	**44,185**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	11,851	-	-	11,851
Effect of foreign exchange differences and other changes	(12,628)	-	-	(12,628)
Balance at 31 December 2021	**43,408**	**-**	**-**	**43,408**

14 Deposits and balances with banks

	31 December 2022 KZT'000	31 December 2021 KZT'000
Term deposits		
- conditional deposit with the NBRK	2,007,734	2,012,871
- account with Development Bank of Kazakhstan JSC	2,112,962	-
- rated from AA- to AA+	5,045,962	1,771,485
- rated from A- to A+	2,684,082	2,348,522
- rated from BB- to BB+	-	111,256
- not rated	142,300	69,000
Total term deposits	**11,993,040**	**6,313,134**
Loans to banks		
- rated from B- to B+	-	623,205
Total loans to banks	**-**	**623,205**
Total deposits and balances with banks measured at amortised cost before allowance for expected credit losses	**11,993,040**	**6,936,339**
Allowance for expected credit losses	(1,968)	(1,586)
Total deposits and balances with banks	**11,991,072**	**6,934,753**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

As at 31 December 2022 and 2021, all deposits and balances with banks measured at amortised cost are categorised into Stage 1 of the credit risk grade.

As at 31 December 2022 conditional deposit with the NBRK consists of funds of KZT 676,274 thousand (31 December 2021: KZT 513,729 thousand) received from Development Bank of Kazakhstan JSC ("DBK JSC") and 1,331,460 thousand (31 December 2021: KZT 1,499,142 thousand) received from DAMU Entrepreneurship Development Fund JSC ("EDF DAMU JSC") in accordance with the loan agreements with DBK JSC and EDF DAMU JSC. The funds will be distributed as loans to corporates and individuals on special preferential terms. These funds may be withdrawn from the conditional deposit only after approval of DBK JSC and EDF DAMU JSC, respectively.

As at 31 December 2022, balance of KZT 2,112,962 thousand on the account with Development Bank of Kazakhstan JSC comprises funds received from Industrial Development Fund JSC as part of the state programme of preferential car loans (Note 24) (31 December 2021: no balances on the accounts with Development Bank of Kazakhstan JSC).

Concentration of accounts and deposits with banks

As at 31 December 2022 the Bank has no deposits and balances with banks, whose balances exceed 10% of equity (2021: the Bank has no deposits and balances with banks, except the NBRK, whose balances exceed 10% of equity).

15 Loans to customers

	31 December 2022 KZT'000	31 December 2021 KZT'000
Loans to customers measured at amortised cost		
Loans to corporate customers		
Loans to large corporates	370,288,281	265,679,518
Loans to small- and medium-size companies	34,442,399	17,523,726
Total loans to corporate customers	**404,730,680**	**283,203,244**
Loans to retail customers		
Uncollateralised consumer loans	473,500,800	299,436,789
Car loans	331,829,331	188,681,361
Mortgage loans	7,483,490	8,877,471
Non-program loans on individual terms	9,630,087	6,565,039
Loans for individual entrepreneurship	3,943,175	3,236,875
Loans under *Business Auto* Program	4,291,795	4,494,794
Total loans to retail customers	**830,678,678**	**511,292,329**
Loans to customers measured at amortised cost before allowance for expected credit losses	**1,235,409,358**	**794,495,573**
Allowance for expected credit losses	(172,492,063)	(154,200,252)
Loans to customers measured at amortised cost net of allowance for expected credit losses	**1,062,917,295**	**640,295,321**

Movements in the impairment allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2022 are as follows:

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Allowance for expected credit losses at the beginning of the year	**24,177,506**	**2,969,617**	**116,418,982**	**10,634,147**	**154,200,252**
Transfer to Stage 1	2,046,567	(1,456,250)	(590,317)	-	-
Transfer to Stage 2	(2,540,602)	25,394,275	(22,853,673)	-	-
Transfer to Stage 3	(3,015,772)	(5,624,634)	8,640,406	-	-
Net remeasurement of loss allowance*	(13,715,142)	(5,501,579)	10,722,220	(1,329,364)	(9,823,865)
New financial assets originated or purchased	27,365,248	-	-	-	27,365,248
(Write-offs of loans)/recovery of previously written off loans	-	-	(11,287,098)	1,040,385	(10,246,713)
Unwinding of discount on present value of expected credit losses	-	-	9,541,821	549,028	10,090,849
Recognition of POCI-assets	-	-	(413,747)	-	(413,747)
Foreign exchange and other movements	420,742	(494,646)	1,393,943	-	1,320,039
Allowance for expected credit losses at the end of the year	**34,738,547**	**15,286,783**	**111,572,537**	**10,894,196**	**172,492,063**

** Includes changes in models/risk parameters, effect of repayments (including early repayments).*

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – corporate customers					
Allowance for expected credit losses at the beginning of the year	**3,898,203**	**984,644**	**59,041,875**	**10,287,927**	**74,212,649**
Transfer to Stage 1	7,308	(7,308)	-	-	-
Transfer to Stage 2	(543,834)	15,398,214	(14,854,380)	-	-
Transfer to Stage 3	(1,063,123)	(1,370,882)	2,434,005	-	-
Net remeasurement of loss allowance*	(1,227,525)	(3,192,241)	(594,420)	(1,240,002)	(6,254,188)
New financial assets originated or purchased	1,503,644	-	-	-	1,503,644
(Write-offs of loans)/recovery of previously written off loans	-	-	(12,691,631)	487,864	(12,203,767)
Unwinding of discount on present value of expected credit losses	-	-	4,018,364	457,033	4,475,397
Recognition of POCI-assets	-	-	(2,618)	-	(2,618)
Foreign exchange and other movements	131,407	(440,096)	1,608,970	-	1,300,281
Allowance for expected credit losses at the end of the year	**2,706,080**	**11,372,331**	**38,960,165**	**9,992,822**	**63,031,398**

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – retail customers					
Allowance for expected credit losses at the beginning of the year	**20,279,303**	**1,984,973**	**57,377,107**	**346,220**	**79,987,603**
Transfer to Stage 1	2,039,259	(1,448,942)	(590,317)	-	-
Transfer to Stage 2	(1,996,768)	9,996,061	(7,999,293)	-	-
Transfer to Stage 3	(1,952,649)	(4,253,752)	6,206,401	-	-
Net remeasurement of loss allowance*	(12,487,617)	(2,309,338)	11,316,640	(89,362)	(3,569,677)
New financial assets originated or purchased	25,861,604	-	-	-	25,861,604
Recovery of previously written loans	-	-	1,404,533	552,521	1,957,054
Unwinding of discount on present value of expected credit losses	-	-	5,523,457	91,995	5,615,452
Recognition of POCI-assets	-	-	(411,129)	-	(411,129)
Foreign exchange and other movements	289,335	(54,550)	(215,027)	-	19,758
Allowance for expected credit losses at the end of the year	**32,032,467**	**3,914,452**	**72,612,372**	**901,374**	**109,460,665**

** Includes changes in models/risk parameters, effect of repayments (including early repayments).*

Movements in the impairment allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2021 are as follows:

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Allowance for expected credit losses at the beginning of the year	**16,730,121**	**10,053,242**	**83,488,652**	**7,983,238**	**118,255,253**
Transfer to Stage 1	6,585,593	(2,562,952)	(4,022,641)	-	-
Transfer to Stage 2	(684,546)	6,912,184	(6,227,638)	-	-
Transfer to Stage 3	(841,983)	(10,702,123)	11,544,106	-	-
Net remeasurement of loss allowance*	(16,295,221)	(730,238)	31,280,289	1,132,126	15,386,956
New financial assets originated or purchased	18,232,024	-	-	-	18,232,024
(Write-offs of loans)/recovery of previously written off loans	-	-	(8,202,941)	1,062,963	(7,139,978)
Unwinding of discount on present value of expected credit losses	-	-	9,743,294	455,820	10,199,114
Recognition of POCI-assets	-	-	(948,676)	-	(948,676)
Foreign exchange and other movements	451,518	(496)	(235,463)	-	215,559
Allowance for expected credit losses at the end of the year	**24,177,506**	**2,969,617**	**116,418,982**	**10,634,147**	**154,200,252**

** Includes changes in models/risk parameters, effect of repayments (including early repayments).*

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – corporate customers					
Allowance for expected credit losses at the beginning of the year	**1,715,971**	**5,992,250**	**32,679,267**	**7,844,642**	**48,232,130**
Transfer to Stage 1	1,931	(1,931)	-	-	-
Transfer to Stage 2	(715)	715	-	-	-
Transfer to Stage 3	(6,400)	(8,424,985)	8,431,385	-	-
Net remeasurement of loss allowance*	988,467	3,418,744	21,013,825	1,627,609	27,048,645
New financial assets originated or purchased	1,197,592	-	-	-	1,197,592
(Write-offs of loans)/recovery of previously written off loans	-	-	(7,969,815)	369,746	(7,600,069)
Unwinding of discount on present value of expected credit losses	-	-	4,962,986	445,930	5,408,916
Recognition of POCI-assets	-	-	(19,374)	-	(19,374)
Foreign exchange and other movements	1,357	(149)	(56,399)	-	(55,191)
Allowance for expected credit losses at the end of the year	**3,898,203**	**984,644**	**59,041,875**	**10,287,927**	**74,212,649**

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – retail customers					
Allowance for expected credit losses at the beginning of the year	**15,014,150**	**4,060,992**	**50,809,385**	**138,596**	**70,023,123**
Transfer to Stage 1	6,583,662	(2,561,021)	(4,022,641)	-	-
Transfer to Stage 2	(683,831)	6,911,469	(6,227,638)	-	-
Transfer to Stage 3	(835,583)	(2,277,138)	3,112,721	-	-
Net remeasurement of loss allowance*	(17,283,688)	(4,148,982)	10,266,464	(495,483)	(11,661,689)
New financial assets originated or purchased	17,034,432	-	-	-	17,034,432
(Write-offs of loans)/recovery of previously written off loans	-	-	(233,126)	693,217	460,091
Unwinding of discount on present value of expected credit losses	-	-	4,780,308	9,890	4,790,198
Recognition of POCI-assets	-	-	(929,302)	-	(929,302)
Foreign exchange and other movements	450,161	(347)	(179,064)	-	270,750
Allowance for expected credit losses at the end of the year	**20,279,303**	**1,984,973**	**57,377,107**	**346,220**	**79,987,603**

** Includes changes in models/risk parameters, effect of repayments (including early repayments).*

During 2022, the Bank has written off loans of KZT 10,246,713 thousand, which resulted in decrease in allowance for credit losses on loans categorised into Stage 3 and POCI-assets for the same amount (2021: KZT 7,139,978 thousand).

The high volume of loans to customers originated during the year has caused increase in the gross book value of the loan portfolio by KZT 1,139,719,734 thousand, (2021: KZT 641,526,999 thousand), with a corresponding increase of loss allowance assessed on a 12-month basis by KZT 27,365,248 thousand (2021: KZT 18,232,024 thousand).

The high volume of loans repaid during the year has caused decrease in the gross carrying amount of the loan portfolio by KZT 861,977,111 thousand, including accrued interest (2021: KZT 628,615,340 thousand) with a corresponding decrease in the loss allowance by KZT 37,867,003 thousand (2021: KZT 33,252,526 thousand).

The following table provides information by types of loan products for loans measured at amortised cost as at 31 December 2022:

KZT'000	Gross amount	Allowance for expected credit losses	Carrying amount
Loans to corporate customers			
Loans to large corporates	370,288,281	(58,430,016)	311,858,265
Loans to small- and medium-size companies	34,442,399	(4,601,382)	29,841,017
Loans to retail customers			
Uncollateralised consumer loans	473,500,800	(91,064,078)	382,436,722
Car loans	331,829,331	(14,750,697)	317,078,634
Mortgage loans	7,483,490	(1,094,867)	6,388,623
Non-program loans on individual terms	9,630,087	(1,390,721)	8,239,366
Loans for individual entrepreneurship	3,943,175	(1,020,476)	2,922,699
Loans under *Business Auto* Program	4,291,795	(139,826)	4,151,969
Total loans to customers at the end of the year	**1,235,409,358**	**(172,492,063)**	**1,062,917,295**

The following table provides information by types of loan products as at 31 December 2021:

KZT'000	Gross amount	Allowance for expected credit losses	Carrying amount
Loans to corporate customers			
Loans to large corporates	265,679,518	(69,495,867)	196,183,651
Loans to small- and medium-size companies	17,523,726	(4,716,782)	12,806,944
Loans to retail customers			
Uncollateralised consumer loans	299,436,789	(65,544,171)	233,892,618
Car loans	188,681,361	(10,307,231)	178,374,130
Mortgage loans	8,877,471	(1,188,959)	7,688,512
Non-program loans on individual terms	6,565,039	(1,554,783)	5,010,256
Loans for individual entrepreneurship	3,236,875	(1,160,110)	2,076,765
Loans under *Business Auto* Program	4,494,794	(232,349)	4,262,445
Total loans to customers at the end of the year	**794,495,573**	**(154,200,252)**	**640,295,321**

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers measured at amortised cost as at 31 December 2022.

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Loans to customers at amortised cost – corporate customers					
Not externally rated:					
Standard	71,708,788	-	-	-	71,708,788
Low risk	183,591,516	-	-	-	183,591,516
Medium risk	17,965,423	41,948,089	5,621,860	-	65,535,372
Increased risk	-	-	3,020,500	-	3,020,500
Problem	-	-	1,182,395	13,358,944	14,541,339
High risk	-	-	31,079,839	810,927	31,890,766
Total loans to large corporates	**273,265,727**	**41,948,089**	**40,904,594**	**14,169,871**	**370,288,281**
Loss allowance	(2,629,469)	(11,372,137)	(34,435,736)	(9,992,674)	(58,430,016)
Net loans to large corporates	**270,636,258**	**30,575,952**	**6,468,858**	**4,177,197**	**311,858,265**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	8,545,707	-	-	-	8,545,707
Low risk	8,765,620	129,215	-	248,939	9,143,774
Medium risk	4,870,691	9,885	513,129	128,037	5,521,742
Problem	-	-	106,032	-	106,032
High risk	-	-	4,474,663	-	4,474,663
Not rated	1,756,375	-	18,063	-	1,774,438
Not rated (secured with cash)	4,876,043	-	-	-	4,876,043
Total loans to small- and medium-size companies	**28,814,436**	**139,100**	**5,111,887**	**376,976**	**34,442,399**
Loss allowance	(76,611)	(194)	(4,524,429)	(148)	(4,601,382)
Net loans to small and medium-sized companies	**28,737,825**	**138,906**	**587,458**	**376,828**	**29,841,017**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Car loans					
Not overdue	293,490,735	1,563,625	5,153,693	292,514	300,500,567
Overdue less than 30 days	12,844,191	699,243	1,332,113	45,565	14,921,112
Overdue 30-89 days	-	5,453,962	849,336	11,396	6,314,694
Overdue 90-179 days	-	20,066	3,196,638	-	3,216,704
Overdue 180-360 days	-	-	1,894,939	-	1,894,939
Overdue more than 360 days	-	-	4,981,126	189	4,981,315
	306,334,926	**7,736,896**	**17,407,845**	**349,664**	**331,829,331**
Loss allowance	(3,666,576)	(583,081)	(10,303,958)	(197,082)	(14,750,697)
Net car loans	**302,668,350**	**7,153,815**	**7,103,887**	**152,582**	**317,078,634**
Uncollateralised consumer loans					
Not overdue	374,536,366	2,232,138	10,747,628	576,877	388,093,009
Overdue less than 30 days	17,076,420	789,339	1,704,608	89,401	19,659,768
Overdue 30-89 days	151,856	10,498,931	1,371,973	35,474	12,058,234
Overdue 90-179 days	-	66,041	10,641,438	15,301	10,722,780
Overdue 180-360 days	-	-	11,402,292	16,643	11,418,935
Overdue more than 360 days	-	-	31,546,364	1,710	31,548,074
	391,764,642	**13,586,449**	**67,414,303**	**735,406**	**473,500,800**
Loss allowance	(28,110,438)	(3,298,024)	(59,016,729)	(638,887)	(91,064,078)
Carrying amount	**363,654,204**	**10,288,425**	**8,397,574**	**96,519**	**382,436,722**
Non-program loans on individual terms					
Not overdue	7,859,260	-	362,853	14,497	8,236,610
Overdue 30-89 days	-	-	30,839	-	30,839
Overdue 180-360 days	-	-	-	25,974	25,974
Overdue more than 360 days	-	-	1,284,359	52,305	1,336,664
	7,859,260	**-**	**1,678,051**	**92,776**	**9,630,087**
Loss allowance	(15,899)	-	(1,315,017)	(59,805)	(1,390,721)
Carrying amount	**7,843,361**	**-**	**363,034**	**32,971**	**8,239,366**
Mortgage loans					
Not overdue	5,368,854	101,071	290,382	147,393	5,907,700
Overdue less than 30 days	154,054	40,487	116,272	-	310,813
Overdue 30-89 days	-	68,340	53,674	-	122,014
Overdue 90-179 days	-	-	54,176	-	54,176
Overdue 180-360 days	-	-	21,921	1,269	23,190
Overdue more than 360 days	-	-	1,026,406	39,191	1,065,597
	5,522,908	**209,898**	**1,562,831**	**187,853**	**7,483,490**
Loss allowance	(55,229)	(18,190)	(1,016,466)	(4,982)	(1,094,867)
Carrying amount	**5,467,679**	**191,708**	**546,365**	**182,871**	**6,388,623**
Loans for individual entrepreneurship					
Not overdue	2,761,622	-	18,292	700	2,780,614
Overdue less than 30 days	40,104	-	12,043	-	52,147
Overdue 30-89 days	-	35,058	-	-	35,058
Overdue 90-179 days	-	-	13,523	-	13,523
Overdue 180-360 days	-	-	13,556	-	13,556
Overdue more than 360 days	-	-	1,047,691	586	1,048,277
	2,801,726	**35,058**	**1,105,105**	**1,286**	**3,943,175**
Loss allowance	(58,324)	(11,145)	(950,389)	(618)	(1,020,476)
Carrying amount	**2,743,402**	**23,913**	**154,716**	**668**	**2,922,699**
Loans under *Business Auto* Program					
Not overdue	4,149,610	22,488	13,671	-	4,185,769
Overdue less than 30 days	53,282	-	-	-	53,282
Overdue 30-89 days	-	30,585	-	-	30,585
Overdue 90-179 days	-	-	7,792	-	7,792
Overdue 180-360 days	-	-	2,556	-	2,556
Overdue more than 360 days	-	-	11,811	-	11,811
	4,202,892	**53,073**	**35,830**	**-**	**4,291,795**
Loss allowance	(126,001)	(4,012)	(9,813)	-	(139,826)
Carrying amount	**4,076,891**	**49,061**	**26,017**	**-**	**4,151,969**

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

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Loans to customers at amortised cost – corporate customers					
Not externally rated:					
Standard	37,388,543	-	-	-	37,388,543
Low risk	111,114,704	333,755	-	-	111,448,459
Medium risk	9,133,120	5,465,781	3,249,693	798,080	18,646,674
Increased risk	-	-	62,978,039	-	62,978,039
Problem	-	-	5,567,675	14,569,603	20,137,278
High risk	-	-	14,090,076	990,449	15,080,525
Total loans to large corporates	**157,636,367**	**5,799,536**	**85,885,483**	**16,358,132**	**265,679,518**
Loss allowance	(3,859,519)	(984,644)	(54,363,903)	(10,287,801)	(69,495,867)
Net loans to large corporates	**153,776,848**	**4,814,892**	**31,521,580**	**6,070,331**	**196,183,651**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	5,819,167	41,747	-	-	5,860,914
Low risk	3,148,100	336,892	-	-	3,484,992
Medium risk	-	-	361,814	379,687	741,501
Problem	-	-	145,920	-	145,920
High risk	-	-	4,761,142	-	4,761,142
Not rated	181,238	-	36,968	-	218,206
Not rated (secured with cash)	2,311,051	-	-	-	2,311,051
Total loans to small- and medium-size companies	**11,459,556**	**378,639**	**5,305,844**	**379,687**	**17,523,726**
Loss allowance	(38,684)	-	(4,677,972)	(126)	(4,716,782)
Net loans to small and medium-sized companies	**11,420,872**	**378,639**	**627,872**	**379,561**	**12,806,944**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Car loans					
Not overdue	169,793,464	2,047,639	3,459,021	79,290	175,379,414
Overdue less than 30 days	4,134,452	697,245	1,439,661	6,996	6,278,354
Overdue 30-89 days	-	808,293	600,618	-	1,408,911
Overdue 90-179 days	-	14,925	835,791	-	850,716
Overdue 180-360 days	-	-	1,036,910	136	1,037,046
Overdue more than 360 days	-	-	3,726,920	-	3,726,920
	173,927,916	**3,568,102**	**11,098,921**	**86,422**	**188,681,361**
Loss allowance	(2,175,590)	(276,388)	(7,798,004)	(57,249)	(10,307,231)
Net car loans	**171,752,326**	**3,291,714**	**3,300,917**	**29,173**	**178,374,130**
Uncollateralised consumer loans					
Not overdue	233,446,109	3,057,782	8,722,944	91,360	245,318,195
Overdue less than 30 days	7,497,846	1,012,623	2,443,646	11,917	10,966,032
Overdue 30-89 days	674	2,898,343	1,756,773	2,833	4,658,623
Overdue 90-179 days	-	18,828	3,509,979	1,676	3,530,483
Overdue 180-360 days	-	-	12,613,352	209	12,613,561
Overdue more than 360 days	-	-	22,349,895	-	22,349,895
	240,944,629	**6,987,576**	**51,396,589**	**107,995**	**299,436,789**
Loss allowance	(17,765,064)	(1,678,013)	(46,004,437)	(96,657)	(65,544,171)
Carrying amount	**223,179,565**	**5,309,563**	**5,392,152**	**11,338**	**233,892,618**
Non-program loans on individual terms					
Not overdue	4,633,391	-	258,732	41,008	4,933,131
Overdue less than 30 days	-	-	3,132	52,930	56,062
Overdue 180-360 days	-	-	71,724	-	71,724
Overdue more than 360 days	-	-	1,504,122	-	1,504,122
	4,633,391	**-**	**1,837,710**	**93,938**	**6,565,039**
Loss allowance	(2,007)	-	(1,489,223)	(63,553)	(1,554,783)
Carrying amount	**4,631,384**	**-**	**348,487**	**30,385**	**5,010,256**
Mortgage loans					
Not overdue	6,445,681	196,803	370,882	138,680	7,152,046
Overdue less than 30 days	111,043	46,355	80,020	-	237,418
Overdue 30-89 days	-	69,675	88,474	-	158,149
Overdue 90-179 days	-	-	87,791	88	87,879
Overdue 180-360 days	-	-	36,238	16,143	52,381
Overdue more than 360 days	-	-	1,147,764	41,834	1,189,598
	6,556,724	**312,833**	**1,811,169**	**196,745**	**8,877,471**
Loss allowance	(65,567)	(12,864)	(1,007,499)	(103,029)	(1,188,959)
Carrying amount	**6,491,157**	**299,969**	**803,670**	**93,716**	**7,688,512**
Loans for individual entrepreneurship					
Not overdue	1,813,006	147,260	6,067	28,126	1,994,459
Overdue less than 30 days	12,329	2,107	7,641	-	22,077
Overdue 30-89 days	-	3,670	2,049	-	5,719
Overdue 90-179 days	-	-	4,951	472	5,423
Overdue 180-360 days	-	-	7,542	-	7,542
Overdue more than 360 days	-	-	1,201,069	586	1,201,655
	1,825,335	**153,037**	**1,229,319**	**29,184**	**3,236,875**
Loss allowance	(50,820)	(5,614)	(1,077,944)	(25,732)	(1,160,110)
Carrying amount	**1,774,515**	**147,423**	**151,375**	**3,452**	**2,076,765**
Loans under *Business Auto* Program					
Not overdue	4,406,297	69,223	-	-	4,475,520
Overdue less than 30 days	7,671	-	-	-	7,671
Overdue 30-89 days	-	11,603	-	-	11,603
	4,413,968	**80,826**	**-**	**-**	**4,494,794**
Loss allowance	(220,255)	(12,094)	-	-	(232,349)
Carrying amount	**4,193,713**	**68,732**	**-**	**-**	**4,262,445**

(b) Key assumptions and judgments used in estimation of expected credit losses

(i) Loans to corporate customers

In determining the allowance for expected credit losses on loans to corporate customers, management makes the following key assumptions:

- a discount of between 30% and 60% to the originally appraised value if the property pledged is sold;
- exclusion from collateral value of unstable collaterals;
- a delay of up to 36 months in obtaining proceeds from the foreclosure of collateral;
- PD value for loans for which loss allowance is recognised as 12-month expected credit losses ranges from 0.10% to 16.16%, PD value for not credit-impaired loans for which loss allowance is recognised in full, i.e. during lifetime of the asset, ranges mainly from 27.19% to 50.21%, depending on the borrower’s internal rating;
- LGD value for loans, which are not credit-impaired and credit-impaired assets with gross carrying amount less than 0.2% of equity but not more than 180 million varies from 0% to 76.40%. LGD for credit-impaired financial assets with gross carrying amount exceeding 0.2% of equity, varies from 0% to 100%.

Changes in the above estimates may impact allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, allowance for expected credit losses on loans to corporate customers as at 31 December 2022 would be KZT 3,416,993 thousand lower/higher (31 December 2021: KZT 2,089,906 thousand lower/higher).

(ii) Loans to retail customers and other loans measured on a collective basis

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

- migration rates are constant and can be estimated based on historic loss migration pattern for the past 5-8 years; a 12-month PD for groups of products categorised into Stage 1 in terms of credit quality was 1.11-14.84% (minimum value of 1.11% relates to the “SME” product and maximum value of 14.84% relates to the “UnCL” product (“Uncollateralised consumer loans”)); lifetime PD categorised into Stage 2 in terms of credit quality was 5.67-47.40%, depending on the group of products of homogeneous retail portfolio (minimum value of 5.67% relates to the “Preferential car loans” product and maximum value of 47.40% relates to the “UnCL” product (“Uncollateralised consumer loans”));
- recovery rates for uncollateralised loans are estimated based on historical cash recovery rates for the past 5-8 years; LGD for products of homogeneous portfolio categorised into Stages 1 and 2 was 27.81% for the “CAR” product (“car loans”) and up to 68.52% for the “POS” product (Uncollateralised consumer loans); Recovery rate for products of homogeneous portfolio categorised into Stage 3 varied from 2.0% for the “Business POS” product to 100% for the “Uncollateralised consumer loans” product;
- a delay of up to 24 months in obtaining proceeds from the sale of foreclosed collateral;
- there are no significant legal impediments for foreclosure of cars pledged as collateral that could extend realisation period beyond expected time;
- the cars will either be foreclosed without significant damages or the damages will be reimbursed by insurance companies and the sales will be made at market prices prevailing at the reporting date less reasonable handling expenses and liquidity discounts.

Changes in the above estimates may impact allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, allowance for expected credit losses on loans to retail customers as at 31 December 2022 would be KZT 21,636,540 thousand lower/higher (31 December 2021: KZT 12,939,142 thousand lower/higher).

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, by types of collateral:

(c) Analysis of collateral

(i) Loans to corporate customers

31 December 2022 KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral - for collateral assessed as of reporting date**	**Fair value of collateral - for collateral assessed as at loan inception date**	**Fair value of collateral not determined**
Loans measured at amortised cost				
Loans not credit-impaired				
Vehicles	92,651,781	92,576,976	74,805	-
Real estate	72,300,453	58,590,075	13,710,378	-
Corporate guarantees (unrated) and guarantees of individuals	37,313,048	-	-	37,313,048
Insurance	27,068,283	-	-	27,068,283
Cash and deposits	14,675,146	14,675,146	-	-
Corporate guarantees (issued by legal entities with government participation or having high rating)	9,472,098	-	-	9,472,098
Goods in turnover	9,152,335	9,152,335	-	-
Equipment	3,612,133	3,612,133	-	-
Construction-in-progress	1,326,604	-	1,326,604	-
Mineral rights	640,468	640,468	-	-
Other collateral	1,110,447	1,110,447	-	-
No collateral and other credit enhancements	60,766,145	-	-	60,766,145
Total loans not credit-impaired	**330,088,941**	**180,357,580**	**15,111,787**	**134,619,574**
Credit-impaired loans				
Real estate	9,815,990	6,740,472	3,075,518	-
Insurance	958,067	-	-	958,067
Corporate guarantees (issued by legal entities with government participation or having high rating)	238,758	-	-	238,758
Equipment	131,287	68,422	62,865	-
Corporate guarantees (unrated) and guarantees of individuals	75,706	-	-	75,706
Cash and deposits	4,339	4,339	-	-
No collateral and other credit enhancements	386,194	-	-	386,194
Total credit-impaired loans	**11,610,341**	**6,813,233**	**3,138,383**	**1,658,725**
Total loans to corporate customers measured at amortised cost	**341,699,282**	**187,170,813**	**18,250,170**	**136,278,299**

The tables above exclude overcollateralisation.

31 December 2021 KZT’000	**Carrying amount of loans to customers**	**Fair value of collateral - for collateral assessed as of reporting date**	**Fair value of collateral - for collateral assessed as at loan inception date**	**Fair value of collateral not determined**
Loans measured at amortised cost				
Loans not credit-impaired				
Vehicles	58,513,081	58,462,353	50,728	-
Corporate guarantees (unrated) and guarantees of individuals	30,936,126	-	-	30,936,126
Real estate	21,901,698	17,818,481	4,083,217	-
Insurance	10,121,776	-	-	10,121,776
Cash and deposits	8,107,814	8,107,814	-	-
Equipment	2,602,004	2,602,004	-	-
Corporate guarantees (issued by legal entities with government participation or having high rating)	2,720,631	-	-	2,720,631
Goods in turnover	1,676,383	1,676,383	-	-
Mineral rights	287,142	287,142	-	-
Property/money in the future	17,692	17,692	-	-
Other collateral	1,526,701	1,526,701	-	-
No collateral and other credit enhancements	31,980,203	-	-	31,980,203
Total loans not credit-impaired	**170,391,251**	**90,498,570**	**4,133,945**	**75,758,736**
Credit-impaired loans				
Real estate	38,389,412	38,389,412	-	-
Equipment	115,068	115,068	-	-
Cash and deposits	43,606	43,606	-	-
Corporate guarantees (issued by legal entities with government participation or having high rating)	37,250	-	-	37,250
Corporate guarantees (unrated) and guarantees of individuals	12,387	-	-	12,387
Vehicles	621	621	-	-
No collateral and other credit enhancements	1,000	-	-	1,000
Total credit-impaired loans	**38,599,344**	**38,548,707**	**-**	**50,637**
Total loans to corporate customers measured at amortised cost	**208,990,595**	**129,047,277**	**4,133,945**	**75,809,373**

The tables above exclude overcollateralisation.

The key assumptions with respect to Stage 3 impaired loans is the valuation of underlying real estate collateral. This is valued at the reporting date, by using a combination of income approach and comparative sales method. The Bank engages third-party appraisers to value more significant and specialised items of collateral.

The Bank also has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which the fair value of collateral was not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on the valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties and collateral received from individuals, such as shareholders of small- and medium-sized borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

The recoverability of loans to corporate customers which are neither past due nor impaired primarily depends on the creditworthiness of borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral as at each reporting date.

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. Small business loans are secured by real estate and movable property. Auto loans are secured by the underlying cars. Cash loans are collateralised by cash. Uncollateralised consumer loans are not secured.

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 458,545 thousand (31 December 2021: KZT 576,478 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 64,117 thousand (31 December 2021: KZT 82,501 thousand).

Management believes that fair value of collateral for mortgage loans with a net carrying amount of KZT 5,930,078 thousand (31 December 2021: KZT 7,112,034 thousand), is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral for individual loans once every half year in case there are indications of impairment.

The fair value of collateral for mortgage loans with a net carrying amount of KZT 842,800 thousand (31 December 2021: KZT 1,690,793 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Loans for individual entrepreneurship

Included in loans for individual entrepreneurship are loans with a net carrying amount of KZT 538,573 thousand (31 December 2021: KZT 381,119 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 5,000 thousand (31 December 2021: KZT 0.00).

Management believes that the fair value of collateral for loans for individual entrepreneurship with a net carrying amount of KZT 2,384,126 thousand (31 December 2021: KZT 1,695,646 thousand) is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral for individual loans once every half year in case there are indications of impairment.

The fair value of collateral for loans for individual entrepreneurship with a net carrying amount of KZT 864,585 thousand (31 December 2021: KZT 40,252 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Non-programme loans issued on individual terms

Included in non-programme loans on individual terms are loans with a net carrying amount of KZT 0.00 (31 December 2021: KZT 1,650 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 0.00 (31 December 2021: KZT 440 thousand).

Management believes that the fair value of collateral for non-programme loans on individual terms with a net carrying amount of KZT 8,239,366 thousand (31 December 2021: KZT 5,008,606 thousand) is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral for individual loans once every half year in case there are indications of impairment.

The fair value of collateral for non-programme loans on individual terms with a net carrying amount of KZT 1,150,689 thousand (31 December 2021: KZT 260,525 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Car loans

Included in car loan portfolio are loans with a net carrying amount of KZT 17,502,792 thousand (31 December 2021: KZT 2,692,508 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 11,833,710 thousand (31 December 2021: KZT 244,524 thousand).

Management believes that fair value of collateral for car loans with a net carrying amount of KZT 299,575,842 thousand (31 December 2021: KZT 175,681,622 thousand) is at least equal to the carrying amount of individual loans at the reporting date.

(d) Industry and geographical analysis of the loan portfolio

Loans were issued primarily to customers located within the Republic of Kazakhstan who operate in the following economic sectors:

	31 December 2022 KZT'000	31 December 2021 KZT'000
Loans to customers at amortised cost		
Machinery manufacturing	77,670,246	55,918,298
Wholesale trade	67,383,076	38,746,276
Retail trade	54,329,446	34,162,571
Construction	41,001,882	56,726,589
Financial intermediation	28,460,578	17,080,261
Services	27,284,840	19,530,790
Food production	27,109,338	15,279,496
Real estate	16,346,009	4,884,449
Industrial manufacturing	13,163,502	5,508,174
Acquisition and management of doubtful and bad assets	13,026,967	14,569,603
Transport	12,389,856	829,069
Textile manufacturing	9,205,855	9,713,407
Agriculture, forestry, and timber industry	4,732,004	6,764,147
Mining and metals industry	4,327,206	2,304,695
Health care and social services	4,263,413	328,349
Lease, rental, and leasing	1,478,809	351,724
Electric power generation and supply	30,122	30,122
Other	2,527,531	475,224
Loans to retail customers at amortised cost		
Unsecured consumer loans	473,500,800	299,436,789
Car loans	331,829,331	188,681,361
Mortgage loans	7,483,490	8,877,471
Non-programme loans issued on individual terms	9,630,087	6,565,039
Loans for individual entrepreneurship	3,943,175	3,236,875
Loans under Business Auto Programme	4,291,795	4,494,794
	1,235,409,358	**794,495,573**
Allowance for expected credit losses	(172,492,063)	(154,200,252)
Total loans to corporate customers at amortised cost	**1,062,917,295**	**640,295,321**

As at 31 December 2022, the Bank has 2 borrowers or groups of related borrowers (31 December 2021: 5), whose loan balances exceed 10% of equity. The gross value of these balances (before allowance for expected credit losses) as at 31 December 2022 is KZT 110,529,406 thousand (31 December 2021: KZT 145,646,972 thousand).

(e) Loan maturities

Maturities of the Bank's loan portfolio as at the reporting date is presented in Note 29 (d), which shows the remaining period from the reporting date to the contractual maturities of the loans.

(f) Transfer of financial assets

In 2022, as part of its participation in the state mortgage programmes '7-20-25' and Market Mortgage Product ("Baspana Hit") the Bank transferred to Kazakhstan Sustainability Fund JSC the mortgage loans for a total of KZT 181,565 thousand (2021: KZT 1,282,955 thousand). The Bank determined that it has not transferred risks and rewards to the buyer of the assets and therefore, retains control and continues recognising loans in its unconsolidated statement of financial position. The liability from continuing involvement in the asset is included in 'other liabilities' and amounts to KZT 3,192,377 thousand (2021: KZT 3,619,095 thousand).

During 2022 and 2021, the Bank did not sell other consumer loans to third parties.

In December 2013 and in June 2014, the Bank sold to another third party a portfolio of mortgage loans with a carrying value of KZT 3,820,407 thousand for KZT 3,969,928 thousand and provided an option to the buyer to purchase individual loans back or exchange them for other individual loans if loans become delinquent for more than sixty days. The amount that will be repurchased or exchanged is limited to 20% of transferred financial assets at the date of sale. The net gain recognised in the unconsolidated statement of profit or loss and other comprehensive at the date of transfer was KZT 149,521 thousand. The Bank has determined that it has transferred some but not substantially all of the risks and rewards to the transferee; as such, the Bank retains control and continues to recognise the loans to the extent of its continuing involvement in those mortgage loans.

As at 31 December 2022, the Bank's continuing involvement in the transferred portfolio is recorded in the unconsolidated statement of financial position in other assets (Note 19) in the amount of KZT 17,709 thousand (31 December 2021: KZT 18,048 thousand) and the corresponding liability on continuing involvement of KZT 13,147 thousand is included in other liabilities (31 December 2021: KZT 16,911 thousand) (Note 25).

(g) Loans issued under the Government programmes

During 2022, the Bank provided financing to 660 borrowers from the funds of DBK JSC totalling KZT 7,229,155 thousand; to 40 borrowers from the funds of DAMU JSC totalling KZT 7,227,319 thousand, and to 4,284 borrowers from the funds of Industrial Development Fund JSC ("IDF JSC") totalling KZT 34,674,744 thousand (2021: DBK JSC– funding to 147 borrowers totalling KZT 1,896,096 thousand, DAMU JSC – funding to 164 borrowers totalling KZT 9,564,713 thousand, and KSF JSC – funding to 2 borrowers totalling KZT 5,971,242 thousand). These amounts of financing include funds utilised within the open credit facility limits, including those on a revolving basis.

As at 31 December 2022, the balance of principal debt and interest on loans financed using the funds provided under the state programmes amounted to KZT 55,297,016 thousand (31 December 2021: KZT 28,752,071 thousand).

(h) Acquisition of a car loan portfolio

In March 2022, the Bank acquired from Subsidiary VTB Bank JSC (Kazakhstan) the rights of claim under loan contracts for the preferential car loans product, which were signed previously to buy domestically manufactured cars as part of the state programmes intended to support the processing industries in Kazakhstan. The market value of the acquired rights of claim amounted to KZT 11,032,496 thousand. At the same time, the Bank assumed liabilities under loan contracts concluded between VTB and Development Bank of Kazakhstan JSC (Note 24).

16 Investments at amortised cost

	31 December 2022 KZT'000	31 December 2021 KZT'000
Held by the Bank		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	126,361,185	51,344,422
The NBRK discount notes	-	54,779,698
The US Treasury bills	74,223,193	-
Bonds of Eurasian Development Bank	-	12,825,999
Bonds of Development Bank of Kazakhstan	-	14,287,973
Corporate bonds rated from BBB- to BBB+	-	37,128,796
Corporate bonds - not rated	25,734,558	-
	226,318,936	**170,366,888**
Pledged against other borrowed funds		
Bonds of Development Bank of Kazakhstan (Note 24)	4,763,500	-
Corporate bonds rated from BBB- to BBB+ (Note 24)	4,627,915	-
	9,391,415	**-**
	235,710,351	**170,366,888**
Allowance for expected credit losses	(10,798,140)	(75,947)
Investments at amortised cost	**224,912,211**	**170,290,941**

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

As at 31 December 2022, financial assets measured at amortised cost, included in 'not rated' category, with the gross carrying amount of KZT 25,734,558 thousand comprise bonds of Russian issuers, and their net carrying amount is KZT 14,950,773 thousand. The current credit risk related to Russian issuers as assessed by the Bank to estimate allowance for expected credit losses at 31 December 2022 is "CCC", other than the credit ratings of those issuers whose bonds were defaulted and the carrying amount of these bonds at 31 December 2022 is KZT 1,617,142 thousand (prior to the credit ratings have been withdrawn, the credit ratings of the issuers of bonds with the carrying amount of KZT 12,410,617 thousand ranged from "BBB-" to "BBB", and the credit rating of the issuers of bonds with the carrying amount of KZT 2,540,156 thousand was "BB") (31 December 2021: none).

As at 31 December 2022, investments measured at amortised cost, with a net carrying amount of KZT 209,975,791 thousand are classified into Stage 1 of the credit risk grading; investments measured at amortised cost, with a net carrying amount of KZT 13,319,278 thousand are classified into Stage 2 of the credit risk grading, and investments measured at amortised cost, with a net carrying amount of KZT 1,617,142 thousand are classified into Stage 3 of the credit risk grading (31 December 2021: all investments measured at amortised cost are classified into Stage 1 of the credit risk grading).

PDs for securities for which loss allowance is measured at an amount equal to 12-month expected credit losses (ECL) were 0.21-5.00%, and for securities that are not credit impaired and for which loss allowance is measured in full, *that is* at an amount equal to lifetime ECL, were 7.42-19.90%. LGDs for securities, depending on the industry of issuers, ranged from 56% to 74.70%. External benchmark information used to estimate PDs and LGDs is obtained from the studies published by the international rating agency Moody's.

The following tables show reconciliations from the opening to the closing balances of the allowance for expected credit losses by investments measured at amortised cost:

	For the year ended 31 December 2022			
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	**75,947**	**-**	**-**	**75,947**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(36,924)	36,924	-	-
Transfer to Stage 3	(5,936)	-	5,936	-
Net remeasurement of loss allowance	(20,381)	5,067,050	5,712,206	10,758,875
Effect of foreign currency translation differences	1,647	45,609	(83,938)	(36,682)
Balance at 31 December 2022	**14,353**	**5,149,583**	**5,634,204**	**10,798,140**

	For the year ended 31 December 2021			
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	**27,672**	**-**	**-**	**27,672**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	47,069	-	-	47,069
Effect of foreign currency translation differences	1,206	-	-	1,206
Balance at 31 December 2021	**75,947**	**-**	**-**	**75,947**

17 Investments in subsidiaries

As at 31 December 2022, the Bank has two subsidiaries, which are accounted for at cost (31 December 2021: two subsidiaries).

Name	**Country of incorpora-tion**	**Activity**	**31 December 2022 Ownership interest, %**	**31 December 2022 Carrying amount KZT'000**	**31 December 2021 Ownership interest, %**	**31 December 2021 Carrying amount KZT'000**
Eurasian Project 1 LLP, Almaty	The Republic of Kazakhstan	Acquisition and management of doubtful and bad assets	100.00	1,499,170	100.00	1,499,170
Eurasian Project 2 LLP, Almaty	The Republic of Kazakhstan	Acquisition and management of doubtful and bad assets	100.00	37,000	100.00	37,000
				1,536,170		**1,536,170**
Impairment allowance				(1,536,170)		(1,536,170)
				-		-

On 21 August 2017, the Bank's subsidiaries Eurasian Project 1 LLP and Eurasian Project 2 LLP were registered. The principal activity of these entities is acquisition and management of doubtful and bad assets of the Bank.

During 2022 and 2021, there were no changes in the book value of investments in subsidiaries (net of recognized impairment).

18 Property and equipment, intangible assets, and right-of-use assets

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademarks	Software and other intangible assets	Total
Cost									
Balance at 1 January 2022	11,725,907	16,065,708	609,800	878,902	2,128	787,794	1,075,716	19,159,548	50,305,503
Additions	-	1,348,939	330,364	218,034	-	-	-	1,500,425	3,397,762
Disposals	(4,650)	(977,280)	(31,796)	(39,388)	(30)	(2,326)	-	(23,217)	(1,078,687)
Balance at 31 December 2022	**11,721,257**	**16,437,367**	**908,368**	**1,057,548**	**2,098**	**785,468**	**1,075,716**	**20,636,756**	**52,624,578**
Depreciation and amortisation									
Balance at 1 January 2022	(2,568,885)	(11,960,086)	(509,421)	(668,507)	-	(786,862)	(1,075,716)	(12,447,293)	(30,016,770)
Depreciation and amortisation for the year	(148,671)	(1,238,055)	(35,555)	(68,620)	-	(589)	-	(1,418,040)	(2,909,530)
Disposals	4,651	975,525	31,796	38,492	-	2,325	-	23,084	1,075,873
Balance at 31 December 2022	**(2,712,905)**	**(12,222,616)**	**(513,180)**	**(698,635)**	**-**	**(785,126)**	**(1,075,716)**	**(13,842,249)**	**(31,850,427)**
Carrying amounts									
At 31 December 2022	**9,008,352**	**4,214,751**	**395,188**	**358,913**	**2,098**	**342**	**-**	**6,794,507**	**20,774,151**

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademarks	Software and other intangible assets	Total
Cost									
Balance at 1 January 2021	11,830,093	16,374,272	554,657	856,184	2,098	787,305	1,075,716	18,347,514	49,827,839
Additions	-	1,734,481	100,885	46,452	30	489	-	1,216,259	3,098,596
Disposals	(104,186)	(2,043,045)	(45,742)	(23,734)	-	-	-	(404,225)	(2,620,932)
Balance at 31 December 2021	**11,725,907**	**16,065,708**	**609,800**	**878,902**	**2,128**	**787,794**	**1,075,716**	**19,159,548**	**50,305,503**
Depreciation and amortisation									
Balance at 1 January 2021	(2,426,780)	(12,879,037)	(537,106)	(623,119)	-	(784,934)	(937,984)	(11,551,463)	(29,740,423)
Depreciation and amortisation for the year	(149,022)	(1,110,304)	(18,057)	(68,265)	-	(1,928)	(137,732)	(1,300,010)	(2,785,318)
Disposals	6,917	2,029,255	45,742	22,877	-	-	-	404,180	2,508,971
Balance at 31 December 2021	**(2,568,885)**	**(11,960,086)**	**(509,421)**	**(668,507)**	**-**	**(786,862)**	**(1,075,716)**	**(12,447,293)**	**(30,016,770)**
Carrying amounts									
At 31 December 2021	**9,157,022**	**4,105,622**	**100,379**	**210,395**	**2,128**	**932**	**-**	**6,712,255**	**20,288,733**

Capitalised costs related to the acquisition or construction of property and equipment during 2022 and 2021 were nil.

	2022 KZT'000	2021 KZT'000
Right-of-use assets		
Cost		
Balance at 1 January	**4,747,004**	**4,206,698**
Additions	1,815,801	1,033,794
Disposals	(1,715,528)	(493,488)
Balance at 31 December	**4,847,277**	**4,747,004**
Depreciation and amortisation		
Balance at 1 January	**(2,589,999)**	**(1,763,262)**
Depreciation and amortisation for the year	(1,304,167)	(1,320,225)
Disposals	1,715,528	493,488
Balance at 31 December	**(2,178,638)**	**(2,589,999)**
Carrying amounts	**2,668,639**	**2,157,005**

19 Other assets

	31 December 2022 KZT'000	31 December 2021 KZT'000
Debtors under lending commitments	3,566,895	2,640,332
Settlement of securities transactions	1,419,483	-
Fee and commission income accrued	1,324,527	765,772
Debtors on letters of credit and guarantees	1,195,370	1,115,462
Plastic cards settlements	740,369	12,845,184
Asset from continuing involvement in transferred assets (Note 15(f))	17,709	18,048
Coverage provided under the financial guarantee contract	-	7,164,330
Other	3,257,418	2,465,327
Allowance for expected credit losses	(4,092,398)	(3,306,774)
Total other financial assets	**7,429,373**	**23,707,681**
Prepayments	1,437,823	1,153,319
Non-current assets held for sale	1,467,730	1,868,378
Taxes prepaid other than income tax	499,447	368,874
Advances for capital expenditures	994,571	526,459
Raw materials and supplies	402,541	292,480
Precious metals	116,421	93,688
Total other non-financial assets	**4,918,533**	**4,303,198**
Total other assets	**12,347,906**	**28,010,879**

An asset from continuing involvement in transferred assets of KZT 17,709 thousand (31 December 2021: KZT 18,048 thousand) originated as a result of the sale of loans to a mortgage company in June 2014 and December 2013 (Note 15).

Analysis of movements in the allowance for expected credit losses

Movements in allowance for expected credit losses for the years ended 31 December 2022 and 31 December 2021 are as follows:

	2022 KZT'000	2021 KZT'000
Balance at the beginning of the year	3,306,774	3,159,096
Net charge/(recovery) of allowance for expected credit losses	954,168	(2,516,063)
Write-off of bad debts	(803,965)	(169,536)
Recovery of assets previously written off	640,537	2,830,915
Effect of movements in exchange rates	(5,116)	2,362
Balance at the end of the year	**4,092,398**	**3,306,774**

As at 31 December 2022, included in other assets are overdue receivables of KZT 1,186,326 thousand (31 December 2021: KZT 1,168,858 thousand) of which the receivables of KZT 17,939 thousand are overdue for more than 90 days but less than one year (31 December 2021: KZT 10,093 thousand) and of KZT 1,153,678 thousand are overdue for more than one year (31 December 2021: KZT 1,151,739 thousand).

20 Deposits and balances from banks

	31 December 2022 KZT'000	31 December 2021 KZT'000
Term deposits	693,975	-
Vostro accounts	21,357,506	566,311
	22,051,481	**566,311**

21 Current accounts and deposits from customers

	31 December 2022 KZT'000	31 December 2021 KZT'000
Current accounts and demand deposits		
- Retail	269,356,363	94,532,593
- Corporate	540,423,714	139,020,421
Term deposits		
- Retail	605,084,126	397,590,199
- Corporate	516,630,605	505,601,765
	1,931,494,808	**1,136,744,978**

As at 31 December 2022, the current accounts and deposits from the Bank's customers of KZT 25,769,103 thousand (31 December 2021: KZT 15,780,259 thousand) serve as collateral for loans and unrecognised credit instruments granted by the Bank.

As at 31 December 2022, the Bank has 18 customers (31 December 2021:13 customers) whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KZT 719,131,105 thousand (31 December 2021: KZT 417,078,636 thousand).

As at 31 December 2022, current accounts and demand deposits from retail customers of KZT 16,582,178 thousand (31 December 2021: KZT 10,860,628 thousand) are prepayments for loans. Prepayments for loans comprise payments made by retail borrowers ahead of schedule. These payments are settled against the loan balance at the date the instalments fall due.

22 Debt securities issued

	31 December 2022 KZT'000	31 December 2021 KZT'000
Nominal value	16,058,713	16,058,713
Discount	(66,485)	(161,438)
Accrued interest	674,916	564,882
	16,667,144	**16,462,157**

A summary of bond issues as at 31 December 2022 and 2021 is as follows:

					Carrying amount	
	The first issue registration date	**Maturity date**	**Coupon rate**	**Effective interest rate**	**31 December 2022 KZT'000**	**31 December 2021 KZT'000**
Bonds of the fifth issue	24-Oct-08	01-Sep-23	Inflation rate +1%*	14.48%	8,389,345	8,180,566
Bonds of the eighteenth issue	15-Aug-19	15-Aug-26	10.95%	10.91%	8,277,799	8,281,591
					16,667,144	**16,462,157**

**The maximum coupon rate provided for by the prospectus is 13% per annum.*

In 2022, the Bank placed no bonds. In December 2021, the Bank placed the unsecured coupon bonds with a total nominal value of KZT 5,939,823 thousand, maturing in August 2026 and bearing a fixed interest rate of 10.95% p.a., as part of a state programme aimed at financing the priority sectors of the economy. Proceeds from placement of the bonds are used exclusively for granting loans to private business entities operating in the processing industry and service sector, in accordance with the terms approved by the Decree of the Government of the Republic of Kazakhstan No. 820 dated 11 December 2018 “On Certain Issues of Long-Term Tenge Liquidity to Address Affordable Lending”.

23 Subordinated debt securities issued

	31 December 2022 KZT’000	31 December 2021 KZT’000
Nominal value	167,469,550	167,469,550
Discount	(94,495,634)	(98,759,623)
Accrued interest	1,711,598	1,599,289
	74,685,514	**70,309,216**

As at 31 December 2022 and 31 December 2021, subordinated debt securities issued comprise unsecured obligations of the Bank. In case of bankruptcy, the subordinated debt securities is repaid once all other liabilities of the Bank are repaid in full.

A summary of the subordinated debt securities issues at 31 December 2022 and 2021 is as follows:

					Carrying amount	
	The first issue registration date	**Maturity date**	**Coupon rate**	**Effective interest rate**	**31 December 2022 KZT’000**	**31 December 2021 KZT’000**
Bonds of the seventeenth issue	18-Oct-17	18-Oct-32	4.00%	18.00%	57,430,033	53,920,089
Bonds of the eighth issue	21-Aug-09	15-Oct-23	Inflation rate +1%*	14.00%	14,766,031	13,994,320
Bonds of the thirteenth issue	25-Aug-16	10-Jan-24	9.00%	13.81%	2,489,450	2,394,807
					74,685,514	**70,309,216**

*The maximum coupon rate provided for by the prospectus is 13% per annum.

Embedded derivatives represented by inflation-indexed coupon payments are considered to be closely related to the host debt instruments as the inflation index is commonly used for this purpose in the KZT economic environment and it is not leveraged.

Participation in the Programme of Strengthening Financial Stability of Banking Sector in the Republic of Kazakhstan

By the Resolution of the NBRK No.183 dated 27 September 2017, the Bank was approved to participate in the Programme of Strengthening Financial Stability of the Banking Sector in the Republic of Kazakhstan (the “Programme”).

In accordance with the terms of the Programme, the Bank received cash from the NBRK subsidiary – Kazakhstan Sustainability Fund JSC – by means of issue of registered coupon subordinated bonds of the Bank (the “Bonds”) convertible into the Bank’s ordinary shares on the terms provided for in the Issue Prospectus.

The Bank is subject to restrictions (covenants) on its activities valid for 5 years from the Bonds’ issue date, breach of any of which will result in the Bonds’ holders exercising their rights for Bonds to be converted to the Bank’s ordinary shares:

– the Bank undertakes to comply with capital adequacy ratios set by the authorised body for the second-tier banks of the Republic of Kazakhstan;

– the Bank undertakes not to commit action intended to withdraw the Bank’s assets; at that, summary of activities to be considered the withdrawal of assets is set out in the Bond Issue Prospectus.

As part of its participation in the Programme, on 18 October 2017, the Bank placed Bonds at Kazakhstan Stock Exchange JSC for a total of KZT 150,000,000 thousand; Bonds bear a coupon rate of 4.00 % p.a. and mature in 15 years. The result of discounting Bonds using a market interest rate of 18.00%, which was recognised within income in the unconsolidated statement of profit or loss and other comprehensive income on initial recognition of Bonds, amounted to KZT 106,961,607 thousand.

24 Other borrowed funds

	31 December 2022 KZT'000	31 December 2021 KZT'000
Loans from government financial institutions	69,855,654	25,636,285
Loans from the Ministry of Finance of the Republic of Kazakhstan	202,724	393,287
	70,058,378	**26,029,572**

As at 31 December 2022, the terms and conditions and schedule of repayment of the borrowed finds are as follows:

	Currency	Average interest rate	Year of maturity	Carrying amount KZT'000
Industrial Development Fund JSC	KZT	1.00%	2052	35,182,329
Damu Entrepreneurship Development Fund JSC	KZT	1.00-8.50%	2024-2035	10,691,684
Development Bank of Kazakhstan JSC	KZT	1.00-2.00%	2029-2037	23,981,641
The Ministry of Finance of the Republic of Kazakhstan	KZT	The NBRK refinancing rate	2023	102,118
The Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2023	100,606
				70,058,378

As at 31 December 2021, the terms and conditions and schedule of repayment of the borrowed finds are as follows:

	Currency	Average interest rate	Year of maturity	Carrying amount KZT'000
Damu Entrepreneurship Development Fund JSC	KZT	1.00-8.50%	2022-2035	12,898,069
Development Bank of Kazakhstan JSC	KZT	1.00-2.00%	2034-2037	12,738,216
The Ministry of Finance of the Republic of Kazakhstan	KZT	The NBRK refinancing rate	2023	202,927
The Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2023	190,360
				26,029,572

During 2022, the Bank received a loan of KZT 35,000,000 thousand from Industrial Development Fund JSC (the "IDF JSC"), which bears an interest rate of 1% p.a. and matures on 30 April 2052. Borrowings were provided to the Bank for the latter to lend money to individual end-users, the buyers of domestically manufactured cars, at an annual interest rate of 4% p.a. and with a maturity of up to 7 years. The Bank provided collateral on this loan in the form of corporate bonds with credit ratings from BBB- to BBB+, for a total of KZT 2,962,747 thousand and with credit ratings from BB- to BB+ for a total of KZT 3,146,018 thousand, recognised in 'financial assets at fair value through other comprehensive income' (Note 13) and bonds for a total of KZT 9,391,415 thousand, recognised in 'investments at amortised cost' (Note 16).

During 2022, the Bank assumed liabilities of Subsidiary VTB Bank JSC (Kazakhstan) to Development Bank of Kazakhstan JSC for a total of KZT 11,500,000 thousand, at an interest rate of 1% p.a. and with maturities in 2029-2037, in exchange of a car loan portfolio for an equivalent amount, as part of the state programme for granting car loans on preferential terms (Note 15). As at 31 December 2022, the carrying amount of the liabilities to DBK JSC assumed, amounted to KZT 11,520,361 thousand. The Bank also provided collateral on these liabilities in the form of corporate bonds with credit ratings from BBB- to BBB+, recognised in 'financial assets at fair value through other comprehensive income' for a total of KZT 4,876,947 thousand (Note 13).

Other borrowings were received from DAMU Entrepreneurship Development Fund JSC ("EDF DAMU JSC") and Development Bank of Kazakhstan JSC ("DBK JSC") under the Government programme to provide financing to large corporates, and small- and medium-size enterprises (SMB) operating in certain industries. Under the loan agreements with EDF DAMU JSC and DBK JSC, the Bank is responsible to extend loans to large corporates and SME borrowers, eligible to participate in the above programme, at an interest rate of 6.00% p.a. and with maturities of up to 10 years.

Management of the Bank believes that due to their specific nature, loans from IDF JSC, EDF DAMU JSC and DBK JSC represent a separate segment of lending market, whereby financing is provided by the state companies to support entities operating in certain industries. As a result, loans from IDF JSC, EDF DAMU JSC and DBK JSC were received in the 'arm's length' transactions and, as such, the amount received under loan contracts represents the fair value of the loans on initial recognition.

The Bank is liable for compliance with covenants of loan agreements stated above. The Bank has complied with all covenants as at 31 December 2022 and 2021.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities				
KZT'000	**Other borrowed funds**	**Subordinated debt securities issued**	**Debt securities issued**	**Lease liabilities**	**Total**
Balance at 1 January 2022	**26,029,572**	**70,309,216**	**16,462,157**	**2,562,741**	**115,363,686**
Changes from financing cash flows					
Proceeds from other borrowings from IDF JSC	35,000,000	-	-	-	35,000,000
Repayment of other borrowed funds	(2,611,181)	-	-	-	(2,611,181)
Payments under lease agreements	-	-	-	(1,242,881)	(1,242,881)
Total changes from financing cash flows	**32,388,819**	**-**	**-**	**(1,242,881)**	**31,145,938**
The effect of changes in foreign exchange rates	9,258	-	-	-	9,258
Other changes					
Interest expense	841,186	12,008,456	1,796,978	314,631	14,961,251
Interest paid	(710,457)	(7,632,158)	(1,591,991)	(274,885)	(10,209,491)
Recognition of lease liabilities	-	-	-	1,815,801	1,815,801
Other non-cash changes					
Liabilities to DBK JSC assumed as a result of the assignment of rights of claim on loans issued (Note 15)	11,500,000	-	-	-	11,500,000
Balance at 31 December 2022	**70,058,378**	**74,685,514**	**16,667,144**	**3,175,407**	**164,586,443**

In 2022, total cash outflow on lease contracts, including operating leases, amounted to KZT 1,672,707 thousand (in 2021: KZT 1,543,516 thousand).

	Liabilities				
KZT'000	**Other borrowed funds**	**Subordinated debt securities issued**	**Debt securities issued**	**Lease liabilities**	**Total**
Balance at 1 January 2021	**27,335,218**	**66,629,479**	**10,147,295**	**2,782,926**	**106,894,918**
Changes from financing cash flows					
Repayment of other borrowed funds	(1,287,009)	-	-	-	(1,287,009)
Proceeds from debt securities issued	-	-	6,160,840	-	6,160,840
Payments under lease agreements	-	-	-	(1,260,347)	(1,260,347)
Total changes from financing cash flows	**(1,287,009)**	**-**	**6,160,840**	**(1,260,347)**	**3,613,484**
The effect of changes in foreign exchange rates	6,630	-	-	-	6,630
Other changes					
Interest expense	731,118	11,117,226	1,022,533	258,852	13,129,729
Interest paid	(756,385)	(7,437,489)	(868,511)	(252,484)	(9,314,869)
Recognition of lease liabilities	-	-	-	1,033,794	1,033,794
Balance at 31 December 2021	**26,029,572**	**70,309,216**	**16,462,157**	**2,562,741**	**115,363,686**

25 Other liabilities

	31 December 2022 KZT'000	**31 December 2021 KZT'000**
Liability from continuing involvement (Note 15 (f))	3,205,524	3,636,006
Payment card settlements	1,769,420	13,782,381
Payables to borrowers under loan transactions	1,725,862	805,301
Accrued administrative expenses	562,634	749,573
Liabilities on electronic money issued	518,760	797,152
Payables to insurance company	373,155	360,790
Capital expenditure payable	3,850	-
Due to depositors of AsiaCredit Bank JSC	30	116,161
Due to depositors of Bank of Astana JSC	-	383,234
Payables related to rights of claim assigned	-	280,012
Due to depositors of Tengri Bank JSC	-	255,715
Due to depositors of Capital Bank JSC	-	155,025
Subsidies payable to Borrowers	-	33,526
Other payables related to banking operations	3,391,282	2,144,691
Settlement of payments and money transfers on behalf of customers	2,435,516	3,099
Other financial liabilities	1,611,745	452,380
Total other financial liabilities	**15,597,778**	**23,955,046**
Payables to employees	4,576,184	3,322,737
Vacation reserve	1,694,289	1,036,313
Deferred income	700,959	585,407
Other taxes payable	370,825	397,379
Loss allowance for contingent liabilities	199,371	171,877
Other non-financial liabilities	81,200	263,121
Total other non-financial liabilities	**7,622,828**	**5,776,834**
Total other liabilities	**23,220,606**	**29,731,880**

26 Share capital

(a) Issued capital and share premium

The authorised share capital of the Bank comprises 2,096,038,900 ordinary shares (31 December 2021: 2,096,038,900 ordinary shares) and 3,000,000 non-redeemable cumulative preference shares (31 December 2021: 3,000,000 preference shares).

During 2022, no shares were issued (in 2021: no shares were issued).

Issued and outstanding share capital as at 31 December comprised fully paid ordinary shares as follows:

	31 December 2022 Number of shares	31 December 2021 Number of shares
Issued at KZT 955.98	8,368,300	8,368,300
Issued at KZT 1,523.90	2,631,500	2,631,500
Issued at KZT 1,092.00	2,930,452	2,930,452
Issued at KZT 6,532.60	7,030,137	7,030,137
Total issued and outstanding shares	**20,960,389**	**20,960,389**

As at 31 December 2022 and 31 December 2021, share capital of the Bank amounted to KZT 61,135,197 thousand.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

(b) Dividends

In accordance with Kazakhstan legislation the Bank’s distributable reserves are limited to the balance of retained earnings as recorded in the Bank’s statutory unconsolidated financial statements prepared in accordance with IFRS or net profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank’s insolvency.

During the year ended 31 December 2022, no dividends were declared or paid (in 2021: no dividends were declared or paid).

(c) Book value per share

Under the listing rules of the Kazakhstan Stock Exchange the Bank should present book value per ordinary share in its unconsolidated financial statements.

The book value per ordinary share is calculated by dividing net assets less intangible assets, by the number of outstanding ordinary shares. As at 31 December 2022, the book value per ordinary share was KZT 9,014.59 (31 December 2021: KZT 5,301.30).

(d) Nature and purpose of reserves

Reserve for general banking risks

Until 2013, in accordance with amendments to the Resolution No. 196 “On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks” issued by the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations (the “FMSA”) dated 31 January 2011 (that became invalid in 2013), the Bank was obligated to establish a reserve capital by transferring an amount from retained earnings to a non-distributable reserve.

From 2013, the Bank’s management have been determining the amount of the reserves on its own. During the annual periods ended 31 December 2022 and 31 December 2021, no transfers to/from general reserve were made by the Bank to cover general banking risks.

27 Earnings per share

The calculation of earnings per share is based on the net consolidated profit and a weighted average number of ordinary shares outstanding during the period. The Bank has no potential diluted ordinary shares.

	2022	2021
Net profit (KZT'000)	83,320,172	13,048,451
Weighted average number of ordinary shares	20,960,389	20,960,389
Basic earnings per share (KZT)	**3,975.13**	**622.53**

28 Segment analysis

The Bank has five reportable segments, as described below, which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker, the Chairman of the Management Board, reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments.

- corporate banking – includes loans, deposits and other transactions with corporate customers;
- retail banking – includes loans, deposits and other transactions with retail customers
- assets and liabilities management – includes maintaining of liquid assets portfolio (cash, nostro accounts with the NBRK and other banks, interbank financing (up to 1 month), investments in various financial instruments and bonds issue management);
- small- and medium-size companies banking - includes loans, deposits and other transactions with small- and medium-size companies;
- treasury – includes Bank financing via interbank borrowings and using derivatives for hedging market risks and investments in liquid securities (corporate bonds).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	31 December 2022 KZT'000	31 December 2021 KZT'000
ASSETS		
Assets and liabilities management	1,256,229,137	674,733,725
Retail banking	706,753,394	432,140,024
Corporate banking	313,865,914	207,523,914
Treasury	372,251	52,244,181
Small- and medium-sized companies banking	47,400,397	22,806,954
Unallocated assets	31,104,736	28,750,898
Total assets	**2,355,725,829**	**1,418,199,696**
LIABILITIES		
Retail banking	911,028,557	481,366,529
Corporate banking	603,104,714	545,876,759
Small- and medium-sized companies banking	467,253,925	129,687,278
Assets and liabilities management	99,890,736	79,056,092
Treasury	14,091,807	2,349,226
Unallocated liabilities	64,611,466	62,045,857
Total liabilities	**2,159,981,205**	**1,300,381,741**

Reconciliation of reportable segment total assets and total liabilities is presented below:

	31 December 2022 KZT'000	31 December 2021 KZT'000
Total assets of reportable segments	2,355,725,829	1,418,199,696
Gross presentation of foreign currency swaps	(372,251)	(6,044,050)
Other adjustments	(518,871)	(169,874)
Total assets	**2,354,834,707**	**1,411,985,772**

	31 December 2022 KZT'000	31 December 2021 KZT'000
Total liabilities for reportable segments	2,159,981,205	1,300,381,741
Gross presentation of foreign currency swaps	(372,251)	(6,044,050)
Other adjustments	(518,080)	(181,432)
Total liabilities	**2,159,090,874**	**1,294,156,259**

Segment information for the main reportable segments for the year ended 31 December 2022 is set out below:

KZT'000	**Corporate banking**	**Small- and medium-sized companies banking**	**Retail banking**	**Treasury**	**Assets and liabilities management**	**Unallocated assets and liabilities**	**Total**
Interest income	32,886,620	4,562,871	135,599,695	658,480	26,567,401	-	200,275,067
Fee and commission income	2,292,703	3,403,109	41,569,779	275,688	-	-	47,541,279
Net gain/(loss) on securities, dealing and translation differences	6,042,161	7,687,480	11,193,686	33,440,013	(3,579,611)	-	54,783,729
Other income/(expenses)	-	-	3,286	44,626	-	(654,984)	(607,072)
Funds transfer pricing	28,330,194	22,850,584	48,501,870	150,044	32,156,596	-	131,989,288
Revenue	**69,551,678**	**38,504,044**	**236,868,316**	**34,568,851**	**55,144,386**	**(654,984)**	**433,982,291**
Interest expense	(18,190,046)	(10,957,603)	(40,556,962)	-	(14,585,062)	-	(84,289,673)
Fee and commission expense	(618,598)	(6,836)	(20,342,863)	(597,996)	(307,793)	(84,775)	(21,958,861)
Reversal of impairment losses/(impairment losses)	25,167	777,535	(25,126,054)	-	(14,703,598)	(87,902)	(39,114,852)
Funds transfer pricing	(27,801,986)	(3,306,266)	(73,597,738)	(715,897)	(26,567,401)	-	(131,989,288)
Operating costs (direct)	(1,544,076)	(1,141,321)	(12,262,407)	(3,194,825)	(46,871)	(13,884,246)	(32,073,746)
Operating costs (indirect)	(1,296,670)	(1,873,491)	(10,653,479)	(496,907)	(7,700)	(3,458,426)	(17,786,673)
Corporate income tax	(3,862,846)	(4,221,885)	(10,427,774)	(5,674,312)	-	-	(24,186,817)
Segment result	**16,262,623**	**17,774,177**	**43,901,039**	**23,888,914**	**(1,074,039)**	**(18,170,333)**	**82,582,381**
Other segment items							
Additions of property and equipment and intangible assets	**-**	**-**	**-**	**-**	**-**	**3,397,732**	**3,397,732**
Depreciation and amortisation	**(17,748)**	**(11,872)**	**(397,335)**	**(2,220)**	**(509)**	**(3,784,013)**	**(4,213,697)**

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

KZT'000	Corporate banking	Small- and medium-sized companies banking	Retail banking	Treasury	Assets and liabilities management	Unallocated assets and liabilities	Total
Interest income	23,310,885	2,155,580	84,189,546	4,175,334	16,720,146	-	130,551,491
Fee and commission income	1,057,700	2,378,547	25,646,369	67,142	-	-	29,149,758
Net gain on securities, dealing and translation differences	2,454,343	885,389	679,638	5,460,754	376,318	-	9,856,442
Other (expenses)/income	(103,841)	-	19,224	6,781	-	(225,633)	(303,469)
Funds transfer pricing	19,364,548	8,766,476	36,539,079	13,403	22,918,083	-	87,601,588
Revenue	**46,083,635**	**14,185,992**	**147,073,856**	**9,723,414**	**40,014,547**	**(225,633)**	**256,855,811**
Interest expense	(12,969,634)	(4,502,593)	(33,684,818)	-	(12,355,907)	-	(63,512,952)
Fee and commission expense	(323,571)	(22,204)	(13,079,550)	(213,712)	(95,931)	(48,215)	(13,783,183)
Impairment losses	(27,902,563)	(153,261)	(6,605,333)	-	(72,624)	(217,575)	(34,951,356)
Funds transfer pricing	(16,474,967)	(1,069,629)	(50,242,754)	(3,150,608)	(16,663,630)	-	(87,601,588)
Operating costs (direct)	(2,290,748)	(1,033,213)	(10,473,812)	(503,234)	(37,503)	(11,933,377)	(26,271,887)
Operating costs (indirect)	(1,025,586)	(1,383,388)	(7,103,487)	(305,597)	(4,133)	(2,540,283)	(12,362,474)
Corporate income tax	-	(705,265)	(3,031,561)	(650,050)	(1,263,124)	-	(5,650,000)
Segment result	**(14,903,434)**	**5,316,439**	**22,852,541**	**4,900,213**	**9,521,695**	**(14,965,083)**	**12,722,371**
Other segment items							
Additions of property and equipment and intangible assets	**-**	**-**	**-**	**-**	**-**	**3,098,596**	**3,098,596**
Depreciation and amortisation	**(9,636)**	**(11,118)**	**(514,318)**	**(1,360)**	**(285)**	**(3,568,826)**	**(4,105,543)**

In 2021, the Bank changed its approach to allocation of operating expenses in the segment reporting and excluded expenses of those business units whose operations are related to performance of the administrative and control functions and fulfilling regulatory and legal requirements, from the allocation by segments.

Reconciliation of reportable segment revenues and profit or loss is as follows:

	2022 KZT'000	2021 KZT'000
Reportable segments revenue	433,982,291	256,855,811
Funds transfer pricing	(131,989,288)	(87,601,588)
Other adjustments	(11,946,415)	(12,905,716)
Total revenue	**290,046,588**	**156,348,507**

	2022 KZT'000	2021 KZT'000
Reportable segments profit	82,582,381	12,722,371
Other adjustments	650,531	10,045
Total profit	**83,232,912**	**12,732,416**

Other adjustments: these adjustments mostly represent netting of other assets and other liabilities, income and expenses. Other adjustments occur due to the fact that the Chairman of the Management Board reviews internal management reports prepared on a gross-up basis whereas for IFRS unconsolidated financial statements purposes netting is made for certain other assets/liabilities included in unallocated assets/liabilities.

Funds transfer pricing: for the purpose of internal management reporting, transfer pricing represents the allocation of income and expense between segments that raise cash resources and to segments that create interest income generating assets using cash resources.

Information about major customers and geographical areas

During the year ended 31 December 2022, the Bank has no large corporate customers revenues from which individually exceed 10% of total revenue (2021: none).

A major part of revenues from external customers relates to transactions with residents of the Republic of Kazakhstan. The majority of non-current assets are located in the Republic of Kazakhstan.

29 Risk management

(a) Risk management policies and procedures

Management of risk is fundamental to the Bank's business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk, liquidity risk and operational risks. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

The Bank established a three-level protection framework:

- primary analysis by initiating departments;
- analysis by controlling departments (risk management, legal, and compliance departments and others);
- reviews and independent assessment of the efficacy of the risk management system operated by the bank.

The Bank performs, on an annual basis, the procedure to identify and assess key risks, based on the results of which the Board of Directors establishes levels of risk appetite that the Group is ready to accept.

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

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing risk management policies and procedures as well as approving significantly large exposures. The Risk and Internal Controls Committee preliminary reviews these matters and seeks consideration and/or approval thereof by the Board of Directors.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within established risk parameters. Risk management executives are responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. Risk management executives report directly to the Chairman and indirectly, through the Risk and Internal Controls Committee, to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees, Market Risk and Liquidity Management Committee (MRLMC). To improve decision-making process, the bank established a hierarchy of credit committees, depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Bank. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Business Units monitor financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgements in their respective areas of expertise.

(b) Market risk

Market risk is a probability that financial losses arise on balance sheet and off-balance sheet items because of unfavourable changes in market situation, which comprise movements in interest rates, foreign exchange rates, market value of financial instruments and goods. Market risk includes currency risk, interest risk and price risk.

The Group manages its market risk (currency risk, interest risk and price risk) at the portfolio level. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market and liquidity risk is vested in MRLMC. MRLMC performs review of the market risk limits based on recommendations of the Risk Management Block and submits it to the Management Board and Board of Directors for approval.

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

In addition, the Bank uses a wide range of stress tests to model the potential financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank’s overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of the interest rate risk by monitoring the interest rate gap, is supplemented by monitoring the sensitivity of the Bank’s net interest margin to various standard and non-standard interest rate scenarios.

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

(i) Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring and forecasting interest rate gaps, reduction in time gaps of interest-bearing assets and liabilities.

A summary of the interest gap position as at 31 December 2022 and 2021 for major interest-bearing financial instruments is as follows:

KZT'000	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2022							
ASSETS							
Cash and cash equivalents	463,851,297	-	-	-	-	443,042,094	906,893,391
Financial instruments at fair value through profit or loss	-	-	-	-	-	500,923	500,923
Financial assets at fair value through other comprehensive income	3,368,986	2,480,046	17,875,186	87,606,803	490,805	-	111,821,826
Deposits and balances with banks	7,728,077	-	-	-	-	4,262,995	11,991,072
Loans to customers	174,365,649	62,099,128	214,302,237	540,586,131	71,564,150	-	1,062,917,295
Investments at amortised cost	29,637,101	24,905,389	13,671,059	156,698,662	-	-	224,912,211
	678,951,110	**89,484,563**	**245,848,482**	**784,891,596**	**72,054,955**	**447,806,012**	**2,319,036,718**
LIABILITIES							
Financial instruments at fair value through profit or loss	-	-	-	-	-	89,853	89,853
Deposits and balances from banks	-	-	-	-	-	22,051,481	22,051,481
Current accounts and deposits from customers	394,799,197	247,516,928	574,998,278	125,456,079	29,489,002	559,235,324	1,931,494,808
Debt securities issued	326,030	-	8,389,344	7,951,770	-	-	16,667,144
Subordinated debt securities issued	106,038	-	15,966,031	2,383,412	56,230,033	-	74,685,514
Other borrowed funds	529,052	437,864	410,093	3,715,569	64,965,800	-	70,058,378
Lease liabilities	35,046	13,747	224,457	2,876,626	25,531	-	3,175,407
	395,795,363	**247,968,539**	**599,988,203**	**142,383,456**	**150,710,366**	**581,376,658**	**2,118,222,585**
	283,155,747	**(158,483,976)**	**(354,139,721)**	**642,508,140**	**(78,655,411)**	**(133,570,646)**	**200,814,133**

KZT'000	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2021							
ASSETS							
Cash and cash equivalents	240,765,774	-	-	-	-	178,873,450	419,639,224
Financial instruments at fair value through profit or loss	-	-	-	-	-	18,900	18,900
Financial assets at fair value through other comprehensive income	15,539,215	2,088,023	8,403,720	75,982,944	21,986,114	-	124,000,016
Deposits and balances with banks	4,203,389	649,493	-	-	-	2,081,871	6,934,753
Loans to customers	120,142,216	41,279,624	133,291,148	316,346,513	29,235,820	-	640,295,321
Investments at amortised cost	37,794,301	34,089,656	39,573,121	58,833,863	-	-	170,290,941
	418,444,895	**78,106,796**	**181,267,989**	**451,163,320**	**51,221,934**	**180,974,221**	**1,361,179,155**
LIABILITIES							
Financial instruments at fair value through profit or loss	-	-	-	-	-	1,871	1,871
Deposits and balances from banks	-	-	-	-	-	566,311	566,311
Current accounts and deposits from customers	302,007,127	220,865,907	306,154,034	132,809,743	23,704,172	151,203,995	1,136,744,978
Debt securities issued	326,029	-	8,180,566	7,955,562	-	-	16,462,157
Subordinated debt securities issued	106,038	-	15,194,319	2,288,770	52,720,089	-	70,309,216
Other borrowed funds	1,444,687	416,484	660,093	4,087,899	19,420,409	-	26,029,572
Lease liabilities	14,963	33,061	207,671	2,307,046	-	-	2,562,741
	303,898,844	**221,315,452**	**330,396,683**	**149,449,020**	**95,844,670**	**151,772,177**	**1,252,676,846**
	114,546,051	**(143,208,656)**	**(149,128,694)**	**301,714,300**	**(44,622,736)**	**29,202,044**	**108,502,309**

Average effective interest rates

The table below displays average effective interest rates for interest-bearing assets and liabilities as at 31 December 2022 and 2021. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 December 2022 Average effective interest rate, %			**31 December 2021 Average effective interest rate, %**		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest-bearing assets						
Cash and cash equivalents	-	3.46	-	8.83	0.24	1.87
Financial assets at fair value through other comprehensive income	9.93	2.45	1.6	9.76	2.19	1.57
Deposits and balances with banks	-	3.60	-	-	0.34	9.25
Loans to customers	25.35	5.95	13.98	20.53	6.04	11.53
Investments at amortised cost	12.51	3.51	-	9.87	1.76	-
Interest-bearing liabilities						
Current accounts and deposits from customers						
- Corporate	9.56	0.50	0.37	6.28	0.48	1.28
- Retail	11.53	1.14	0.21	8.47	2.22	0.71
Debt securities issued	12.77	-	-	10.47	-	-
Subordinated debt securities issued	17.15	-	-	16.42	-	-
Other borrowed funds						
- Loans from government financial institutions	1.39	-	-	2.64	-	-
- Loans from the Ministry of Finance of the Republic of Kazakhstan	16.00	1.96	-	9.75	1.96	-

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2022 and 2021 is as follows:

	2022		**2021**	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel fall	(481,391)	(481,391)	212,478	212,478
100 bp parallel rise	481,391	481,391	(212,478)	(212,478)

An analysis of the sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets at FVOCI due to changes in the interest rates, based on positions existing as at 31 December 2022 ad 2021 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2022		**2021**	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel fall	-	2,314,111	-	4,858,624
100 bp parallel rise	-	(2,377,554)	-	(4,858,624)

(ii) Currency risk

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

Currency risk is the probability of financial loss to the Group because of changes in foreign currency exchange rates. The Bank hedges its exposure to currency risk. The Bank manages its foreign currency position through the limits established for each currency and net foreign currency position limits.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2022:

KZT'000	**USD**	**EUR**	**RUB**	**Other currencies**	**Total**
ASSETS					
Cash and cash equivalents	655,377,568	117,839,330	26,963,785	59,438,598	859,619,281
Financial assets at fair value through other comprehensive income	45,697,369	1,531,073	-	-	47,228,442
Deposits and balances with banks	7,728,076	-	64,300	-	7,792,376
Loans to customers	59,708,911	5,223,428	19,033,928	-	83,966,267
Investments at amortised cost	170,778,262	-	-	-	170,778,262
Other financial assets	2,216,960	98,526	92,660	21,268	2,429,414
Total assets	**941,507,146**	**124,692,357**	**46,154,673**	**59,459,866**	**1,171,814,042**
LIABILITIES					
Deposits and balances from banks	19,465,861	662,983	1,309,208	728	21,438,780
Current accounts and deposits from customers	864,203,583	122,474,377	28,073,335	58,105,827	1,072,857,122
Other borrowed funds	100,606	-	-	-	100,606
Other financial liabilities	2,198,625	1,199,742	648,113	306,800	4,353,280
Total liabilities	**885,968,675**	**124,337,102**	**30,030,656**	**58,413,355**	**1,098,749,788**
Net position at 31 December 2022	**55,538,471**	**355,255**	**16,124,017**	**1,046,511**	**73,064,254**
The effect of derivative financial instruments held for risk management purposes**	(53,791,164)	(492,860)	(15,168,626)	33,365	(69,419,285)
Net position at 31 December 2022 with the effect of derivative financial instruments	**1,747,307**	**(137,605)**	**955,391**	**1,079,876**	**3,644,969**

*** including spot transactions.*

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

KZT'000	USD	EUR	RUB	Other currencies	Total
ASSETS					
Cash and cash equivalents	288,731,804	14,815,321	8,775,928	2,764,471	315,087,524
Financial assets at fair value through other comprehensive income	36,871,014	2,062,371	-	-	38,933,385
Deposits and balances with banks	4,741,861	-	111,022	-	4,852,883
Loans to customers	40,176,768	3,487,635	4,357,407	-	48,021,810
Investments at amortised cost	94,469,110	-	-	-	94,469,110
Other financial assets	7,220,837	5,347	3,023	-	7,229,207
Total assets	**472,211,394**	**20,370,674**	**13,247,380**	**2,764,471**	**508,593,919**
LIABILITIES					
Deposits and balances from banks	486,597	669	-	823	488,089
Current accounts and deposits from customers	450,605,937	19,234,303	12,209,292	2,587,518	484,637,050
Other borrowed funds	190,360	-	-	-	190,360
Other financial liabilities	13,793,054	705,191	36,977	1,921	14,537,143
Total liabilities	**465,075,948**	**19,940,163**	**12,246,269**	**2,590,262**	**499,852,642**
Net position at 31 December 2021	**7,135,446**	**430,511**	**1,001,111**	**174,209**	**8,741,277**
The effect of derivative financial instruments held for risk management purposes**	(8,204,200)	(63,583)	-	-	(8,267,783)
Net position at 31 December 2021 with the effect of derivative financial instruments	**(1,068,754)**	**366,928**	**1,001,111**	**174,209**	**473,494**

*** including spot transactions.*

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2022 and 2021 would have increased/decreased equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular , interest rates, remain constant.

	2022		**2021**	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
20% appreciation of USD against KZT	279,569	279,569	(171,001)	(171,001)
20% appreciation of EUR against KZT	(22,017)	(22,017)	58,708	58,708
20% appreciation of RUR against KZT	152,863	152,863	160,178	160,178
20% appreciation of other currencies against KZT	172,780	172,780	27,873	27,873

A strengthening of the KZT against the above currencies at 31 December 2022 and 31 December 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Bank takes a long or short position in a financial instrument.

(iv) Value at Risk estimates

The Bank also utilises Value-at-Risk ("VaR") methodology to monitor market risk its currency positions.

VAR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based on a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VAR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential market price movements are determined with reference to market data from at least the most recent 12 months.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets as follows:

- the use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature;
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases, but may not be the case in situations in which there is severe market illiquidity for an extended period;
- the use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate.
- VaR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day;
- the VaR measure is dependent on the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The Bank does not solely rely on its VAR calculations in its market risk measurement due to inherent risk of usage of VAR as described above. The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

A summary of the VaR estimates in respect of foreign currency risk of the Bank at 31 December is as follows:

	31 December 2022 KZT'000	**31 December 2021 KZT'000**
Foreign exchange risk	66,904	46,931

(c) Credit risk management

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation according to the contract terms (contract).

The Bank has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration. The Bank has also established a system of authorised collegial bodies having a certain limit of authority, whose functions include decision-making related to credit risk and credit risk management.

In addition, the Bank has internal regulatory documents in place that govern all processes related to the acceptance of credit risk by the Bank, which are approved by the Management Board and/or the Board of Directors of the Bank in order to control the level of credit risk. The Bank has also developed processes to monitor compliance of each employee/business unit with the IRD requirements.

The credit policy establishes:

- procedures for review and approval of loan credit applications;

- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Prior to making a credit risk decision, the bank's customer applications are examined by the bank services engaged in analysis of the borrower's financial performance (analysis reports are based on a structural analysis focusing on the customer's business and financial performance), the customer's legal standing (legal examination of the legal documents, legal validity of signatories, correctness of registration of corporate customer decisions and other aspects of legal risks is carried out as part of the credit risk), assessment of the customer's reliability and business reputation, as well as examination of the collateral value.

After reviewing all aspects related to the customer's application that were mentioned above, the Risk Management Block carries out an independent risk examination, which results in a report, including risks inherent in the borrower's business and proposed deal structure, as well as provides recommendations to minimise the risks of the bank. In addition, the Risk Management Block carries out examination of the Bank's customer application for its compliance with the requirements specified in the Bank's Credit Policy and the requirements of the legislation of the Republic of Kazakhstan. The authorised collegial body takes decisions based on opinions provided by the Bank's business units.

In order to minimise credit risks throughout the entire period of customer financing, the Bank carries out continuous monitoring of the loans status and completes reassessment of its borrowers' ability to make payments on a regular basis. The review is based on the customer's most recent financial statements and/or other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by either independent appraisal companies, whose reports are reviewed by the Bank's specialists or assessed by internal specialists, taking into account all legislative requirements related to valuation, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed through the use of the Bank's decision-making system (ABS), which includes scoring models and other credit application data verification procedures developed by the Risk Management Block together with other business units of the Bank.

Apart from individual customer analysis by the Bank's Credit Risk and Collateral Valuation Department, the credit portfolio is assessed also by the Risk Management Block as a whole, including assessment of the credit portfolio concentration.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the unconsolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

	31 December 2022 KZT'000	**31 December 2021 KZT'000**
ASSETS		
Cash and cash equivalents	836,822,545	387,140,995
Financial instruments measured at fair value through profit or loss	500,923	18,900
Financial assets measured at fair value through other comprehensive income	111,821,826	124,000,016
Deposits and balances with banks	11,991,072	6,934,753
Loans to customers	1,062,917,295	640,295,321
Investments measured at amortised cost	224,912,211	170,290,941
Other financial assets	7,429,373	23,707,681
Total maximum exposure	**2,256,395,245**	**1,352,388,607**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 15.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 31.

As at 31 December 2022 the Bank has one debtor (the NBRK) (31 December 2021: one debtor), where credit risk exposure exceeded 10% maximum credit risk exposure. The gross value of this balance as at 31 December 2022 is KZT 655,140,510 thousand (31 December 2021: KZT 357,472,125 thousand).

(d) Liquidity risk management

Liquidity risk is a probability of financial losses if the Bank is unable to meet its financial liabilities when they fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

The Bank seeks to support a diversified and stable funding base comprising debt securities in issue, long- and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The daily liquidity position is monitored by the ALM unit and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Risk Management Block. The ALM unit receives information from business units regarding the liquidity structure of their financial assets and liabilities and projected cash flows arising from projected future business. Forecasting is performed on a short-term and medium-term horizon, and tactical steps are stipulated at each planning interval, subject to possibility of using various sources of funding, including external borrowings and different ways of placing temporarily free funds. Based on the forecast of expected inflows and outflows of funds, the ALM estimates the deficit/excess of liquidity and provides an operational forecast of liquidity ratios.

The Bank' management regularly receives information on the liquidity position. Frequency of information submission depends on the Bank's liquidity position at each specific point of time. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. The information submitted is sufficient to assess adequately the Bank's liquidity position as a whole and in individual areas (currencies, customers, etc.) that also enables the Bank's collective bodies and business units to make informed decision on the Bank's ability to satisfy its liquidity needs and perform its obligations in time and in full scope.

The following tables show the undiscounted cash flows on financial liabilities and unrecognised credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment.

The maturity analysis for financial liabilities as at 31 December 2022 was as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative financial liabilities							
Deposits and balances from banks	22,051,481	-	-	-	-	22,051,481	22,051,481
Current accounts and deposits from customers	843,789,925	131,706,012	265,018,161	595,831,656	170,733,580	2,007,079,334	1,931,494,808
Debt securities issued	-	962,433	-	9,081,323	10,548,055	20,591,811	16,667,144
Subordinated debt securities issued	112,275	-	973,346	22,060,171	206,607,275	229,753,067	74,685,514
Other borrowed funds	97	581,389	557,371	806,225	82,769,217	84,714,299	70,058,378
Lease liabilities	140,569	280,214	392,638	673,393	1,946,883	3,433,697	3,175,407
Other financial liabilities	15,407,522	-	-	189,193	-	15,596,715	15,596,715
Derivative financial liabilities*							
- Inflow	(88,707,137)	-	-	-	-	(88,707,137)	(190,953)
- Outflow	88,516,184	-	-	-	-	88,516,184	-
Total liabilities	**881,310,916**	**133,530,048**	**266,941,516**	**628,641,961**	**472,605,010**	**2,383,029,451**	**2,133,538,494**
Credit related commitments	182,064,822	-	-	-	-	182,064,822	182,064,822

* including spot transactions.

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative financial liabilities							
Deposits and balances from banks	566,311	-	-	-	-	566,311	566,311
Current accounts and deposits from customers	267,689,542	196,755,293	228,838,745	316,379,570	175,142,874	1,184,806,024	1,136,744,978
Debt securities issued	-	795,996	-	795,996	20,258,936	21,850,928	16,462,157
Subordinated debt securities issued	112,275	-	703,804	6,816,079	229,213,983	236,846,141	70,309,216
Other borrowed funds	115	1,499,289	187,040	1,048,117	27,483,079	30,217,640	26,029,572
Lease liabilities	119,208	233,214	336,032	566,693	1,448,945	2,704,092	2,562,741
Other financial liabilities	23,708,787	-	246,240	19	-	23,955,046	23,955,046
Derivative financial liabilities*							
- Inflow	(20,375,052)	-	-	-	-	(20,375,052)	(18,019)
- Outflow	20,357,033	-	-	-	-	20,357,033	-
Total liabilities	**292,178,219**	**199,283,792**	**230,311,861**	**325,606,474**	**453,547,817**	**1,500,928,163**	**1,276,612,002**
Credit related commitments	122,783,475	-	-	-	-	122,783,475	122,783,475

* including spot transactions.

In accordance with legislation of the Republic of Kazakhstan, legal entities and individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The maturities of the total amount of term deposits are as follows:

- KZT 35,517,774 thousand are categorised to 'demand deposits' and those which mature within less than one month (31 December 2021: KZT 34,209,897 thousand);
- KZT 131,391,407 thousand are categorised to deposits, which mature within one to three months (31 December 2021: KZT 196,751,131 thousand);
- KZT 264,956,807 thousand are categorised to deposits, which mature within three to six months (31 December 2021: KZT 228,770,452 thousand);
- KZT 595,810,623 thousand are categorised to deposits, which mature within six to twelve months (31 December 2021: KZT 316,379,570 thousand);
- KZT 169,517,763 thousand are categorised to deposits, which mature within the period of more than one year (31 December 2021: KZT 175,141,959 thousand).

However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customer accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Bank indicates that these customer accounts provide a long-term and stable source of funding.

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

The table below shows an analysis, by expected maturities, of the amounts recognised in the unconsolidated statement of financial position, excluding derivative instruments, as at 31 December 2022:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Cash and cash equivalents	906,893,391	-	-	-	-	-	-	906,893,391
Financial assets measured at fair value through other comprehensive income	1,666,870	1,702,116	20,355,232	87,543,165	490,805	-	63,638	111,821,826
Deposits and balances with banks	4,120,696	-	-	-	7,870,376	-	-	11,991,072
Loans to customers	72,173,795	82,487,072	270,513,753	547,571,777	73,632,840	-	16,538,058	1,062,917,295
Investments measured at amortised cost	8,789,293	10,895,674	38,028,186	164,979,971	-	-	2,219,087	224,912,211
Current tax asset	7,293	-	-	-	-	-	-	7,293
Property, plant and equipment and intangible assets	-	-	-	-	-	20,774,151	-	20,774,151
Right-of-use assets	-	-	-	-	-	2,668,639	-	2,668,639
Other assets	9,378,066	265,764	323,770	498,646	-	1,870,271	11,389	12,347,906
Total assets	**1,003,029,404**	**95,350,626**	**329,220,941**	**800,593,559**	**81,994,021**	**25,313,061**	**18,832,172**	**2,354,333,784**
Deposits and balances from banks	22,051,481	-	-	-	-	-	-	22,051,481
Current accounts and deposits from customers	836,051,282	117,360,058	823,027,496	125,565,744	29,490,228	-	-	1,931,494,808
Debt securities issued	-	674,916	8,040,458	7,951,770	-	-	-	16,667,144
Subordinated debt securities issued	106,038	-	15,966,031	2,383,412	56,230,033	-	-	74,685,514
Other borrowed funds	96	528,956	847,957	3,715,569	64,965,800	-	-	70,058,378
Lease liabilities	3,765	31,281	238,204	2,876,626	25,531	-	-	3,175,407
Deferred tax liabilities	-	-	-	-	-	17,647,683	-	17,647,683
Other liabilities	23,031,413	-	189,193	-	-	-	-	23,220,606
Total liabilities	**881,244,075**	**118,595,211**	**848,309,339**	**142,493,121**	**150,711,592**	**17,647,683**	**-**	**2,159,001,021**
Net position	**121,785,329**	**(23,244,585)**	**(519,088,398)**	**658,100,438**	**(68,717,571)**	**7,665,378**	**18,832,172**	**195,332,763**
Accumulated net position	**121,785,329**	**98,540,744**	**(420,547,654)**	**237,552,784**	**168,835,213**	**176,500,591**	**195,332,763**	

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

KZT'000	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**	**Overdue**	**Total**
Cash and cash equivalents	419,639,224	-	-	-	-	-	-	419,639,224
Financial assets measured at fair value through other comprehensive income	6,625,497	8,913,718	10,491,743	75,982,944	21,986,114	-	-	124,000,016
Deposits and balances with banks	2,012,871	84,734	649,493	-	4,187,655	-	-	6,934,753
Loans to customers	37,595,034	64,329,462	175,633,424	318,164,571	30,080,648	-	14,492,182	640,295,321
Investments measured at amortised cost	25,228,665	12,565,636	73,662,777	58,833,863	-	-	-	170,290,941
Current tax asset	350,000	-	-	-	-		-	350,000
Property, plant and equipment and intangible assets	-	-	-	-	-	20,288,733	-	20,288,733
Right-of-use assets	-	-	-	-	-	2,157,005	-	2,157,005
Other assets	23,714,221	437,063	1,615,009	73,021	7,599	2,160,858	3,108	28,010,879
Total assets	**515,165,512**	**86,330,613**	**262,052,446**	**453,054,399**	**56,262,016**	**24,606,596**	**14,495,290**	**1,411,966,872**
Deposits and balances from banks	566,311	-	-	-	-	-	-	566,311
Current accounts and deposits from customers	263,620,605	189,584,097	527,020,441	132,814,443	23,705,392	-	-	1,136,744,978
Debt securities issued	-	564,883	-	15,897,274	-	-	-	16,462,157
Subordinated debt securities issued	106,038	-	1,493,251	15,989,838	52,720,089	-	-	70,309,216
Other borrowed funds	117	1,444,570	882,712	4,281,764	19,420,409	-	-	26,029,572
Lease liabilities	6,277	11,855	237,563	2,307,046	-	-	-	2,562,741
Deferred tax liabilities	-	-	-	-	-	11,747,533	-	11,747,533
Other liabilities	29,485,621	-	246,259	-	-	-	-	29,731,880
Total liabilities	**293,784,969**	**191,605,405**	**529,880,226**	**171,290,365**	**95,845,890**	**11,747,533**	**-**	**1,294,154,388**
Net position	**221,380,543**	**(105,274,792)**	**(267,827,780)**	**281,764,034**	**(39,583,874)**	**12,859,063**	**14,495,290**	**117,812,484**
Accumulated net position	**221,380,543**	**116,105,751**	**(151,722,029)**	**130,042,005**	**90,458,131**	**103,317,194**	**117,812,484**	

Management believes that the following factors provide decrease in the liquidity gap up to 1 year:

- Management's analysis of behaviour of holders of term deposits during the past three years indicates that offering of competitive interest rates provides for high level of renewals.
- As at 31 December 2022 the balance of accounts and deposits from related parties, which fall due within 1 year, is KZT 309,916,533 thousand (31 December 2021: KZT 406,753,280 thousand). Management believes that the term deposits will be extended when they fall due and withdrawals of significant customer accounts, if required, will be coordinated with the Bank's liquidity management objectives.

(e) Operational risk management

Operational risk is the probability of loss resulting from inadequate or failed internal processes, people and systems or from external events, except for strategic and reputational risk.

The goal of the Bank's operational risk management is to ensure that the accepted risk be maintained at an acceptable level in accordance with the strategic objectives as well as to ensure the maximum soundness of assets and capital by reducing (excluding) possible losses, and it is measured using qualitative and quantitative systems of operational risk assessment.

The operational risk management process is an integral part of the business management process and represents a group of tools established by the Rules #188 of the NBRK, which provides a mechanism of interaction between internal procedures, processes, policies, business units of the bank, developed and governed by the Bank, enabling to identify, measure, evaluate, monitor and control the level of operational risk, thus minimising the impact of significant risks for the Bank, as well as to ensure its financial stability and stable operation.

30 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defined as capital those items defined by statutory regulation as capital for credit institutions.

Tier 1 capital is a total of basic and additional capital. Basic capital comprises paid-in ordinary share capital, share premium, current and prior periods' retained earnings and reserves created thereof, less treasury share capital, intangible assets including goodwill, and current and prior periods losses, deferred tax asset net of deferred tax liability, excluding deferred tax assets recognised in relation to deductible temporary differences, other revaluation reserves, gains from sales related to asset securitisation transactions, gains or losses from revaluation of financial liabilities at fair value related to change in own credit risk, regulatory adjustments to be deducted from the additional capital, but due to insufficient levels of it deducted from basic capital, and investments in financial instruments of investees not consolidated in the Bank with certain limitations.

Additional capital comprises of perpetual contracts and paid-in preference share capital less adjustments for the Bank's investment in its own perpetual financial instruments, treasury preference shares, investments in financial instruments of investees not consolidated in the Bank with certain limitations and regulatory adjustments to be deducted from the tier 2 capital, but due to insufficient levels of it deducted from additional capital.

Tier 2 capital comprises subordinated debt in KZT less investments in subordinated debt of financial institutions which the Bank holds 10% and more issued shares in, not consolidated in the Bank with certain limitations.

As at 31 December 2022 and 31 December 2021 total capital is the sum of tier 1 and tier 2 capital.

There are a set of different limitations and classification criteria applied to the above listed total capital elements.

In accordance with the regulations set by the NBRK the Bank has to maintain total capital adequacy within the following coefficients:

- a ratio of basic capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1);

- a ratio of tier 1 capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1-2);
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k2).

As at 31 December 2022 and 2021, the minimum level of ratios as applicable to the Bank are as follows:

	Including capital conservation buffer		**Net of capital conservation buffer**	
	2022	**2021**	**2022**	**2021**
k1 – not less than	0.075	0.075	0.055	0.055
k1-2 – not less than	0.085	0.085	0.065	0.065
k2 – not less than	0.100	0.100	0.080	0.080

On 1 October 2019, NBRK introduced a new regulatory capital buffer for the capitalisation ratios. A regulatory buffer is calculated as a ratio of a positive difference between the provisions calculated in accordance with the “Guidance on establishing provisions for impairment of the Bank assets in the form of loans and accounts receivable to the Statutory Ratios”, and the provisions formed and recorded in the Bank accounts in accordance with IFRS and the requirements of the law of the Republic of Kazakhstan on accounting and financial reporting (hereinafter - “a positive difference”), to the sum of credit risk-weighted assets and contingent liabilities.

Since 1 June 2020, the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market has lowered the capital conservation buffer requirement to 1% for a period until 1 June 2021 as part of measures to ensure socioeconomic stability.

The Bank complied with all prudential capital adequacy ratios k1, k1-2 and k2 as at 31 December 2022. The Bank’s actual coefficients are as follows: k1 – 0.132, k1-2 – 0.132 and k2 – 0.241 (31 December 2021: k1 – 0.122, k1-2 – 0.122 and k2 – 0.287).

The Bank’s capital position as at 31 December 2022 calculated in accordance with the requirements established by the Resolution of the Board of the National Bank of the Republic of Kazakhstan of 13 September 2017, No. 170 “On establishment of normative values and techniques of calculations of prudential standard rates and other regulations, obligatory to observance, and limits of the size of the capital of bank for the certain date and Rules of calculation and limits of the open foreign exchange position of bank” amounted to KZT 334,568,877 thousand (31 December 2021: KZT 262,409,243 thousand). Tier 1 capital as at 31 December 2022 amounted to KZT 183,639,837 thousand (31 December 2021: KZT 111,062,292 thousand).

31 Credit related commitments

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

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

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
Contracted amount		
Loan and credit line commitments	146,580,721	95,658,028
Financial guarantees	25,923,385	24,454,056
Letters of credit	9,560,716	2,671,391
Total	**182,064,822**	**122,783,475**
Loss allowance	**(199,371)**	**(171,877)**

Management expects that loans and liabilities under credit facilities will be financed as required at the expense of the amounts received from repayment of the current loan portfolio according to the payment schedules.

These commitments do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded. Almost all credit lines may be revoked at the Bank's discretion.

The table below provides information on the quality of credit related commitments as at 31 December 2022 and 31 December 2021:

	31 December 2022 KZT'000	31 December 2021 KZT'000
Standard	53,139,135	47,666,121
Low risk	45,442,524	21,535,364
Medium risk	61,373,396	40,234,860
Not rated	896,042	301,787
Not rated (secured with cash)	5,389,776	137,763
Contingent liabilities on credit card limits	15,823,949	12,907,580
Total	**182,064,822**	**122,783,475**
Loss allowance	**(199,371)**	**(171,877)**

As at 31 December 2022, loan and credit line commitments of KZT 145,534,201 thousand are classified to Stage 1, KZT 437,704 thousand are classified to Stage 2, and KZT 608,816 thousand are classified to Stage 3 (31 December 2021: KZT 95,058,325 thousand, KZT 118,498 thousand and KZT 481,205 thousand are classified to Stages 1, 2, 3 respectively).

As at 31 December 2022 the Bank has no customers whose balances exceed 10% of total commitments (31 December 2021: 1 customer). The value of these commitments as at 31 December 2022 amounted to KZT 0 (31 December 2021: KZT 12,553,276 thousand).

The table below shows movement in loss allowance on credit related commitments for the year ended 31 December 2022.

KZT'000 **Credit related commitments**	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses at the beginning of the year	167,231	2,591	2,055	171,877
Transfer to Stage 1	6,369	(1,899)	(4,470)	-
Transfer to Stage 2	(542)	542	-	-
Transfer to Stage 3	(714)	-	714	-
Net remeasurement of loss allowance	(294,361)	(5,587)	(1,130)	(301,078)
New financial assets originated or purchased	302,965	4,823	4,471	312,259
Foreign exchange and other movements	16,269	-	44	16,313
Allowance for expected credit losses at the end of the year	**197,217**	**470**	**1,684**	**199,371**

The table below shows movement in loss allowance on credit related commitments for the year ended 31 December 2021.

KZT'000 **Credit related commitments**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Allowance for expected credit losses at the beginning of the year	17	-	-	17
Transfer to Stage 2	(1,881)	1,881	-	-
Net remeasurement of loss allowance	131,004	710	752	132,466
New financial assets originated or purchased	38,110	-	1,303	39,413
Foreign exchange and other movements	(19)	-	-	(19)
Allowance for expected credit losses at the end of the year	**167,231**	**2,591**	**2,055**	**171,877**

During 2022, the Bank issued guarantees for the total amount of KZT 21,112,964 thousand (in 2021: KZT 19,676,126 thousand), including those that were subsequently classified to Stage 1 of credit quality in the amount of KZT 20,636,339 thousand, to Stage 2 - of KZT 400,061 thousand, to Stage 3 - of KZT 76,564 thousand (in 2021: to Stage 1 of credit quality in the amount of KZT 19,074,624 thousand, to Stage 2 - of KZT 388,329 thousand and to Stage 3 - of KZT 213,173 thousand). During 2022, the Bank derecognised credit related commitments on guarantees for the total amount of KZT 20,407,993 thousand (in 2021: KZT 12,948,971 thousand), including those that were classified to Stage 1 of credit quality in the amount of KZT 19,561,362 thousand, to Stage 2 - of KZT 801,204 thousand, to Stage 3 - of KZT 45,427 thousand (in 2021: to Stage 1 of credit quality in the amount of KZT 12,931,056 thousand, to Stage 2 - of KZT 0 and to Stage 3 - of KZT 17,915 thousand).

32 Contingencies

(a) Insurance

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

(b) Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial results of future operations.

(c) Taxation contingencies

The taxation system in the Republic Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the unconsolidated financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

33 Related party transactions

(a) Control relationships

The Bank's parent company is Eurasian Financial Company JSC (the "Parent Company"). The Parent Company is controlled by the group of individuals, Mr A.A. Mashkevich, Mr P.K. Chodiyev, Ms M.N. Ibragimova (31 December 2021: Mr A.A. Mashkevich, Mr P.K. Chodiyev, Mrs M.N. Ibragimova), each one owns 33.3%. Publicly available consolidated financial statements are produced by the Bank's Parent Company.

(b) Transactions with members of the Board of Directors, the Management Board and other key management personnel

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2022 KZT'000	2021 KZT'000
Members of the Board of Directors	415,543	393,079
Members of the Management Board	1,270,018	917,779
Other key management personnel	2,777,203	1,799,032
	4,462,764	**3,109,890**

These amounts include non-cash benefits in respect of members of the Board of Directors, the Management Board and other key management personnel.

The outstanding balances and average effective interest rates as at 31 December 2022 and 2021 for transactions with members of the Board of Directors, the Management Board and other key management personnel are as follows:

	31 December 2022 KZT'000	Average effective interest rate, %	31 December 2021 KZT'000	Average effective interest rate, %
Unconsolidated statement of financial position				
ASSETS				
Loans to customers	236,221	6.18	100,226	7.90
Loans to customers (allowance for expected credit losses)	(3,374)	-	(1,638)	-
LIABILITIES				
Current accounts and deposits from customers	27,745,477	6.80	29,979,309	6.82

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors, the Management Board and other key management personnel for the year ended 31 December are as follows:

	2022 KZT'000	2021 KZT'000
Profit or loss		
Interest income calculated using the effective interest method	10,145	3,110
Interest expense	(2,062,951)	(2,059,763)
Fee and commission income	332	705
Impairment losses on debt financial assets	(1,214)	(478)

(c) Transactions with other related parties

The outstanding balances and the related average contractual interest rates as at 31 December 2022 and related profit or loss amounts of transactions for the year ended 31 December 2022 with other related parties are as follows:

	Parent Company		Other subsidiaries of the Parent Company		Subsidiaries of the Bank		Other related parties*		
31 December 2022	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Unconsolidated statement of financial position									
ASSETS									
Loans to customers									
- in KZT	-	-	-	-	13,026,967	5.76	3,166,837	16.93	16,193,804
- in USD	-	-	-	-	-	-	33,361,050	4.17	33,361,050
Loans to customers (allowance for expected credit losses)	-	-	-	-	(9,187,531)	-	(11,003,120)	-	(20,190,651)
Other assets									
- in KZT	-	-	546,312	-	683,778	-	2,815	-	1,232,905
- in USD	-	-	-	-	-	-	29,121	-	29,121

31 December 2022	Parent Company		Other subsidiaries of the Parent Company		Subsidiaries of the Bank		Other related parties*		
	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	KZT'000	Average contractual interest rate, %	Total KZT'000
LIABILITIES									
Current accounts and deposits from customers									
- in KZT	453,827	14.88	6,676,500	14.84	516,065	9.00	76,630,485	12.03	84,276,877
- in USD	-	-	7,081,628	1.47	-	-	188,449,925	1.32	195,531,553
- in other currencies	-	-	1,288,037	0.02	-	-	24,738,392	2.99	26,026,429
Debt securities issued									
- in KZT	-	-	52,462	13.00	-	-	-	-	52,462
Subordinated debt securities issued									
- in KZT	-	-	822,843	13.00	-	-	-	-	822,843
Other liabilities									
- in KZT	-	-	393,347	-	-	-	169,477	-	562,824
- in USD	-	-	-	-	-	-	38,877	-	38,877

	Parent Company		Other subsidiaries of the Parent Company		Subsidiaries of the Bank		Other related parties*		
31 December 2022	**KZT’000**	**Average contractual interest rate, %**	**KZT’000**	**Average contractual interest rate, %**	**KZT’000**	**Average contractual interest rate, %**	**KZT’000**	**Average contractual interest rate, %**	**Total KZT’000**
Items not recognised in the unconsolidated statement of financial position									
Loan and credit line commitments	-	-	-	-	-	-	855,128	-	855,128
Guarantees issued	-	-	19,584	-	-	-	1,220,784	-	1,240,368
Guarantees received	-	-	-	-	-	-	5,415,838	-	5,415,838
Letters of credit	-	-	-	-	-	-	316,916	-	316,916
Profit/(loss)									
Interest income calculated using the effective interest method	-	-	-	-	191,884	-	558,466	-	750,350
Interest expense	(440,862)	-	(882,236)	-	(36,739)	-	(4,052,044)	-	(5,411,881)
Fee and commission income	604	-	19,670,926	-	373	-	949,000	-	20,620,903
Fee and commission expense	-	-	(2,880)	-	-	-	(228,795)	-	(231,675)
Net gain on financial instruments measured at fair value through profit or loss	-	-	-	-	(185,936)	-	-	-	(185,936)
Net foreign exchange (loss)/gain	-	-	(98,429)	-	169	-	(4,758,836)	-	(4,857,096)
- *including dealing operations, net*	-	-	24,232	-	429	-	14,560,989	-	14,585,650
- *including translation differences, net*	-	-	(122,661)	-	(260)	-	(19,319,825)	-	(19,442,746)
Other operating expenses	-		-	-	(416,529)	-	(314,078)	-	(730,607)
Reversal of impairment loss on debt financial assets	-	-	-	-	763,768	-	4,527,109	-	5,290,877
Other general and administrative expenses	-	-	(85,791)	-	-	-	(209,663)	-	(295,454)

The outstanding balances and the related average contractual interest rates as at 31 December 2021 and related profit or loss amounts of transactions for the year ended 31 December 2021 with other related parties are as follows:

	Parent Company		**Other subsidiaries of the Parent Company**		**Subsidiaries of the Bank**		**Other related parties***		
31 December 2021	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Unconsolidated statement of financial position									
ASSETS									
Loans to customers									
- in KZT	-	-	-	-	14,569,603	6.02	3,402,748	15.01	17,972,351
- in USD	-	-	-	-	-	-	36,711,638	4.21	36,711,638
- in other currencies									
Loans to customers (allowance for expected credit losses)	-	-	-	-	(9,431,479)	-	(13,877,316)	-	(23,308,795)
Other assets									
- in KZT	-	-	37,473	-	1,480,803	-	19,588	-	1,537,864

	Parent Company		Other subsidiaries of the Parent Company		Subsidiaries of the Bank		Other related parties*		
31 December 2021	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
LIABILITIES									
Current accounts and deposits from customers									
- in KZT	178,495	8.18	422,131	7.97	364,379	8.18	120,564,338	6.17	121,529,343
- in USD	-	-	7,875,345	0.50	-	-	255,814,264	0.43	263,689,609
- in other currencies	-	-	1,389,209	0.32	-	-	5,268,605	2.00	6,657,814
Debt securities issued									
- in KZT	-	-	27,512	8.90	-	-	-	-	27,512
Subordinated debt securities issued									
- in KZT	-	-	32,933	9.40	-	-	-	-	32,933
Other liabilities									
- in KZT	-	-	342,965	-	-	-	188,900	-	531,865
- in USD	-	-	-	-	-	-	3,269	-	3,269

	Parent Company		Other subsidiaries of the Parent Company		Subsidiaries of the Bank		Other related parties*		
31 December 2021	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Items not recognised in the unconsolidated statement of financial position									
Guarantees issued	-	-	-	-	-	-	2,361	-	2,361
Guarantees received	-	-	-	-	-	-	45,427	-	45,427
Letters of credit	-	-	-	-	-	-	5,261,550	-	5,261,550
Profit/(loss)	-	-	-	-	-	-	3,932	-	3,932
Interest income calculated using the effective interest method	-	-	-	-	309,739	-	1,044,730	-	1,354,469
Other interest income	-	-	-	-	-	-	145,650	-	145,650
Interest expense	(143,028)	-	(489,031)	-	(26,612)	-	(3,497,069)	-	(4,155,740)
Fee and commission income	689	-	12,169,525	-	298	-	609,341	-	12,779,853
Fee and commission expense	-	-	(2,880)	-	-	-	(194,612)	-	(197,492)
Net gain on financial instruments measured at fair value through profit or loss	-	-	-	-	-	-	1,433,376	-	1,433,376
Net foreign exchange gain/(loss)	-	-	67,044	-	162	-	(4,500,707)	-	(4,433,501)
- including dealing operations, net	-	-	4,337	-	173	-	1,367,700	-	1,372,210
- including translation differences, net	-	-	62,707	-	(11)	-	(5,868,407)	-	(5,805,711)
Other operating expenses	-	-	-	-	(158,043)	-	(331,418)	-	(489,461)
Impairment losses on debt financial assets	-	-	-	-	(1,776,742)	-	(15,402,271)	-	(17,179,013)
Other general and administrative expenses	-	-	(80,365)	-	-	-	(181,944)	-	(262,309)

**Other related parties are the entities that are mainly controlled by the Parent Company's shareholders.*

Loans to related parties with net carrying amount of KZT 24,365,071 thousand (31 December 2021: KZT 31,466,283 thousand) are secured by land plots, real estate, guarantees, movable property and other types of collateral, whose value mostly covers the carrying amount of these loans excluding overcollateralization. The remaining amount of loans to related parties is not secured. The term of expiry of the guarantees received to secure the loans issued is determined by the terms of repayment of these loans.

34 Financial assets and liabilities: fair values and accounting classification

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2022:

KZT'000	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	906,893,391	906,893,391	906,893,391
Financial instruments measured at fair value through profit or loss	500,923	-	-	500,923	500,923
Financial assets measured at fair value through other comprehensive income	-	111,821,826	-	111,821,826	111,821,826
Deposits and balances with banks	-	-	11,991,072	11,991,072	11,991,072
Loans to customers					
Loans to corporate customers	-	-	341,699,282	341,699,282	335,148,841
Loans to retail customers	-	-	721,218,013	721,218,013	674,103,957
Investments measured at amortised cost					
Government bonds	-	-	200,584,378	200,584,378	197,651,374
Development bank bonds	-	-	4,756,088	4,756,088	4,644,870
Corporate bonds	-	-	19,571,745	19,571,745	21,380,900
Other financial assets	-	-	7,429,373	7,429,373	7,429,373
	500,923	**111,821,826**	**2,214,143,342**	**2,326,466,091**	**2,271,566,527**
Financial instruments measured at fair value through profit or loss	89,853	-	-	89,853	89,853
Deposits and balances from banks	-	-	22,051,481	22,051,481	22,051,481
Current accounts and deposits from customers	-	-	1,931,494,808	1,931,494,808	1,924,299,526
Debt securities issued	-	-	16,667,144	16,667,144	14,611,085
Subordinated debt securities issued	-	-	74,685,514	74,685,514	79,970,288
Other borrowed funds	-	-	70,058,378	70,058,378	70,058,378
Other financial liabilities	-	-	15,597,778	15,597,778	15,597,778
	89,853	**-**	**2,130,555,103**	**2,130,644,956**	**2,126,678,389**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2021:

KZT'000	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortised cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	-	-	419,639,224	419,639,224	419,639,224
Financial instruments measured at fair value through profit or loss	18,900	-	-	18,900	18,900
Financial assets measured at fair value through other comprehensive income	-	124,000,016	-	124,000,016	124,000,016
Deposits and balances with banks	-	-	6,934,753	6,934,753	6,934,753
Loans to customers					
Loans to corporate customers	-	-	208,990,595	208,990,595	209,660,483
Loans to retail customers	-	-	431,304,726	431,304,726	415,520,421
Investments measured at amortised cost					
Government bonds	-	-	106,124,120	106,124,120	106,953,512
Development bank bonds	-	-	27,081,053	27,081,053	27,070,092
Corporate bonds	-	-	37,085,768	37,085,768	36,920,328
Other financial assets	-	-	23,707,681	23,707,681	23,707,681
	18,900	**124,000,016**	**1,260,867,920**	**1,384,886,836**	**1,370,425,410**
Financial instruments measured at fair value through profit or loss	1,871	-	-	1,871	1,871
Deposits and balances from banks	-	-	566,311	566,311	566,311
Current accounts and deposits from customers	-	-	1,136,744,978	1,136,744,978	1,144,085,032
Debt securities issued	-	-	16,462,157	16,462,157	15,450,333
Subordinated debt securities issued	-	-	70,309,216	70,309,216	85,517,357
Other borrowed funds	-	-	26,029,572	26,029,572	26,029,572
Other financial liabilities	-	-	23,955,046	23,955,046	23,955,046
	1,871	**-**	**1,274,067,280**	**1,274,069,151**	**1,295,605,522**

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value, discounted cash flow models and comparison to similar instruments for which market-observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, the Bank uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and securities for which there is no active market.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 5.73 – 20.65% and 6.15 – 40.96% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively (31 December 2021: 4.50 – 14.90% and 6.00 – 26.81%, respectively);
- discount rates of 0.90 – 14.44% and 0.87 – 13.27% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively (31 December 2021: 0.40 – 7.30% and 0.80 – 7.80%, respectively);
- discount rates of 16.12% – 18.76% and 16.18% – 19.32%, are used for discounting future cash flows from debt securities issued and subordinated debt securities, respectively (31 December 2021: 13.84% – 14.21% and 13.85% – 14.42%, respectively.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

(b) Fair value hierarchy

The Bank measures fair values for financial instruments recorded on the unconsolidated statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument;

- Level 2: valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2022, by the level in the fair value hierarchy into which the fair value measurement is categorised.

KZT'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss				
- Derivative assets	500,923	-	-	500,923
- Derivative liabilities	(89,853)	-	-	(89,853)
Financial assets measured at fair value through other comprehensive income				
- Debt and other fixed-income instruments	37,139,456	67,060,800	7,621,570	111,821,826
	37,550,526	**67,060,800**	**7,621,570**	**112,232,896**

The table below analyses financial instruments measured at fair value at 31 December 2021, by the level in the fair value hierarchy into which the fair value measurement is categorised.

KZT'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss				
- Derivative assets	18,900	-	-	18,900
Financial assets measured at fair value through other comprehensive income	(1,871)	-	-	(1,871)
- Debt and other fixed-income instruments	82,445,226	41,554,790	-	124,000,016
	82,462,255	**41,554,790**	**-**	**124,017,045**

Due to low market liquidity, management considers that quoted prices in active markets are not available, including for government securities listed on the Kazakhstan Stock Exchange. Accordingly, as at 31 December 2022 and 2021 the estimated fair value of these financial instruments is based on the results of valuation techniques involving the use of observable market inputs.

Unobservable valuation differences on initial recognition

In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the currency market. In cases where all inputs are not/observable, for example because there are no observable trades in a similar risk at the reporting date, the Bank uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlying, expectations of termination periods. When fair value at initial recognition is not evidenced by a quoted price in an active market or based on a valuation technique that uses data only from observable markets, any difference between the fair value at initial recognition and the transaction price is not recognised in profit or loss immediately, but is deferred (see note 3(d)(v)).

The following table shows a reconciliation for the year ended 31 December 2022 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3
	Financial assets measured at fair value through other comprehensive income
	Debt and other fixed-income instruments
KZT'000	**2022**
Balance at the beginning of the year	**-**
Transfers from Level 1	11,689,278
Net gain on transactions with financial instruments measured at fair value through other comprehensive income	(5,118,900)
Interest income accrued	288,939
Coupon redemption	(7,155)
Foreign exchange and other movements	769,408
Balance at the end of the year	**7,621,570**

The following table shows a reconciliation for the year ended 31 December 2021 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3
	Loans to customers
KZT'000	**2021**
Balance at the beginning of the year	**4,608,253**
Initial recognition	-
Net gain on transactions with financial instruments measured at fair value through profit or loss	1,433,376
Interest income accrued	145,650
Foreign exchange and other movements	97,404
Redemption	(6,284,683)
Balance at the end of the year	**-**

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

Valuation techniques and significant unobservable inputs

The table below sets out information about the valuation techniques and significant unobservable inputs used in the measuring of financial instruments categorised as Level 3 in the fair value hierarchy:

Financial instruments measured at fair value

Type of financial instrument	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Debt and other fixed-income instruments	Finnerty Model	– Discount due to lack of active market (DLOM) 23.33% - 40.55% – Volatility 139.60%-165.65%	The estimated fair value will increase (decrease) if: – DLOM is lower (higher); – volatility will be lower (higher).

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2022.

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	906,893,391	-	906,893,391	906,893,391
Deposits and balances with banks	-	11,991,072	-	11,991,072	11,991,072
Loans to customers	-	983,597,187	25,655,611	1,009,252,798	1,062,917,295
Investments measured at amortised cost	153,026,643	57,362,101	13,288,400	223,677,144	224,912,211
Liabilities					
Deposits and balances from banks	-	22,051,481	-	22,051,481	22,051,481
Current accounts and deposits from customers	-	1,924,299,526	-	1,924,299,526	1,931,494,808
Debt securities issued	-	14,611,085	-	14,611,085	16,667,144
Subordinated debt securities issued	-	79,970,288	-	79,970,288	74,685,514
Other borrowed funds	-	70,058,378	-	70,058,378	70,058,378

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2021.

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	419,639,224	-	419,639,224	419,639,224
Deposits and balances with banks	-	6,934,753	-	6,934,753	6,934,753
Loans to customers	-	578,847,915	46,332,989	625,180,904	640,295,321
Investments measured at amortised cost	152,640,599	18,303,333	-	170,943,932	170,290,941
Liabilities					
Deposits and balances from banks	-	566,311	-	566,311	566,311
Current accounts and deposits from customers	-	1,144,085,032	-	1,144,085,032	1,136,744,978
Debt securities issued	-	15,450,333	-	15,450,333	16,462,157
Subordinated debt securities issued	-	85,517,357	-	85,517,357	70,309,216
Other borrowed funds	-	26,029,572	-	26,029,572	26,029,572

35 Subsequent events

On 1 January 2023, amendments to Article 16 of Law of the Republic of Kazakhstan "On banks and banking activities in the Republic of Kazakhstan" dated 31 August 1995 entered into force. Amendments stipulate that the bank, which financial stability and/or recovery require use of the funds allocated from the national budget, National Fund of the Republic of Kazakhstan (hereinafter, "NFRK"), NBRK and its subsidiaries, shall, from the moment of deciding to provide funds from the state budget, NFRK, NBRK and its subsidiaries and until the bank discharges its obligations to repay the funds received in full, distribute profit, accrue dividends on ordinary and preference shares, as well as repurchase its own shares, subject to compliance with the terms and conditions prescribed by the regulatory legal act of the authorised body. On 5 January 2023, ARDFM published draft Resolution "On approval of the terms of profit distribution, accrual of dividends on ordinary and/or preference shares and (or perpetual) financial instruments, as well as repurchases of own shares by the second-tier bank, for which financial stability and/or the recovery the funds allocated from the national budget, NFRK, NBRK and/or its subsidiaries, are used". The above draft Resolution of Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market has not entered into force as at the date of issuance of these unconsolidated financial statements.