First Heartland Jusan Bank
Joint Stock Company

Consolidated Financial Statements

for 2023
with Independent Auditors' Report

Contents

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Independent Auditors' Report

To the Shareholders and Board of Directors of First Heartland Jusan Bank Joint Stock Company

Opinion

We have audited the consolidated financial statements of First Heartland Jusan Bank Joint Stock Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

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

Expected Credit Losses (ECL) on loans to customers measured at amortised cost	
Please refer to the Notes 3, 4, 5, 8 and 23 in the consolidated financial statements.	
Key audit matter	***How the matter was addressed in our audit***
Loans to customers measured at amortised cost represent 33.5% 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 Group uses 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 IFRS 9 *Financial Instruments*; — assessment of probability of default (PD) and loss given default (LGD); — assessment of adjustment to account for forward-looking information. Moreover, a majority of the loan portfolio relates to loans classified to Stage 3, or purchased or originated credit-impaired (POCI) loans, whose carrying amount is determined based on an estimate of future cash flows derived from of subjective assumptions including: — measurement of the fair value of underlying real estate collateral; and — expected realisation periods for such underlying collateral. Due to the significant volume of loans to customers measured at amortised cost and the related estimation uncertainty in estimating of ECL allowance, this area is a key audit matter.	We analysed the key aspects of the Group's methodology and policies related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of our own financial risks management specialists. To analyse the adequacy of professional judgement and assumptions made by the management in relation to the allowance for ECL estimate we performed the following audit procedures: — We tested the design and implementation of the controls used over allocation of loans to customers by the credit risk stages. — For a sample of loans to customers, for which a potential changes in ECL estimate may have a significant impact on the consolidated financial statements, we tested whether stages are correctly assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. — For a sample of stage 3 loans and POCI-loans for which ECL is assessed individually and which mostly comprise loans to legal entities, we critically assessed assumptions used by the Group to forecast future cash flows, including estimated proceeds from realisable collateral and their timing based on our understanding and publicly available market information. We specifically focused on exposures which potentially may have the most significant impact on the consolidated financial statements. — Regarding loans issued to customers and assigned to stages 1 and 2, for which ECL allowance is assessed collectively, we tested the design and implementation of the related PD and LGD models, as well as agreeing input data to supporting documents on a sample basis. — We also analysed the overall adequacy of the adjustment to account for forward-looking information and compared it with our estimates taking into account the current and future economic situation and operating conditions of the respective categories of borrowers. We assessed the predictive capability of the

	Group's models used for ECL assessment by comparing the estimates made as at 1 January 2023 with actual results for 2023. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group'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 Group for the year 2023 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group for the year 2023 is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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

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

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

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

29 March 2024

(in millions of Kazakhstani tenge unless otherwise stated)

	Note	*2023*	*2022 (restated)**
Interest income calculated using the effective interest method	7	362,762	272,692
Other interest income	7	1,829	2,794
Interest expense	7	(146,484)	(119,817)
Net interest income	7	**218,107**	**155,669**
Credit loss expenses	8	(23,161)	(40,943)
Net interest income after credit loss expenses		**194,946**	**114,726**
Fee and commission income	9	64,900	43,203
Fee and commission expense	9	(44,047)	(26,962)
Net fee and commission income	9	**20,853**	**16,241**
Insurance revenue from insurance contracts	10	54,845	34,982
Insurance service expenses from insurance contracts	11	(45,609)	(24,340)
Net expenses from reinsurance contracts		(2,049)	(2,988)
Net insurance finance expenses from insurance contracts		(5,494)	(3,602)
Net insurance finance income from reinsurance contracts		745	696
Total insurance service result		**2,438**	**4,748**
Net gains on financial instruments at fair value through profit or loss	12	5,759	12,760
Net (losses)/gains on derecognition of investment securities at fair value through other comprehensive income		(110)	1
Net foreign exchange gain	13	28,214	62,715
Modification gain on subordinated debt	32	2,436	–
Other income**	14	39,057	41,609
Other operating income		**75,356**	**117,085**
Personnel expenses	15	(64,789)	(56,729)
Other general and administrative expenses	16	(50,040)	(42,588)
Gains on reversal of other provisions		(2,595)	129
Other expenses	14	(19,844)	(22,737)
Other operating expenses		**(137,268)**	**(121,925)**
Profit before corporate income tax expense		**156,325**	**130,875**
Corporate income tax expense	17	(4,037)	(17,643)
Profit for the year		**152,288**	**113,232**
Profit attributable to:			
Equity holders of the Bank		151,872	112,471
Non-controlling interests		416	761

* *Some of the amounts presented in this column do not match the amounts presented in the consolidated financial statements for 2022 as they reflect the first-time adoption of IFRS 17 Insurance Contracts and the reclassifications made. For more details, see Note 2 and Note 5.*

** *Other income includes revenue from sales of finished goods and goods for a total of KZT 23,503 million (2022: KZT 27,008 million).*

(in millions of Kazakhstani tenge unless otherwise stated)

	Note	*2023*	*2022 (restated)**
Profit for the year		**152,288**	**113,232**
Other comprehensive income			
Other comprehensive loss that may be reclassified subsequently to profit or loss:			
Net change in fair value of debt instruments at fair value through other comprehensive income	35	6,756	(12,337)
Change in loss allowance for expected credit losses on debt instruments at fair value through other comprehensive income	35	546	44
Amount reclassified to profit or loss as a result of derecognition of securities at fair value through other comprehensive income	35	110	(1)
Foreign operations – foreign currency translation differences		(3,827)	2,107
Total other comprehensive income/(loss) items that are or may be reclassified subsequently to profit or loss		*3,585*	*(10,187)*
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Revaluation reserve for property, plant and equipment, net of income tax	35	(77)	6,375
Gain on equity instruments at fair value through other comprehensive income	35	3,950	1,168
Total other comprehensive income items that will not be reclassified subsequently to profit or loss:		*3,873*	*7,543*
Other comprehensive income /(loss) for the year		**7,458**	**(2,644)**
Total comprehensive income for the year		**159,746**	**110,588**
Total comprehensive income attributable to:			
- Equity holders of the Bank		159,330	109,827
- Non-controlling interests		416	761
Total comprehensive income for the year		**159,746**	**110,588**
Earnings per share			
Basic and diluted earnings per ordinary share (KZT)	36	925.60	685.47

* *Some of the amounts presented in this column do not match the amounts presented in the consolidated financial statements for 2022 as they reflect the first-time adoption of IFRS 17 Insurance Contracts and the reclassifications made. For more details, see Note 2 and Note 5.*

Signed and authorised for issue on behalf of the Management Board of the Bank:

Alan Yerikovich Jabayev
Acting Chairman of the Management Board

Nikara Miratovna Salikhova
Chief Accountant

29 March 2024

First Heartland Jusan Bank Joint Stock Company

Consolidated Statement of Financial Position

as at 31 December 2023

(in millions of Kazakhstani tenge unless otherwise stated)

	Note	*31 December 2023*	*31 December 2022 Restated*	*1 January 2022 Restated*
Assets				
Cash and cash equivalents	18	706,382	852,986	1,158,235
Derivative financial instruments	19	194	134	8,858
Amounts due from banks and other financial institutions	20	63,834	44,991	44,357
Trading securities				
- held by the Group	21	12,577	37,256	68,725
- pledged under sale and repurchase agreements	21	6,937	6,069	7,682
Investment securities				
- held by the Group	22	928,919	804,307	538,386
- pledged under sale and repurchase agreements	22	36,351	133,265	2,363
Loans to customers	23	1,064,206	925,770	849,955
Promissory notes from the Ministry of Finance of the Republic of Kazakhstan		105,458	103,068	104,159
Insurance contracts assets		2,948	1,520	797
Reinsurance contracts assets		3,079	3,376	1,681
Property, plant and equipment and intangible assets	24	87,886	84,459	81,647
Non-current assets held for sale	25	6,985	8,136	547
Investment property	26	42,861	34,620	37,152
Current corporate income tax assets		1,929	852	840
Deferred corporate income tax assets	17	110	213	163
Other assets	27	81,085	80,302	85,993
Total assets		**3,151,741**	**3,121,324**	**2,991,540**
Liabilities				
Due to banks and other financial institutions	28	78,896	56,343	54,786
Amounts payable under repurchase agreements	29	43,288	139,410	9,988
Derivative financial instruments	19	384	1,370	414
Current accounts and deposits from customers	30	1,624,092	1,662,164	1,803,593
Debt securities issued	31	213,052	246,693	244,320
Subordinated debt	32	201,560	198,274	188,871
Amounts due to the mortgage organisation	33	9,319	10,817	12,085
Lease liabilities		4,034	4,447	4,937
Current corporate income tax liabilities		499	428	652
Deferred corporate income tax liabilities	17	166,562	165,128	148,788
Insurance contracts liabilities		36,747	21,063	14,518
Reinsurance contracts liabilities		216	1,677	–
Other liabilities	34	37,375	34,692	27,844
Total liabilities		**2,416,024**	**2,542,506**	**2,510,796**

The accompanying explanatory notes set out on pages 16 to 118 form an integral part of these consolidated financial statements.

(in millions of Kazakhstani tenge unless otherwise stated)

	Note	*31 December 2023*	*31 December 2022 Restated*	*1 January 2022 Restated*
Equity	35			
Share capital		258,201	258,201	258,201
Treasury shares		(2,638)	(2,638)	(2,638)
Additional paid-in capital		764	764	764
Revaluation reserve for property, plant and equipment		6,802	7,521	1,316
Fair value reserve		8,570	(2,792)	8,334
Cumulative reserve for translation to presentation currency		(1,988)	1,839	(268)
Reverse acquisition provision		(137,564)	(137,564)	(137,564)
Other reserves		–	2,847	2,847
Retained earnings		602,407	449,893	347,623
Total equity attributable to the equity holders of the Group		**734,554**	**578,071**	**478,615**
Non-controlling interests		1,163	747	2,129
Total equity		**735,717**	**578,818**	**480,744**
Total liabilities and equity		**3,151,741**	**3,121,324**	**2,991,540**

The accompanying explanatory notes set out on pages 16 to 118 form an integral part of these consolidated financial statements.

(in millions of Kazakhstani tenge unless otherwise stated)

	Note	*2023*	*2022*
Cash flows from operating activities			
Interest receipts	7	340,876	226,848
Interest payments	7	(117,692)	(92,287)
Fee and commission receipts		62,966	42,923
Fee and commission payments		(52,048)	(34,215)
Insurance revenue from insurance contracts receipts		48,310	33,568
Insurance service expenses from insurance contracts payments		(21,738)	(10,309)
Net realised gains on financial instruments at fair value through profit or loss	12	3,616	20,943
Net expenses on trading securities		(1,049)	970
Net receipts from foreign exchange	13	26,624	48,865
Personnel and other general and administrative expenses payments		(110,490)	(88,970)
Other income receipts		24,994	37,457
Other expenses payments		(19,155)	(21,420)
Cash flows from operating activities before changes in operating assets and liabilities		**185,214**	**164,373**
Net decrease/ (increase) in operating assets			
Derivative financial instruments		104	(3,653)
Amounts due from banks and other financial institutions		(18,762)	442
Trading securities		26,546	25,559
Loans to customers		(173,395)	(65,702)
Other assets		944	11,295
Net (decrease) in increase operating liabilities			
Due to banks and other financial institutions		22,266	(1,053)
Current accounts and deposits from customers		(18,699)	(184,615)
Amounts payable under repurchase agreements		(96,682)	129,427
Amounts due to the mortgage organisation		(1,498)	(1,268)
Other liabilities		10,562	(13,941)
Net cash from operating activities before corporate income tax paid		**(63,400)**	**60,864**
Corporate income tax paid		(2,857)	(3,751)
Net cash from operating activities		**(66,257)**	**57,113**
Cash flows from investing activities			
Purchase of investment securities measured at amortised cost		(193,083)	(1,011,412)
Repayment of investment securities measured at amortised cost		32,872	1,178,052
Purchase of investment securities measured at fair value through other comprehensive income		(6,557,321)	(2,188,142)
Sale and repayment of investment securities measured at fair value through other comprehensive income		6,716,193	1,628,271
Proceeds from sale of property, plant and equipment, and investment property		7,782	11,006
Proceeds from sale of non-current assets held for sale		3,470	5,109
Acquisition of property, plant and equipment and intangible assets		(25,978)	(9,861)
Net cash used in investing activities		**(16,065)**	**(386,977)**

The accompanying explanatory notes set out on pages 16 to 118 form an integral part of these consolidated financial statements.

(in millions of Kazakhstani tenge unless otherwise stated)

	Note	*2023*	*2022*
Cash flows from financing activities			
Repayment of debt securities issued	31	(46,899)	(12,668)
Repayment of lease liabilities		(1,680)	(1,731)
Repayment of subordinated debt	32	(5,000)	–
Net cash used in financing activities		**(53,579)**	**(14,399)**
Effect of changes in exchange rates on cash and cash equivalents		(10,496)	40,121
Effect of changes in expected credit losses on cash and cash equivalents	8	(207)	(1,107)
Net decrease in cash and cash equivalents		**(146,604)**	**(305,249)**
Cash and cash equivalents at the beginning of the reporting year		852,986	1,158,235
Cash and cash equivalents at the end of the reporting year	18	**706,382**	**852,986**
Non-cash transactions			
Repossessed collateral for loans to customers		10,388	22,017

The accompanying explanatory notes set out on pages 16 to 118 form an integral part of these consolidated financial statements.

(in millions of Kazakhstani tenge unless otherwise stated)

				Attributable to equity holders of the Group									
	Note	*Share capital*	*Treasury shares acquired*	*Additional paid-in capital*	*Revaluation reserve for property, plant and equipment*	*Fair value reserve*	*Cumulative reserve for translation to presentation currency*	*Reverse acquisition reserve*	*Equity instrument reserve*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2022, as previously reported *		**258,201**	**(2,638)**	**764**	**1,316**	**8,334**	**(268)**	**(137,564)**	**2,847**	**344,132**	**475,124**	**2,129**	**477,253**
The first-time adoption of IFRS 17		–	–	–	–	–	–	–	–	3,491	**3,491**	–	**3,491**
Balance at 1 January 2022 (restated)		**258,201**	**(2,638)**	**764**	**1,316**	**8,334**	**(268)**	**(137,564)**	**2,847**	**347,623**	**478,615**	**2,129**	**480,744**
Comprehensive income for the year													
Profit for the year		–	–	–	–	–	–	–	–	112,471	**112,471**	761	**113,232**
Other comprehensive loss	35	–	–	–	6,375	(11,126)	2,107	–	–	–	**(2,644)**	–	**(2,644)**
Total comprehensive income for the year		–	–	**–**	**6,375**	**(11,126)**	**2,107**	**–**	–	**112,471**	**109,827**	**761**	**110,588**
Transactions with owners recorded directly in equity													
Decrease in non-controlling interests		–	–	**–**	**–**	**–**	**–**	**–**	–	2,143	**2,143**	(2,143)	**–**
Loss on transaction with the intermediate parent company	19	–	–	**–**	**–**	**–**	**–**	**–**	–	(12,514)	**(12,514)**	–	**(12,514)**
Total transactions with owners		–	–	**–**	**-**	**–**	**–**	**–**	–	**(10,371)**	**(10,371)**	**(2,143)**	**(12,514)**
Other changes													
Amortisation of revaluation reserve for property, plant and equipment		–	–	–	(170)	–	–	–	–	170	–	–	**–**
Balance at 31 December 2022		**258,201**	**(2,638)**	**764**	**7,521**	**(2,792)**	**1,839**	**(137,564)**	**2,847**	**449,893**	**578,071**	**747**	**578,818**

(in millions of Kazakhstani tenge unless otherwise stated)

				Attributable to equity holders of the Group									
	Note	*Share capital*	*Treasury shares acquired*	*Additional paid-in capital*	*Revaluation reserve for property, plant and equipment*	*Fair value reserve*	*Cumulative reserve for translation to presentation currency*	*Reverse acquisition reserve*	*Equity instrument reserve*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2023		**258,201**	**(2,638)**	**764**	**7,521**	**(2,792)**	**1,839**	**(137,564)**	**2,847**	**449,893**	**578,071**	**747**	**578,818**
Comprehensive income for the year													
Profit for the year		–	–	–	–	–	–	–	–	151,872	**151,872**	416	**152,288**
Other comprehensive income		–	–	–	(77)	11,362	(3,827)	–	–	–	**7,458**	–	**7,458**
Total comprehensive income for the year		**–**	–	**–**	**(77)**	**11,362**	**(3,827)**	**–**	–	**151,872**	**159,330**	**416**	**159,746**
Transactions with owners recorded directly in equity													
Other changes													
Share-based payment arrangements		–	–	–	–	–	–	–	(2,847)	–	**(2,847)**	–	**(2,847)**
Amortisation of revaluation reserve for property, plant and equipment		–	–	–	(642)	–	–	–	–	642	–	–	–
Balance at 31 December 2023		**258,201**	**(2,638)**	**764**	**6,802**	**8,570**	**(1,988)**	**(137,564)**	**–**	**602,407**	**734,554**	**1,163**	**735,717**

1. Background

Organisation and operations

These consolidated financial statements include the financial statements of First Heartland Jusan Bank Joint Stock Company (the "Bank") and its subsidiaries (the "Group").

The Bank was registered on 17 January 1992 as Tsesnabank Open Joint Stock Company ("OJSC") under the laws of the Republic of Kazakhstan. As a result of changes made to the legislation in 2003, the Bank was re-registered as a joint stock company (the "JSC") on 26 December 2003.

On 6 February 2019, First Heartland Securities JSC, an investment division of the financial holding company owned by Nazarbayev Fund Private Fund and the group of autonomous educational organizations *Nazarbayev University* and *Nazarbayev Intellectual Schools*, purchased 99.8% of ordinary shares of Tsesnabank JSC.

On 26 April 2019, the First Heartland Securities JSC undertook a rebranding of the Bank. After rebranding, the Bank was named First Heartland Jýsan Bank JSC with the retail brand named 'Jýsan Bank'.

On 16 March 2021, the general meeting of shareholders made a decision to change the Bank's trade name, First Heartland Jýsan Bank, for 'First Heartland Jusan Bank', with the retail brand named 'Jusan Bank'.

On 28 May 2021, the Republic State Institution "Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market" (the "ARDFM") decided to issue a permission to the Bank for voluntary reorganisation in the form of a takeover of its subsidiary ATFBank JSC.

On 14 July 2023, as part of a consensual dispute resolution on the Jusan group, and for the purpose of returning/transferring assets to Kazakh jurisdiction, as many as 8,262,711 ordinary shares of First Heartland Securities JSC (99,745% of the voting shares) were purchased from Jusan Technologies LTD, by Mr G.Sh. Yessenov. The ultimate controlling party of the Bank and of its subsidiaries has also been transferred from New Generation Foundation, Inc. to Mr G.Sh. Yessenov.

The Bank carries on its activity based on the general licence No.1.2.35/225/37 to conduct banking and other operations and engage in activities on securities market, granted on 29 August 2019 by the National Bank of the Republic of Kazakhstan (the "NBRK"). On 3 February 2020, the Bank's licence No.1.2.35/225/37 to conduct banking and other operations and engage in activities on securities market was re-issued as a result of changes in the legislation. On 7 April 2021, the Bank's licence No.1.2.35/225/37 to conduct banking and other operations and engage in activities on securities market was re-issued due to a change of the name and following the re-registration procedure.

The principal activities of the Bank are commercial banking operations, lending issuing guarantees, deposit taking, customer accounts opening and maintenance, cash and settlement operations, and securities and foreign exchange transactions. The Bank's issued securities are listed on the Kazakhstan Stock Exchange ("KSE").

The Bank is a member of the Kazakhstan Deposit Insurance Fund (the "KDIF"). The main goal of the KDIF is to protect the interests of depositors in the event of forced liquidation of a bank, the participant of the Fund. As at 31 December 2023, the deposit insurance coverage limit for saving deposits in the national currency is KZT 20 million; for cards, accounts and other deposits in the national currency, up to KZT 10 million and in a foreign currency, up to KZT 5 million (31 December 2022: KZT 15 million, KZT 10 million, and KZT 5 million, respectively).

The Bank's registered head office is: 242 Nazarbayev Avenue, Medeusky District, Almaty, Republic of Kazakhstan.

The majority of the Bank's assets and liabilities are located in the Republic of Kazakhstan.

The Bank's subsidiaries

On 5 January 2022, the trade name of the subsidiary Jusan Development LLP was changed, specifically, Concern Tsesna-Astyk LLP was renamed JFood Kazakhstan LLP.

In May 2022, the Bank repurchased ordinary shares held by minority shareholders of First Heartland Jusan Invest JSC, numbering 996, 720 shares, for a total of KZT 13 million. Thus, the ratio of the number of ordinary shares of First Heartland Jusan Invest JSC owned by the Bank to the total number of voting ordinary shares of First Heartland Jusan Invest JSC was 100.0%.

(in millions of Kazakhstani tenge unless otherwise stated)

1. Background, continued

Organisation and operations, continued

The Bank's subsidiaries, continued

The Bank's subsidiaries as at 31 December 2023 and 2022 are as follows:

			Ownership interest, %	
Name	***Country of incorporation***	***Principal activity***	***31 December 2023***	***31 December 2022***
First Heartland Capital JSC	The Republic of Kazakhstan	Investment portfolio management	100.00	100.00
Jusan Development LLP	The Republic of Kazakhstan	Doubtful and bad assets management	100.00	100.00
OMAD YUG LLC	The Republic of Kazakhstan	Doubtful and bad assets management	100.00	100.00
Jusan Inkassatsiya LLP	The Republic of Kazakhstan	Cash collection services	100.00	100.00
Jusan Property LLP	The Republic of Kazakhstan	Doubtful and bad assets management	100.00	100.00
IC Jusan Garant JSC	The Republic of Kazakhstan	Insurance activities	100.00	100.00
First Heartland Jusan Invest JSC	The Republic of Kazakhstan	Brokerage and dealing activities	100.00	100.00
Optima Bank OJSC	The Kyrgyz Republic	Banking	97.14	97.14

Shareholders

As at 31 December 2023 and 2022, the following shareholders owned more than 5% of the outstanding shares of the Bank:

Shareholders	***31 December 2023, %***	***31 December 2022, %***
First Heartland Securities JSC	79.63	78.73
Mr G.Sh. Yessenov	20.11	20.11
Other	0.25	1.16
Total	**100.00**	**100.00**

During 2023, the Bank repurchased ordinary shares held by the Bank's minority shareholders, as many as 1,487,869 shares, for a total of KZT 283 million. The ratio of the number of ordinary shares of the Bank owned by First Heartland Securities JSC to the total number of voting ordinary shares of the Bank was 79.63%.

At 31 December 2023, the major shareholders of the Group are First Heartland Securities JSC, a broker in Kazakhstan, which owns 79.63% of outstanding ordinary shares, and Mr Galimzhan Shakhmardanovich Yessenov, who owns 20.11% of outstanding ordinary shares (31 December 2022: First Heartland Securities JSC which owns 78.73% of outstanding ordinary shares, and Mr G.Sh. Yessenov, who owns 20.11% of outstanding ordinary shares).

As at 31 December 2023, the ultimate controlling party of the Bank and of its subsidiaries is Mr G.Sh. Yessenov (31 December 2022: New Generation Foundation, Inc.).

These consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue by the Management Board of the Bank on 29 March 2024.

Kazakhstan business environment

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

Depreciation of the Kazakhstan Tenge and volatility in the global price of oil also increases the level of uncertainty in the business environment.

(in millions of Kazakhstani tenge unless otherwise stated)

1. Background, continued

Kazakhstan business environment, continued

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.

27 November 2023, the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan (the "NBRK") has made decision to cut the base rate to 15.75% per annum, setting the interest rate corridor of +/-1.0 percentage points.

According to the official data of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, in December 2023, the annual inflation of the Republic of Kazakhstan ran at 9.8% (31 December 2022: at 20.3%). There has been an increase in prices for foodstuffs by 8.5%, non-food products by 9.1% and chargeable services by 12.4% (31 December 2022: 25.3%, 19.4% and 14.1%, respectively).

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

2. Basis of preparation

General

These consolidated financial statements have prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except as stated in the section *Material accounting policies*. Derivative financial instruments, trading securities, investment securities at fair value through other comprehensive income, loans to customers at fair value through profit or loss, the acquired right of claim to the Ministry of Finance of the Republic of Kazakhstan (the "MFRK") on promissory note at fair value through other comprehensive income and land plots and buildings (classified as property, plant and equipment) were measured at fair value.

Functional and presentation currency

The functional currency of the Bank and its subsidiaries, except for Optima Bank OJSC, is the Kazakhstani tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The functional currency of Optima Bank OJSC is the Kyrgyz som.

KZT is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in KZT is rounded to the nearest million unless stated otherwise.

Reclassification

The following reclassifications were made in the consolidated statement of financial position for 2022 and in the consolidated statement of cash flows for 2022 to conform to changes in presentation in 2023:

	For the year ended 31 December 2022		
Consolidated statement of financial position	***As previously reported***	***Effect of reclassifications***	***As reclassified***
Amounts due from banks and other financial institutions	43,087	1,904	**44,991**
Other assets	82,206	(1,904)	**80,302**

(in millions of Kazakhstani tenge unless otherwise stated)

2. Basis of preparation, continued

Reclassification, continued

	For the year ended 31 December 2022		
Consolidated statement of cash flows	***As previously reported***	***Effect of reclassifications***	***As reclassified***
Amounts due from banks and other financial institutions	(6,049)	6,491	**442**
Other assets	17,786	(6,491)	**11,295**

	For the year ended 31 December 2021		
Consolidated statement of financial position	***As previously reported***	***Effect of reclassifications***	***As reclassified***
Amounts due from banks and other financial institutions	35,938	8,419	**44,357**
Other assets	94,412	(8,419)	**85,993**

The above reclassifications had no impact on the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022.

3. Material accounting policies

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

In addition, the Group adopted the *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 *Material Accounting Policies* (2022: *Significant Accounting Policies*) in certain instances in line with the amendments.

Basis for consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an investment in an associate (an equity-accounted investee) or as a financial asset at fair value through other comprehensive income, depending on the level of influence retained.

Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors.

The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

3. Material accounting policies, continued

Loss of control, continued

Acquisitions and disposals of non-controlling interests

The Group accounts for the acquisitions and disposals of non-controlling interests as transactions with equity holders in their capacity as equity holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to tenge at the exchange rate at that date. The foreign currency gain or loss on monetary items is recognised in the consolidated statement of profit or loss and other comprehensive income as 'net foreign exchange gain/loss – revaluation of foreign currency items, net'.

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

Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of equity instruments designated as at FVOCI, which are recognised in other comprehensive income.

As at 31 December 2023, the official exchange rate used for translation of foreign currency balances was KZT 454.56 for USD 1.00 (31 December 2022: KZT 462.65 to USD 1.00).

Foreign operations

The assets and liabilities of foreign subsidiaries, including fair value adjustments arising on acquisition, are translated to tenge at the exchange rates at the reporting date. The income and expenses of foreign subsidiaries are translated to tenge at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Measurement of fair values

The Group measures financial instruments classified as at FVTPL and FVOCI, and some of non-financial assets such as land, (administrative) buildings and investment property at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

3. Material accounting policies, continued

Measurement of fair values, continued

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3: valuation models, in which inputs that are significant to the fair value measurement are not observable in the market and the unobservable inputs have a significant effect on the instrument's valuation.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

The Group calculates interest income on debt financial assets measured at amortised cost or at FVOCI by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment option) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

When a financial asset becomes credit-impaired, the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset is cured and no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates interest income by calculating the credit risk-adjusted effective interest rate and applying that rate to the amortised cost of the asset. The credit risk-adjusted effective interest rate is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all financial assets at FVTPL is recognised using the contractual interest rate in 'Other interest income' in the consolidated statement of profit or loss and other comprehensive income.

3. Material accounting policies, continued

Revenue and expense recognition

Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Fees and commissions for financial services, that are not integral to the effective interest rate on the appropriate financial instrument, is recognised depending on the type of the service either at a point in time or as the Group satisfies its performance obligation under the contract:

- fees and commissions for transfer operations, cash operations and foreign exchange is charged for execution of customers' payment orders in accordance with the tariffs depending on the type of transaction and is recognised as income at the time when transaction is performed;
- a commission fee on guarantees and letters of credit issued is paid in advance and is recognised as income over the lifetime of the relevant guarantee or letter of credit;
- client account maintenance fees are recognised over time as the services are provided.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group's consolidated financial statements may be partially in the scope of IFRS 9 *Financial Instrument*s and partially in the scope of IFRS 15 *Revenue from Contracts with Customers*. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses comprise mainly transaction support and service fees, which are expensed as the services are received.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group's operations are highly integrated and constitutes three operating business segments – banking, investment – brokerage and insurance activity – for the purposes of IFRS 8 *Operating Segments*.

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date, i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales of financial assets and liabilities are those that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

The classification of financial assets at initial recognition depends on the contractual terms and business model used for managing instruments. Financial instruments are initially measured at their fair value, including transaction costs, except when financial assets and financial liabilities measured at FVTPL.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- amortised cost;
- fair value through other comprehensive income (FVOCI);

3. Material accounting policies, continued

Financial assets and liabilities, continued

Initial recognition, continued

Measurement categories of financial assets and liabilities, continued

- and fair value through profit or loss (FVTPL).

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are instruments held for trading and derivative instruments, or the Group may designate a financial liability to be measured at fair value.

Amounts due from banks and other financial institutions, loans to customers, and other financial investments at amortised cost

The Group measures amounts due from banks and other financial institutions, loans to customers, and other financial investments at amortised cost, only when both of the following conditions are met:

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

These criteria are detailed below.

Business model assessment

The Group makes an assessment of the objective of the business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the business model is evaluated (and the financial assets held within that business model) and how this information is communicated to key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held within that business model but considers such information when assessing newly originated or newly purchased financial assets.

'Solely payments of principal and interest on the principal amount outstanding' test (SPPI test)

As a second step of its classification process, the Group assesses the contractual terms of the financial asset to identify whether contractual cash flows are solely payments of principal and interest (so called SPPI test).

3. Material accounting policies, continued

Financial assets and liabilities, continued

Initial measurement, continued

'Solely payments of principal and interest on the principal amount outstanding' test (SPPI test) , continued

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest under lending arrangement are typically the consideration for the time value of money and credit risk. For SPPI testing, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

By contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Debt securities and promissory notes measured at FVOCI

The Group measures debt securities and promissory notes at FVOCI, if both of the following conditions are met:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset meet the SPPI test.

Debt securities and promissory notes at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Expected credit losses ("ECL") on debt securities and promissory notes at FVOCI will not decrease the carrying amount of these financial assets in the consolidated statement of financial position that continue to be measured at fair value. Instead, the amount equal to the allowance for expected credit losses that would be created when measuring the asset at amortised cost is recognised in OCI as the cumulative amount of the impairment, with the recognition of corresponding amounts in profit or loss. The cumulative amount of losses recognised in OCI is reclassified to profit or loss when the asset is derecognised.

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to irrevocably designate some of its equity investments as measured at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never reclassified to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of such instruments, accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and credit related commitments

The Group issues financial guarantees, letters of credit and credit related commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the greater of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit and loss, and ECL allowance.

3. Material accounting policies, continued

Financial assets and liabilities, continued

Initial measurement, continued

Financial guarantees, letters of credit and credit related commitments, continued

Credit related commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan on pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The Group occasionally issues commitments to provide loans at below-market interest rates. Such commitments are initially recognised at fair value and subsequently measured at the greater of an ECL allowance and the amount initially recognised less cumulative income, where appropriate.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the potential failure of another party to perform the contractual obligation. Therefore, performance guarantees are not considered financial instruments and thus do not fall in the scope of IFRS 9.

Reclassification of financial assets and financial liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances when the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2022.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted discretionary balances held with the NBRK and other banks and financial institutions, 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 Group in the management of short-term commitments. Cash and cash equivalents are recognised at amortised cost in the consolidated statement of financial position.

Repurchase and reverse repurchase agreements and securities lending

Securities sold under sale and repurchase agreements ("repo") are accounted for as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position, and if the transferee has the contractual or constructive right to sell or repledge them, are reclassified as investment securities pledged under sale and repurchase agreements. The corresponding liabilities are recorded as accounts payable under repurchase agreements. Securities purchased under agreements to resell ("reverse repo") are recorded as accounts receivable under reverse repurchase agreements. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest method.

Securities pledged under repo agreements are retained in the consolidated statement of financial position. Securities borrowed are recorded in the consolidated statement of financial position only if these are sold to third parties, in which case the purchase and sale transaction is recorded within gains less losses from trading securities in the consolidated statement of profit or loss and other comprehensive income. The obligation to return them is recorded as a trading liability and measured at fair value.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments (including futures, forwards, swaps and options) on currency markets and capital markets. Such financial instruments are held for trading and are initially recorded at fair value. The fair values are measured based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors.

3. Material accounting policies, continued

Financial assets and liabilities, continued

Initial measurement, continued

Derivative financial instruments, continued

Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss and other comprehensive income as 'net gains/losses on financial instruments at fair value through profit or loss'.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. Financial assets are classified based on the business model and SPPI assessments.

Borrowings

Issued separate financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include loans from a state-owned company, amounts due to banks and other financial institutions, current accounts and deposits from customers, debt securities issued, subordinated debts and other borrowed funds. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when liabilities are derecognised, as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group 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 Group and all counterparties.

Restructuring of loans

Where possible, the Group seeks to restructure loans to customers rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. Assessment of the Group's financial assets is performed in a similar way. Assessment of the Group's financial assets, other than loans to customers, is performed in a similar way.

The Group derecognises a financial asset, e.g. a loan to a customer, if the related contractual terms are renegotiated to the extent that it in fact becomes a new loan, and records the difference as gains or losses arising from derecognition before impairment loss is recognised. Upon initial recognition the loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether the loan to customer should be derecognised, the Group considers the following:

- change of the currency of the financial asset;
- change of a counterparty (e.g. a borrower);

3. Material accounting policies, continued

Restructuring of loans, continued

- change of terms of the financial asset that lead to non-compliance with test SPPI criterion (e.g. inclusion of conversion feature).

If the modification does not imply a substantial change in cash flows, such modification does not result in a derecognition. Based on the changes in cash flows discounted at the original effective interest rate, not related to the deterioration of the borrower's financial condition, the Group recognises gains or losses from the modification that are recorded within interest income calculated using the effective interest rate method, in profit or loss before impairment loss is recognised.

If the modification does not result in derecognition, the Group also reassesses the significant increase in credit risk or the need to classify assets as credit-impaired. After the designation of an asset as credit-impaired as a result of modification, it remains within Stage 3 for a probation period of at least 12 months. To transfer a restructured loan from Stage 3, the following factors should be considered: a) gross carrying amount of all financial assets of the borrower reduced to the amount before it was allocated to Stage 3; b) no restructuring resulting from deterioration of the borrower's financial position was made; c) there is not any amounts outstanding past due more than 30 days; and d) there is not any other indication of impairment showed within twelve months.

Measurement of impairment

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit and loss:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, for which they are measured as 12-month expected credit losses:

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

12-month expected credit losses (12-month ECL) are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments, other than purchased or originated credit-impaired assets, for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

Measurement of expected credit losses (ECL)

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

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts*: the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

(in millions of Kazakhstani tenge unless otherwise stated)

3. Material accounting policies, continued

Measurement of impairment, continued

Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group formulates three economic scenarios: a base case, which is a central scenario assigned a 60% probability of occurring, and two less likely scenarios, one upside and one downside scenario, each assigned a 20% probability of occurring. The central scenario is aligned with information used by the Group for other purposes such as strategic planning and budgeting.

External information on macroeconomic variables considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, such as the NBRK and Ministry of National Economy of the Republic of Kazakhstan, and information available from public official sources as well as information on listed assets.

Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A review is performed by the Group at least annually on the design of the scenarios.

The Group has identified and documented key drivers of credit risk and credit losses such as a consumer price index, Brent crude oil prices and change in the share of non-performing loans, for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

In the course of a regression analysis, the Group identified key macroeconomic indicators that affect the average default rates on various segments of the Group’s loan portfolio. The Group has developed a regression model based on the results of the regression analysis, which is used to forecast the average default rates on the loan portfolio, depending on the macroeconomic indicators forecast.

These key drivers are Brent crude oil prices and a consumer price index.

The economic scenarios used as at 31 December 2023 included the following key indicators for the years 2024-2025.

	1 January 2024	***1 January 2025***
Brent crude oil price	Base scenario 96.89 Downside scenario 89.50 Upside scenario 102.47	Base scenario 100.06 Downside scenario 88.20 Upside scenario 111.40
A consumer price index in % on a year-over-year basis	Base scenario 9.59% Downside scenario 10.45% Upside scenario 8.65%	Base scenario 6.89% Downside scenario 7.45% Upside scenario 6.19%

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on the analysis of historical data over the past years.

The results of the regression analysis may be limited to take account of significant changes in borrowers’ behaviour due to that some institutional changes occurred, and the quantitative assessment of the changes in the NBRK’s regulatory policies and the Group’s lending policy. However, the cross-validation of the developed models has shown positive results, which may indicate that the model is deemed to be stable to changes in the above factors.

3. Material accounting policies, continued

Measurement of impairment, continued

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECLs are measured as follows:

- If the expected restructuring does not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets 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 past due;
- the restructuring of a loan or advance on terms that the Group would not consider otherwise;
- 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.

A loan that has been renegotiated due to a deterioration in the borrower’s condition was usually considered to be credit-impaired unless there was evidence that the risk of not receiving contractual cash flows had reduced significantly and there were no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

In making an assessment of whether an investment in sovereign debt (other financial assets) is credit-impaired, the Group considers the following factors:

- the market’s assessment of creditworthiness as reflected in the bond yields.
- the rating agencies’ assessments of creditworthiness.
- the country’s ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness;
- the international support mechanisms in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the consolidated statement of financial position where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its right to receive cash flows from the asset, or has assumed an obligation to transfer the received cash flows in full without material delay to a third party under a 'pass-through’ arrangement; and

3. Material accounting policies, continued

Derecognition of financial assets and liabilities, continued

Financial assets, continued

- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value. The extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-offs

Financial assets are written off in part or in full, only when the Group does not expect to recover their value. If the amount to be written off is greater than the accumulated impairment allowance, the difference is at first recorded as the increase in the allowance that is subsequently applied to the gross carrying amount. All the subsequent reversals are recognised as credit loss expenses. The write-off relates to the derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Government grants

Government grants are recognised when there is a reasonable assurance that they will be received and that the conditions associated with the grants will be complied with. If a government grant is issued to finance specific expenses, it is recognised as income on a systematic basis in the same periods in which costs, which the grant is to compensate, are expensed. Such grants are deducted from the appropriate expenses when such expenses are recognised in the consolidated financial statements.

Where the Group receives grants in the form of non-monetary assets, an asset and a grant are measured at nominal value and are recognised in profit or loss in equal parts, in accordance with the pattern of consumption of the economic benefits embodied in the underlying asset over the estimated useful live thereof.

The benefit of a government loan at a below-market interest rate is treated as a government grant. These financial liabilities are recognised and measured in accordance with IFRS 9 *Financial Instruments*. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan measured in accordance with IFRS 9 and the proceeds received.

Property, plant and equipment

Owned assets

Items of property, plant and equipment except for land and administrative buildings are stated in the consolidated financial statements at cost less accumulated depreciation and impairment losses.

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

3. Material accounting policies, continued

Property, plant and equipment, continued

Owned assets, continued

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Following initial recognition at cost, land and administrative buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed with sufficient frequency to avoid significant differences between the fair value of a revalued asset and its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the derived amount is restated based on the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property, plant and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised within profit or loss. In which case an increase in the asset is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property, plant and equipment.

An annual transfer from the revaluation reserve for property, plant and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, the relevant amount included within revaluation reserve is transferred to retained earnings.

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 first day of the month following the acquisition date or, in respect of internally constructed assets, on the first day of the month following the time an asset is completed and ready for use. Land, construction in progress and assets to be installed are not depreciated. The estimated useful lives of items of property, plant and equipment are as follows:

	Years
Administrative buildings	25-100
Industrial buildings	25-55
Computers	5-10
Vehicles	7
Other	2-20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Costs related to repairs and renewals are expensed as incurred and included in other operating expenses, unless they qualify for capitalisation.

Intangible assets

Acquired intangible assets are stated in the consolidated financial statements at cost less accumulated amortisation and impairment losses.

Licences, patents, trademarks and permits valid within 12 (twelve) months are accounted for by the Group as deferred expenses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life ranges from 2 to 30 years.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Items of investment property are measured at fair value.

3. Material accounting policies, continued

Provisions

A provision is recognised in the consolidated statement of financial position when the Group 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 amount of such liability is significant, 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 the risks specific to the liability.

Equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, other than on a business combination, are recognised as a deduction equity net of any tax effects. Any excess of the fair value of consideration received over the par value of shares issued is recorded as additional paid-in capital.

Cumulative non-redeemable preference shares

The component of the cumulative non-redeemable preference shares that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. The corresponding cumulative dividends on those shares are charged as interest expense in the consolidated statement of profit or loss and other comprehensive income. On issuance of the cumulative non-redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on redemption.

Treasury shares

Where the Bank or its subsidiaries acquire the Bank’s shares, their cost, including related transaction costs, net of corporate income tax, is deducted from total equity as treasury shares and recorded as a deduction from equity in the consolidated financial statements.

Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of Kazakh legislation.

Dividends are recognised as a liability and deducted from equity at the reporting period only if they are declared before or on the reporting date. Dividends are disclosed in the financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Taxation

Corporate income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current income tax includes the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Current corporate income tax payable also includes any tax liability arising from dividends.

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 assets are recognised for unused tax losses, 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 utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. 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.

3. Material accounting policies, continued

Taxation, continued

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 Group 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.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Insurance contracts

i. Classification of insurance contracts issued and held by the Group

Insurance contracts are classified to identify the applicable accounting rules in compliance with IFRS for all insurance contracts of the Group.

ii. Aggregation of insurance contracts into groups

Identification of portfolios of insurance and reinsurance contracts

The Group analyses issued insurance contracts and reinsurance contracts held to identify portfolios of insurance contracts (PIC) and reinsurance contracts. According to IFRS 17.14, a portfolios of insurance contracts comprises contracts subject to similar risks and managed together.

The Group combines insurance and inward reinsurance portfolios while observing at the same time the condition of risk similarity and joint management.

Those portfolios that account for an insignificant share of the Group's total premium pool, may be aggregated subject to immateriality of the grouping effect on the insurance financial performance.

The Group chose to subdivide the portfolios of issued insurance contracts additionally by currencies (IFRS 17.21).

The Group chose to subdivide the portfolios of reinsurance contracts held by currencies (IFRS 17.21).

iii. Structure of liabilities (assets) under insurance contracts

When measuring the groups of insurance contract (GIC), the Group measures two blocks of liabilities (assets, in case of negative value) under insurance contracts:

- Liability for incurred claims (LIC)
- Liability for remaining coverage (LRC)

3. Material accounting policies, continued

Insurance contracts, continued

iv. Identifying measurement models for groups of insurance contracts

Since the contractual terms do not specify that the policyholder participates in a share of a clearly identified pool of underlying items (i.e. the contracts do not contain direct participation features (IFRS 17.B101(a)), the Group considers two measurement models under IFRS 17 for applicability to ICG:

- The General Measurement Model (GMM).
- The Premium Allocation Approach (PAA).

Under IFRS 17.53, the PAA may apply for:

1. GIC where the coverage period of each contract in the group is one year or less; or
2. GIC for which the Group reasonably expects that a measurement of the liability for remaining coverage for that GIC in accordance with the PAA would not differ materially from the one that would be produced applying the requirements of the General Measurement Model (for contracts without direct participation features).

The Group has established that PAA-based measurement does not differ materially from the GMM-based measurement where for the group of insurance contracts at initial recognition the LRC difference between the two measurements is not expected to exceed 5% of cash flow from premiums for the group measured at initial recognition for each considered point in time in the future.

Thus, the Group's GIC with coverage of 1 year or less implicitly meets the 1st criterion of the PAA applicability. The condition of using the PAA for GIC containing contracts with coverage period of 1 year or less still apply where the expected period of claim settlements exceeds 1 year.

For GIC where PAA applies, the Group elects to use a simplified approach on an individual basis depending on complexity of cash flow generation and quality of input data.

If a GIC contains some insignificant number of insurance contracts with coverage period exceeding 1 year, the Group measures LRC using GMM and using PAA to verify meeting the 2nd criterion of PAA applicability.

The Group applies the GMM for all other GIC (i.e. those beyond the scope of application of the PAA, or for which the Group elected not to apply the PAA).

In compliance with IFRS 17.53, the Group plans to measure a major part of the portfolio applying the PAA.

v. Measurement of contracts using the General Measurement Model

Initial recognition of the liability for remaining coverage

On initial recognition, the Group measures a liability (or asset) recognised for a group of insurance contracts at the total of (IFRS 17.32):

- the fulfilment cash flows, which comprise:
  - estimates of future cash flows within the boundary of insurance contracts that would arise as the Company executed the contracts;
  - adjustment to reflect the time value of money and the financial risks related to the future cash flows (to the extent that the financial risks are not included in the estimates of the future cash flows);
  - a risk adjustment for non-financial risk; and
  - the contractual service margin (CSM).

Risk adjustment for non-financial risk

The entity must adjust the estimate of present value of future cash flows taking into account the compensation that the Group would require for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

3. Material accounting policies, continued

Insurance contracts, continued

v. Measurement of contracts using the General Measurement Model, continued

Risk adjustment for non-financial risk, continued

Under IFRS 17.B86, the risks covered by the risk adjustment for non-financial risk are insurance risk, termination risk and expense risk.

For determining the risk adjustment for non-financial risk, the Group uses the confidence level technique.

Contractual service margin (CSM)

CSM of the group of insurance contracts represents the unearned profit the Group will recognise as it provides insurance contract services.

vi. Contracts measured under Premium Allocation Approach (PAA)

Initial recognition of the liability for remaining coverage

When the Group applies the premium allocation approach, the Group assumes no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise (according to IFRS 17.18).

At initial recognition the Group measures the liability for remaining coverage as follows (IFRS 17.55):

- the premiums, if any, received at initial recognition;
- minus any insurance acquisition cash flows at that date, related to the group of insurance contracts; and
- plus or minus any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other asset or liability previously recognised for cash flows related to the group of contracts.

Subsequent measurement of the liability for remaining coverage

At each reporting period, the Group remeasures the liability for remaining coverage in accordance with IFRS 17.55(b).

Initial recognition of the liability for incurred claims

The Group recognises the liability for incurred claims when:

- first claims were incurred;
- or it is expected that claims were incurred but not reported yet;
- or when payment is due on the related investment component,
- or when other expenses related to the claims incurred have arisen.

The liability for incurred claims comprises the fulfilment cash flows related to past service allocated to the contracts at that date and consists of the following:

- estimate of future cash flows;
- adjustment for the time value of money and financial risk related to future cash flows; and
- risk adjustment for non-financial risk.

Estimates of future cash flows take into account future payments of claims, including costs that are directly attributable to the settlement and processing of claims, including fixed or variable overhead costs, if they are directly related to the fulfilment of insurance contracts and are allocated to the group of insurance contracts in a systematic and reasonable manner.

The Group uses the confidence level technique for determining the risk adjustment for non-financial for the liability for incurred claims.

3. Material accounting policies, continued

Insurance contracts, continued

vi. Contracts measured under Premium Allocation Approach (PAA), continued

Subsequent measurement of the liability for incurred claims

Subsequent measurement of the liability for incurred claims is based on the current assumptions as at the reporting date. The liability for incurred claims is recognised as insurance service expenses related to incurred claims net of discounting within the period. The effects of discounting, financial risk and changes in the discount rate curve on the liability for incurred claims are presented in finance income or finance costs from insurance.

The Group derecognises the liability for incurred claims when benefits are provided or when it becomes evident that no liability to provide benefits exists.

vii. Principles of classification and allocation of expenses

The Group analyses and allocates incurred expenses to one of the following functional areas:

- acquisition cash flows;
- expenses for policy administration and servicing;
- expenses for claims settlement;
- other operating expenses not related to the previous functional areas.

The Group considers expenses related to the first three functional areas as expenses directly related to fulfilling the obligations under insurance contracts, while expenses related to the last functional area are considered as expenses that cannot be directly attributed to the insurance contract portfolio.

The Group performs the following analyses to achieve the required allocation of expenses:

- Direct analysis of expenses in the Company's database to identify expense items related partially or fully to the fulfilment of insurance contracts.
- Regular analysis of the functionality of the Company's business units to allocate expenses by type (acquisition cash flows, expenses for policy administration and servicing and expenses for settling insurance claims).

viii. Presentation in the statement of financial performance

Recognition of insurance revenue

The Group recognises insurance revenue to depict provision of coverage and other services provided for by a group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Accounting treatment for onerous contracts

If a group of insurance contracts is recognised to be onerous (or if a group of insurance contracts becomes onerous (or more onerous) on subsequent measurement (IFRS 17.47-48), the Group establishes (or increases) a loss component of the liability for remaining coverage. The loss component determines the amounts that are presented in profit or loss as reversals of losses on onerous groups and are consequently excluded from the determination of insurance revenue.

The Group allocates all subsequent changes in the fulfilment cash flows referred to this group caused by changes in future cash flows estimate related to future period services solely to the loss component until that component is reduced to zero.

3. Material accounting policies, continued

Insurance contracts, continued

ix. Insurance finance income or expenses

Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk (IFRS) 17.87).

x. Foreign currency accounting

According to IFRS 17.30 the Group treats an insurance contract as a monetary item and applies IAS 21 to translate items denominated in foreign currency into the Group's financial statements. Procedure of determining and application of market foreign exchange rates is set by the Resolution of the Management Board of the authorised body.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 with earlier application permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- *Amendments to IAS 1 - Classification of Liabilities as Current or Non-current;*
- *Amendment to IFRS 16 Leases - Lease Liability in a Sale and Leaseback*;
- *Additional disclosures to IAS 7 Statements of Cash Flows;*
- *IFRS 7 Financial instruments: Disclosures.*

New standards, interpretations and amendments to existing standards and interpretations effective from 1 January 2023

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise specified).

- *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.*

These amendments had no material impact on the consolidated financial statements of the Group. The effect of applying IFRS 17 *Insurance Contracts* is described in *Note 5*. Financial guarantees issued by the Group are accounted for in compliance with the requirements of IFRS 9 *Financial Instruments: Recognition and Measurement*.

4. Significant accounting judgements and estimates

Estimation uncertainty

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

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

4. Significant accounting judgements and estimates, continued

Estimation uncertainty, continued

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Based on the entire information available as at 31 December 2023, when measuring fair value of financial instruments, the Group stated the remeasured expected future cash flows *(Note 44)*.

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL/ impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Moreover, large-scale business interruptions may result in liquidity problems for certain entities and customers. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered accounting judgements and estimates include:

- the Group's internal credit grading model, which assigns probabilities of default ("PD");
- the Group's criteria, including qualitative assessments, for assessing if there has been a significant increase in credit risk resulting in ECL for financial assets being measured on a lifetime basis;
- grouping of financial assets, including various formulas and selection of inputs;
- determination of associations between macroeconomic scenarios and economic inputs such as unemployment levels and collateral values, and the resulting effect on PD, exposures at default ("EAD") and losses given default ("LGD");
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Management of the Group monitors collateral on a regular basis. Management uses its judgments based on experience or independent estimates to adjust the value of collateral to reflect current market conditions.

The Group remeasured expected credit losses to reflect current economic conditions. ECL on loans to customers estimated individually have also been recalculated based on the latest information on impact of current conditions on operations of the Group's customers. Based on entire information available as at 31 December 2023, when calculating ECL, the Group stated the remeasured expected future cash flows.

The loss allowance for expected credit losses for loans to customers recognised in the consolidated statement of financial position as at 31 December 2023 was KZT 280,911 million (31 December 2022: KZT 316,462 million). Details are disclosed in *Note 23*.

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or non-existent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict.

Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that as at 31 December 2023 and 2022 the Group is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

(in millions of Kazakhstani tenge unless otherwise stated)

5. Changes in material accounting policies

IFRS 17 *Insurance Contracts*

i. Recognition, measurement and presentation of insurance contracts

The Group has adopted new IFRS 17 *Insurance Contracts* from 1 January 2023. IFRS 17 establishes principles for the recognition, measurement presentation and disclosure of insurance contracts and replaces IFRS 4 *Insurance contracts*. IFRS 17 introduced significant changes to the accounting for insurance and reinsurance contracts. As a result, the Group restated certain comparative amounts and presented its third statement of financial position as at 1 January 2022.

Except for the changes described below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

The nature and impact of the key changes in the Group's accounting policies resulting from the adoption of IFRS 17 are summarised below.

IFRS 17 sets out principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The Group’s accounting policies on insurance and reinsurance contracts under IFRS 17 are set out in Note 3.

The Group mostly applies the Premium Allocation Approach (PAA) to measure insurance contracts and reinsurance contracts held, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Group’s previous accounting treatment. However, when measuring liabilities for incurred claims, the Group now discounts the future cash flows and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented by the Group in profit or loss. Under IFRS 17, insurance acquisition cash flows are recognised as deferred income (by reducing the initially recognised liability) and recognised as expense over time using a systematic basis. The Group recognises an asset for acquisition cash flows for insurance contracts related to a group of existing or future insurance contracts that it pays before the group of related insurance contracts is recognised, and tests the asset recoverability.

Also, under IFRS 17, insurance finance income and expenses are presented separately from insurance revenue and insurance expenses. Income and expenses from reinsurance contracts, except for insurance finance income and expenses, are now presented as a single amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

ii. Transition to IFRS 17

Changes in accounting policies arising from application of IFRS 17 were applied using the modified retrospective approach. The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Group applied modifications only to the extent that the Group had no required information to apply full retrospective approach under IFRS 17.

The Group has applied the transition provisions of IFRS 17 and did not disclose the effect of application of IFRS 17 on each item of the consolidated financial statements and earnings per share. The effect of application of IFRS 17 on the consolidated financial statement as at 1 January 2022 is presented in the consolidated statement of changes in equity.

6. Analysis of credit risks

For information on the Group’s financial risk management framework, see *Note 38*. The corresponding description of accounting policies is presented in *Note 3*.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and expert credit assessment and including forward-looking information.

6. Analysis of credit risks, continued

Significant increase in credit risk, continued

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

- quantitative test based on movement in PD (depending on the related group of risk of the financial instrument the movement of 100-200% increase in PD results in significant increase in credit risk);
- qualitative indicators; and
- backstop of 30 days past due.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
• Information obtained during periodic review of borrowers' files – e.g. financial statements, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes; • Data from credit reference agencies, press articles, changes in external credit ratings; • Quoted bond and credit default swap (CDS) prices for the issuer where available; • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	• Payment record – this includes overdue status as well as a range of variable about payment ratios; • Utilisation of the granted limit; • Requests for and granting of forbearance; • Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region, by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For the majority of exposures the key macroeconomic indicators would be consumer price index and Brent crude oil prices.

The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting period. The criteria for determining whether credit risk has increased significantly vary depending on different types of lending, in particular between corporate and retail, as well as by portfolio and include both quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

6. Analysis of credit risks, continued

Determining whether credit risk has increased significantly, continued

Credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, it is determined that there are the objective factors resulting in deterioration of financial and economic position of the counteragent. When determining whether credit risk has increased significantly, remaining lifetime ECLs are adjusted for changes in maturity.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain hightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experience.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, with the exception of amounts due from banks and investment securities, for which significant increase in credit risk occurs, if past due by more than seven days. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

In these cases the Group determines a probation period of 3 months during which the financial asset is required to demonstrated good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement (Stage 1) to credit-impaired (Stage 3); and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (Stage 1) and lifetime ECL measurements (Stage 2).

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 (ninety) days on any material credit obligation to the Group, with the exception of amounts due from banks and investment securities, which are considered to be in default if past due more than 7 (seven) days. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- debt has been restructured due to deterioration of financial status of any of the significant loan liabilities of the borrower; or
- it is probable that the borrower goes bankrupt.

In assessing whether an issuer is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and

6. Analysis of credit risks, continued

Definition of default, continued

- based on data developed internally and obtained from external sources.

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

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. To assess forward-looking information, the Group uses external information.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. These drivers are inflation forecast, Brent crude oil prices and change in share of non-performing loans.

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data for the last 5 (five) years.

Modified financial assets

The contractual terms of a loan agreement may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new instrument at fair value in accordance with the accounting policy.

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

The Group renegotiates loans to customers in financial difficulties (referred to as “forbearance activities”) to maximise collection opportunities and minimise the risk of default. Under the Group’s forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Group’s forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group’s ability to collect interest and principal and the Group’s previous experience of similar forbearance action.

As part of this process, the Group evaluates the borrower’s payment performance against the modified contractual terms and considers various behavioural indicators.

Forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over 12 months before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of expected credit losses (ECL)

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. ECL for exposures in Stage 2 and Stage 3 is calculated by multiplying lifetime PD by LGD and EAD.

(in millions of Kazakhstani tenge unless otherwise stated)

6. Analysis of credit risks, continued

Measurement of expected credit losses (ECL) , continued

For financial assets, which are individually credit-impaired, the amount of allowances is measured for the remaining lending period as difference between the gross carrying amount of assets and present value of future cash flows.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where possible, the Group uses market inputs for assessment of PD of large counteragents - legal entities. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group estimates LGD parameters based on the history of recovery rates of operating activities and sale of collateral, which are based on statistical data and judgements on defaulted borrowers. The LGD models consider the structure, collateral and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (“LTV”) ratios are a key parameter in determining LGD. LGDs are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the guarantee exposure when the financial guarantee becomes payable.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include instrument type; credit risk gradings, collateral type, LTV ratio for retail mortgages, date of initial recognition, remaining term to maturity, industry, and geographic location of the borrower.

The groupings must be subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Measurement of ECLs

For portfolios in respect of which the Group has limited historical data, external benchmark information will be used to supplement the internally available data.

The portfolios at 31 December 2023 for which external benchmark information represents a significant input into measurement of ECLs are as follows.

Item	***Carrying at 31 December 2023***	***External benchmarks used***	
		PD	***LGD***
Cash and cash equivalents	611,511	Moody’s default study	100%; 0% - if the Government acts as a counterparty
Amounts due from banks and other financial institutions	63,834	Moody’s default study	100%; 0% - if a state-controlled entity acts as a counterparty
Investment securities	897,621	Moody’s default study	Moody’s recovery rates study
Acquired right of claim on promissory note to the MFRK	105,458	Moody’s default study	0%

(in millions of Kazakhstani tenge unless otherwise stated)

6. Analysis of credit risks, continued

Measurement of ECLs, continued

The portfolios at 31 December 2022 for which external benchmark information represents a significant input into measurement of ECLs are as follows.

Item	*Carrying amount at 31 December 2022*	*External benchmarks used* *PD*	*LGD*
Cash and cash equivalents	719,288	Moody's default study	100%; 0% - if the Government acts as a counterparty
Amounts due from banks and other financial institutions	44,990	Moody's default study	100%; 0% - if a stated-controlled entity acts as a counterparty
Investment securities	906,239	Moody's default study	Moody's recovery rates study
Acquired right of claim on promissory note to the MFRK	103,068	Moody's default study	0%

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments as at 31 December 2023. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	31 December 2023		
	Stage 1	*Stage 2*	*Total*
Investment securities measured at FVOCI			
- rated from AAA to AAA-	24,772	–	24,772
- rated from AA to AA-	1,359	–	1,359
- rated from A to A-	1,435	–	1,435
- rated from BBB- to BBB+	617,595	–	617,595
- rated from BB- to BB+	3,134	–	3,134
- not rated	10,569	1,078	11,647
Total	**658,864**	**1,078**	**659,942**
Expected credit losses (for reference only)	(385)	(23)	**(408)**
Total gross carrying amount of investment securities measured at FVOCI	**646,919**	**1,077**	**647,996**
Investment securities measured at amortised cost			
- rated from AAA to AAA-	32,942	–	**32,942**
- rated from BBB- to BBB+	200,686	–	**200,686**
- rated from B- to B+	4,211	–	**4,211**
	237,839	–	**237,839**
Expected credit losses	(160)	–	**(160)**
Total	**237,679**	–	**237,679**
Acquired right of claim on promissory note to the MFRK			
- rated from BBB- to BBB+	105,458	–	**105,458**
Total	**105,458**	–	**105,458**

(in millions of Kazakhstani tenge unless otherwise stated)

6. Analysis of credit risk, continued

Credit quality analysis, continued

Below is information about the credit quality of financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income as at 31 December 2022. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	31 December 2022		
	Stage 1	***Stage 2***	***Total***
Investment securities measured at FVOCI			
- rated from A to A-	3,958	−	3,958
- rated from AAA to AAA-	9,822	−	9,822
- rated from BBB- to BBB+	813,514	−	813,514
- rated from BB- to BB+	1,377	−	1,377
- rated from B- to B+	2,000	−	2,000
- not rated	1,520	4,494	6,014
Total	**832,191**	**4,494**	**836,685**
Expected credit losses (for reference only)	(126)	(155)	**(281)**
Total gross carrying amount of investment securities measured at FVOCI	**832,191**	**4,494**	**836,685**
Investment securities measured at amortised cost			
- rated from AAA to AAA-	5,202	−	**5,202**
- rated from BBB- to BBB+	58,401	−	**58,401**
- rated from B- to B+	6,051	−	**6,051**
	69,654	−	**69,654**
Expected credit losses	(100)		**(100)**
Total	**69,554**	−	**69,554**
Acquired right of claim on promissory note to the MFRK			
- rated from BBB- to BBB+	103,068	−	**103,068**
Total	**103,068**	−	**103,068**

The following table provides information on the credit quality of loans to customers measured at amortised cost as at 31 December 2023.

	31 December 2023				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to corporate customers at amortised cost					
- rated from A- to A+	5,957	−	−	−	**5,957**
- rated from BBB- to BBB+	37,070	−	−	−	**37,070**
- rated from BB- to BB+	44,603	−	−	−	**44,603**
- rated from B- to B+	198,645	726	−	−	**199,371**
- rated from CCC- to CCC+	2,106	431	−	−	**2,537**
- not rated*	223,562	8,425	5,432	13,604	**251,023**
- defaulted	−	−	27,902	264,314	**292,216**
	511,943	**9,582**	**33,334**	**277,918**	**832,777**
Expected credit losses	(4,706)	(1,088)	(13,979)	(211,652)	**(231,425)**
Loans to corporate customers	**507,237**	**8,494**	**19,355**	**66,266**	**601,352**
ECL allowance in relation to loans to customers before ECL allowance, %	0.9	11.4	41.9	76.2	27.8

(in millions of Kazakhstani tenge unless otherwise stated)

6. Analysis of credit risks, continued

Credit quality analysis, continued

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

	31 December 2022				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to corporate customers at amortised cost					
- rated from A- to A+	34,645	–	–	–	**34,645**
- rated from BBB- to BBB+	15,668	–	–	–	**15,668**
- rated from BB- to BB+	83,829	32	–	–	**83,861**
- rated from B- to B+	111,193	177	–	3,685	**115,055**
- rated from CCC- to CCC+	9,485	5,026	–	–	**14,511**
- not rated*	224,212	8,894	4,092	16,562	**253,760**
- defaulted	–	–	26,369	328,370	**354,739**
	479,032	**14,129**	**30,461**	**348,617**	**872,239**
Expected credit losses	(3,863)	(741)	(15,503)	(260,749)	**(280,856)**
Loans to corporate customers	**475,169**	**13,388**	**14,958**	**87,868**	**591,383**
ECL allowance in relation to loans to customers before ECL allowance, %	0.8	5.2	50.9	74.8	32.2

* *"Not rated" category comprises collectively assessed loans, for which probability of default is assessed on the basis of the migration matrix.*

The following table provides information on the credit quality of loans to corporate and retail customers measured at amortised cost as at 31 December 2023.

	31 December 2023				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to corporate customers at amortised cost					
Not overdue	504,640	7,881	11,866	143,970	**668,357**
Overdue less than 30 days	7,303	133	3,493	3,644	**14,573**
Overdue 30-89 days	–	1,565	1,612	999	**4,176**
Overdue 90-179 days	–	3	1,066	234	**1,303**
Overdue 180-360 days	–	–	6,188	11,419	**17,607**
Overdue more than 360 days	–	–	9,109	117,652	**126,761**
	511,943	**9,582**	**33,334**	**277,918**	**832,777**
Expected credit losses	(4,706)	(1,088)	(13,979)	(211,652)	**(231,425)**
Total	**507,237**	**8,494**	**19,355**	**66,266**	**601,352**
Loans to retail customers at amortised cost					
Not overdue	424,776	544	1,937	2,772	**430,029**
Overdue less than 30 days	14,479	152	574	53	**15,258**
Overdue 30-89 days	–	10,617	1,348	98	**12,063**
Overdue 90-179 days	–	457	10,045	51	**10,553**
Overdue 180-360 days	–	–	11,984	542	**12,526**
Overdue more than 360 days	–	–	17,749	5,153	**22,902**
	439,255	**11,770**	**43,637**	**8,669**	**503,331**
Expected credit losses	(10,993)	(3,514)	(31,704)	(3,275)	**(49,486)**
Total	**428,262**	**8,256**	**11,933**	**5,394**	**453,845**

(in millions of Kazakhstani tenge unless otherwise stated)

6. Analysis of credit risks, continued

Credit quality analysis, continued

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

	31 December 2022				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to corporate customers at amortised cost					
Not overdue	474,721	12,620	12,069	197,654	**697,064**
Overdue less than 30 days	4,298	1,233	3,105	6,156	**14,792**
Overdue 30-89 days	13	276	2,300	1,038	**3,627**
Overdue 90-179 days	–	–	650	16,730	**17,380**
Overdue 180-360 days	–	–	10,018	15,902	**25,920**
Overdue more than 360 days	–	–	2,319	111,137	**113,456**
	479,032	**14,129**	**30,461**	**348,617**	**872,239**
Expected credit losses	(3,863)	(741)	(15,503)	(260,749)	**(280,856)**
Total	**475,169**	**13,388**	**14,958**	**87,868**	**591,383**
Loans to retail customers at amortised cost					
Not overdue	289,403	887	1,931	3,938	**296,159**
Overdue less than 30 days	10,869	204	686	258	**12,017**
Overdue 30-89 days	–	7,367	1,225	659	**9,251**
Overdue 90-179 days	–	–	10,509	157	**10,666**
Overdue 180-360 days	–	–	15,912	267	**16,179**
Overdue more than 360 days	–	–	5,929	6,268	**12,197**
	300,272	**8,458**	**36,192**	**11,547**	**356,469**
Expected credit losses	(8,111)	(2,523)	(21,414)	(3,558)	**(35,606)**
Total	**292,161**	**5,935**	**14,778**	**7,989**	**320,863**

The following table provides information on quality of other financial assets measured at amortised cost as at 31 December 2023 and 2022:

	31 December 2023				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Other financial assets at amortised cost					
Not overdue	19,730	–	23	684	**20,437**
Overdue less than 30 days	267	8	3	2	**280**
Overdue 30-89 days	–	3,654	–	49	**3,703**
Overdue 90-179 days	–	119	307	388	**814**
Overdue 180-360 days	–	–	585	71	**656**
Overdue more than 360 days	–	–	865	350	**1,215**
	19,997	**3,781**	**1,783**	**1,544**	**27,105**
Expected credit losses	(320)	(276)	(986)	(481)	**(2,063)**
Total	**19,677**	**3,505**	**797**	**1,063**	**25,042**

	31 December 2022				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Other financial assets at amortised cost					
Not overdue	23,902	90	–	337	**24,329**
Overdue less than 30 days	180	–	16	22	**218**
Overdue 30-89 days	–	33	258	142	**433**
Overdue 90-179 days	–	170	1,439	44	**1,653**
Overdue 180-360 days	–	–	219	294	**513**
Overdue more than 360 days	–	–	4,258	81	**4,339**
	24,082	**293**	**6,190**	**920**	**31,485**
Expected credit losses	(1,229)	(36)	(162)	(296)	**(1,723)**
Total	**22,853**	**257**	**6,028**	**624**	**29,762**

(in millions of Kazakhstani tenge unless otherwise stated)

7. Net interest income

Net interest income comprises the following:

	2023	*2022*
Interest income calculated using the effective interest rate method		
Cash and cash equivalents	32,012	43,307
Amounts due from banks and other financial institutions	1,272	414
Investment securities measured at FVOCI	117,202	46,642
Investment securities measured at amortised cost	11,311	13,284
Loans to customers measured at amortised cost	194,886	163,776
Acquired right of claim on promissory note to the MFRK	4,260	4,300
Other financial assets	1,819	969
	362,762	**272,692**
Other interest income		
Trading securities	1,606	2,291
Finance lease receivables	223	221
Loans to customers measured at FVTPL	–	282
	1,829	**2,794**
Total interest income	**364,591**	**275,486**
Interest expense		
Amounts due to banks and other financial institutions	(1,574)	(2,290)
Accounts payable under repurchase agreements	(4,672)	(1,328)
Current accounts and deposits from customers	(86,460)	(58,875)
Debt securities issued *(Note 31)*	(24,879)	(28,503)
Subordinated debt *(Note 32)*	(26,916)	(26,019)
Lease liabilities	(439)	(529)
Liabilities to mortgage organisation	(482)	(524)
Other financial liabilities	(1,062)	(1,749)
Total interest expense	**(146,484)**	**(119,817)**
Net interest income	**218,107**	**155,669**

Interest income receipts comprise:

	2023	*2022*
Cash and cash equivalents	31,876	43,283
Amounts due from banks and other financial institutions	700	455
Trading securities	1,323	2,448
Investment securities	109,669	58,232
Loans to customers	192,231	117,853
Acquired right of claim on promissory note to the MFRK	4,288	4,215
Other financial assets	789	362
Total	**340,876**	**226,848**

Interest expense payments comprise the following:

	2023	*2022*
Amounts due to banks and other financial institutions	(656)	(2,613)
Accounts payable under repurchase agreements	(4,677)	(1,328)
Current accounts and deposits from customers	(83,875)	(57,605)
Debt securities issued *(Note 31)*	(11,621)	(13,462)
Subordinated debt *(Note 32)*	(16,194)	(16,616)
Liabilities to mortgage organisation	(482)	(509)
Lease liabilities	(140)	(154)
Loans from the state company	(47)	–
Total	**(117,692)**	**(92,287)**

(in millions of Kazakhstani tenge unless otherwise stated)

8. Credit loss expenses

Credit loss expenses on financial instruments recognised in profit or loss for 2023 and 2022 comprise:

	Note	*2023*	*2022*
Cash and cash equivalents	18	(207)	(1,107)
Amounts due from banks and other financial institutions	20	18	(59)
Investment securities	22	(689)	(91)
Loans to customers measured at amortised cost	23	(21,747)	(37,881)
Financial guarantees and letters of credit		–	89
Other financial assets	27	(536)	(1,894)
Total		**(23,161)**	**(40,943)**

9. Fee and commission income and expenses

Fee and commission income comprises:

	2023	*2022*
Transfer operations	36,083	19,076
Client card account maintenance fees	16,098	12,303
Settlement	4,026	3,267
Cash withdrawal	2,764	3,927
Guarantees and letters of credit	2,145	1,728
Agent services	1,197	140
Foreign exchange	798	1,091
Safe deposit transactions services	238	210
Broker services	229	623
Fiduciary services	150	–
Internet banking	20	29
Other fee and commission income	1,152	809
Total fee and commission income	**64,900**	**43,203**

Fee and commission expense comprises:

	2023	*2022*
Client card account maintenance fees	(40,466)	(23,231)
Transfer operations	(1,219)	(952)
Agent services	(713)	(3)
Correspondent accounts maintenance	(557)	(649)
Foreign exchange	(431)	(904)
Broker services	(379)	(656)
Guarantees and letters of credit	(37)	(1)
Other fee and commission expense	(245)	(566)
Total fee and commission expense	**(44,047)**	**(26,962)**
Net fee and commission income	**20,853**	**16,241**

Contract assets and contract liabilities

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

	31 December 2023	*31 December 2022*
Fee and commission receivable *(Note 27)*	4,569	2,734

As of 31 December 2023 and 31 December 2022, there are no performance obligations with an original expected duration of one year or less as required by IFRS 15.

(in millions of Kazakhstani tenge unless otherwise stated)

9. Fee and commission income and expenses, continued

Performance obligations and revenue recognition policies

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

The 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***
Commission for money transfers	The services for money transfers include the following: - services for accepting, processing and paying out the domestic money transfer (within Kazakhstan) without opening current and card account; - services for accepting, processing and paying out the international money transfer (abroad) without opening current and card account; Money transfer services are paid in advance.	Revenue is recognised over time as the services are provided.
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.

(in millions of Kazakhstani tenge unless otherwise stated)

10. Insurance revenue

Insurance revenue comprises:

	Obligatory insurance		*Voluntary insurance*									
2023	***Vehicle owners' civil liability insurance***	***Other obligatory***	***Other civil liability insurance***	***Subsoil users' liability insurance***	***Property damage inward insurance (BMI)***	***Property damage direct insurance***	***Motor vehicle insurance***	***Agriculture index insurance***	***Other liability***	***Other property***	***Other accidents and health***	***Total***
Contracts measured using PAA	21,113	475	5,219	752	3,629	2,554	1,654	1,148	7,563	9,502	1,236	**54,845**
Insurance revenue	**21,113**	**475**	**5,219**	**752**	**3,629**	**2,554**	**1,654**	**1,148**	**7,563**	**9,502**	**1,236**	**54,845**

	Obligatory insurance		*Voluntary insurance*									
2022	***Vehicle owners' civil liability insurance***	***Other obligatory***	***Other civil liability insurance***	***Subsoil users' liability insurance***	***Property damage inward insurance (BMI)***	***Property damage direct insurance***	***Motor vehicle insurance***	***Agriculture index insurance***	***Other liability***	***Other property***	***Other accidents and health***	***Total***
Contracts measured using PAA	13,499	304	3,337	481	2,320	1,633	974	734	4,835	6,075	790	**34,982**
Insurance revenue	**13,499**	**304**	**3,337**	**481**	**2,320**	**1,633**	**974**	**734**	**4,835**	**6,075**	**790**	**34,982**

(in millions of Kazakhstani tenge unless otherwise stated)

11. Insurance expenses

Insurance expenses comprise:

	2023	*2022*
Payments and claims	(31,799)	(13,420)
Amortisation of acquisition cash flows	(13,189)	(10,163)
Other insurance expenses	(621)	(757)
Other non-insurance expenses	(2,037)	(2,268)
	(47,646)	**(26,608)**
Comprise:		
Insurance services expenses	(45,609)	(24,340)
Other operating expenses	(2,037)	(2,268)

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

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

	2023	*2022*
Net realised gain on currency derivative financial instruments (*Note 19*)	3,616	20,943
Net gain on change in fair value of loans to customers measured at FVTPL	338	3,021
Net unrealised gain/(loss) on currency derivative financial instruments *(Note 19)*	250	(1,288)
Gain/(loss) on change in fair value of trading securities	1,555	(9,916)
Total net gain on financial instruments at fair value through profit or loss	**5,759**	**12,760**

Net realised gain on currency derivative financial instruments for 2023 comprises loss on foreign currency forward contracts of KZT 31 million (2022: KZT 20,289 million) and gain on foreign currency swaps of KZT 3,647 million (2022: KZT 654 million).

13. Net foreign exchange gain

Net foreign exchange gain comprises:

	2023	*2022*
Gain on spot transactions	26,624	48,865
Revaluation of foreign currency items, net	1,590	13,850
Total	**28,214**	**62,715**

14. Other income and expense

Other income comprises the following:

	2023	*2022*
Revenue*	23,621	27,027
Gain on revaluation of investment property	4,662	–
Rental income	2,051	–
Gain from sale of other non-financial assets	1,617	894
Income from cash collection services	1,584	1,366
Revenue/(expenses) from sale of inventories	835	(170)
Gain from sale of non-current assets held for sale	440	2,783
Other income	4,247	9,709
Total	**39,057**	**41,609**

(in millions of Kazakhstani tenge unless otherwise stated)

14. Other income and expense, continued

Other expenses comprise the following:

	2023	*2022*
Cost of goods, works and services sold*	(17,215)	(21,652)
Loss on change in net realisable value of foreclosed collateral	(125)	(1,085)
Other expenses	(2,504)	–
Total	**(19,844)**	**(22,737)**

* *Revenue and cost of goods, works and services sold for the year ended 31 December 2023 amounted to KZT 23,621 million and KZT 17,215 million, respectively (2022: KZT 27,027 million and KZT 21,652 million, respectively), and are attributable to the Bank's subsidiary Jusan Development LLP. More than 90% of revenue are attributable to sale of finished products and goods: flour, cereal products, flakes, bread, bakery, confectionery and macaroni products.*

The cost of goods, work and services sold for 2023 includes expenses on raw materials and supplies of KZT 11,679 million (2022: KZT 14,812 million), utilities and lease expenses in the amount of KZT 319 million (2022: KZT 682 million), transportation services and other expenses in the amount of KZT 5,217 million (2022: KZT 6,158 million).

Sale of goods

All contracts on resale of goods have one performance obligation. Revenue is recognised when the goods are delivered and have been accepted at the point of delivery. Invoices are usually payable either on a 100% prepayment basis or within 30 days. Current contracts with customers do not include a significant financing component.

Revenue is measured based on the consideration specified in a contract with a customer. All stand-alone selling prices are based on observable prices according to the price lists for each type of product, since the Group regularly sells each product separately to a customer.

Some contracts with customers provide trade or volume discounts. Compensation, discounts and rebates are mainly represented by volume discounts, which are applied retrospectively to all purchases under the contract once the threshold is achieved. These discounts and rebates provided to customers comprise elements of variable consideration and are reflected in sales revenue on a net basis. \The Group makes estimates of the volumes to be purchased and the discount to be granted in determining the transaction price, and updates these estimates during the term of the contract. Discounts and rebates do not represent distinct performance obligations.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods/products.

15. Personnel expenses

Personnel expenses are as follows:

	2023	*2022*
Employee benefits	(57,914)	(50,794)
Social contributions and payroll related taxes	(6,875)	(5,935)
Total	**(64,789)**	**(56,729)**

(in millions of Kazakhstani tenge unless otherwise stated)

16. Other general and administrative expenses

Other general and administrative expenses are as follows:

	2023	*2022*
Repair and maintenance	(10,109)	(7,036)
Depreciation and amortisation (*Note 24*)	(10,031)	(8,710)
Advertising and marketing services	(5,485)	(4,508)
Taxes other than corporate income tax	(5,047)	(4,121)
Professional services	(3,431)	(1,438)
Communication and information services	(2,742)	(2,272)
Contributions to Deposit Guarantee Fund	(2,395)	(2,601)
Security	(2,172)	(1,579)
Lease *(Notes 41)*	(1,055)	(1,566)
Stationery and office equipment supplies	(663)	(797)
Business travel expenses	(556)	(386)
Transportation costs	(490)	(514)
Postal and courier services	(209)	(219)
Cash collection expenses	(162)	(113)
Personnel recruitment and training expenses	(144)	(470)
Insurance	(67)	(3)
Representation expenses	(51)	(57)
Fines and penalties	(45)	(39)
Other	(5,186)	(6,159)
Total	**(50,040)**	**(42,588)**

17. Corporate income tax expense

Corporate income tax expense is as follows:

	2023	*2022*
Current corporate income tax expense	(2,482)	(2,821)
Income tax underprovided in prior periods	(18)	–
Increase in deferred corporate income tax expense - origination and decrease of temporary differences	(1,537)	(14,822)
Total corporate income tax expense	**(4,037)**	**(17,643)**

Income of the Bank and its subsidiaries, other than Optima Bank OJSC, is taxable in the Republic of Kazakhstan. According to tax legislation Kazakhstan, the applicable corporate income tax rate in 2023 and 2022 is 20.0%. Income of Optima Bank OJSC is taxable in the Kyrgyz Republic at the income tax rate of 10% in 2023 (2022: 10%).

(in millions of Kazakhstani tenge unless otherwise stated)

17. Corporate income tax expense, continued

Below is a reconciliation of corporate income tax expenses calculated using a statutory rate with corporate income tax expenses recognised in the consolidated financial statements for 2023 and 2022:

	2023	*%*	*2022*	*%*
Profit before corporate income tax	**156,325**		**130,875**	
Theoretical corporate income tax expense at the statutory rate	**(31,265)**	**20.0**	**(26,175)**	**20.0**
Non-deductible expenses				
Non-deductible impairment losses	(3,329)	2.1	(2,946)	2.3
Current non-deductible expenses on prior year taxes	(18)	–	–	–
Non-deductible expenses on remeasurement of financial assets at fair value	–	–	(110)	0.1
Non-deductible interest expenses	–	–	(11)	–
Non-taxable income				
Effect of IFRS 17	151	(0.1)	336	(0.3)
Exempt income on government securities listed at KASE	23,079	(14.8)	11,855	(9.1)
Change in unrecognised deferred tax assets	4,653	(3.0)	–	–
Subsidiary's income taxable at different rate	1,595	(1.0)	2,099	(1.6)
Non-taxable income on financial instruments	395	(0.3)	30	–
Adjustment of tax losses on CIT recalculation for prior periods	293	(0.2)	(4,254)	3.3
Other non-taxable income	409	(0.3)	1,533	(1.2)
Corporate income tax expense	**(4,037)**	**2.6**	**(17,643)**	**13.5**

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 liabilities as at 31 December 2023 and 2022. Deferred tax assets in respect of tax losses carried forward are recognised in these consolidated financial statements. The future tax benefits will only be realised if profit is available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan. Period of use of tax loss carried forward expires in 10 years.

Deferred tax assets are recognised in full with regard to tax losses for 2017-2019. Tax losses expire in 2027-2029. Total profit before corporate income tax expenses for 2023 amounted to KZT 156,325 million (2022: KZT 130,875 million).

Deferred tax assets and liabilities as at 31 December 2023 as well as their movement during the year are as follows:

	1 January 2023	*Recognised in profit or loss*	*Recognised in equity*	*31 December 2023*
Bonds issued	(99,255)	2,901	–	**(96,354)**
Subordinated debt	(68,203)	1,541	–	**(66,662)**
Amounts due to banks and other financial institutions	(10,566)	792	–	**(9,774)**
Derivative financial instruments	152	(128)	–	**24**
Provision for tax loss carry-forwards	(10,631)	4,653	–	**(5,978)**
Loans to customers	10,612	(10,658)	–	**(46)**
Property, plant and equipment and intangible assets	(1,789)	(841)	–	**(2,630)**
Other liabilities	2,102	(380)	–	**1,722**
Lease liabilities	89	189	–	**278**
Tax loss carry-forwards	12,574	394	–	**12,968**
Net deferred tax liability	**(164,915)**	**(1,537)**	**–**	**(166,452)**
Including:				
Deferred tax asset	**213**	**(103)**	–	**110**
Deferred tax liabilities	**(165,128)**	**(1,434)**	**–**	**(166,562)**

(in millions of Kazakhstani tenge unless otherwise stated)

17. Corporate income tax expense, continued

Deferred tax assets and liabilities, continued

Deferred tax assets and liabilities as at 31 December 2022 as well as their movement during the year are as follows:

	1 January 2022	*Recognised in profit or loss*	*Recognised in equity*	*31 December 2022*
Bonds issued	(102,006)	2,751	–	**(99,255)**
Subordinated debt	(69,969)	1,766	–	**(68,203)**
Amounts due to banks and other financial institutions	(10,129)	(437)	–	**(10,566)**
Derivative financial instruments	(1,767)	1,919	–	**152**
Provision for tax loss carry-forwards	(10,631)	–	–	**(10,631)**
Loans to customers	14,512	(3,900)	–	**10,612**
Property, plant and equipment and intangible assets	(1,126)	805	(1,468)	**(1,789)**
Other liabilities	1,750	352	–	**2,102**
Lease liabilities	66	23	–	**89**
Tax loss carry-forwards	30,675	(18,101)	–	**12,574**
Net deferred tax liability	**(148,625)**	**(14,822)**	**(1,468)**	**(164,915)**
Including:				
Deferred tax asset	**163**	**50**	**–**	**213**
Deferred tax liabilities	**(148,788)**	**(14,872)**	**(1,468)**	**(165,128)**

18. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	31 December 2023	*31 December 2022*
Cash on hand	94,846	133,639
Cash on broker accounts	–	227
Balances on current accounts with NBRK (rated BBB-)	31,055	69,777
Balances on current accounts with National Bank of the Kyrgyz Republic rated B	47,007	16,075
Balances on current bank accounts with other banks:		
- rated from AA- to AA+	–	1,636
- rated from A- to A+	66,889	24,669
- rated from BBB- to BBB+	13,172	12,891
- rated from BB- to BB+	9,242	1,672
- rated B- to B+	1	1,207
- not rated	4.136	15,008
Precious metals	25	59
Term deposits with the NBRK rated BBB- with maturity of up to 90 days	267,841	464,045
Term deposits with the National Bank of the Kyrgyz Republic rated B- with maturity of up to 90 days	39,019	14,584
Short-term notes of the National Bank of the Kyrgyz Republic rated B with maturity of up to 90 days	–	31,030
Term deposits with other banks with maturity of up to 90 days*		
- rated from AA- to AA+	50,591	34,371
- rated from A- to A+	52,429	–
- rated from BBB- to BBB+	4,550	13,921
- not rated	2,766	–
Accounts receivable under reverse repurchase agreements with maturity up to 90 days	23,656	18,868
Gross cash and cash equivalents	**707,225**	**853,679**
Allowance for expected credit losses	(843)	(693)
Cash and cash equivalents	**706,382**	**852,986**

The credit ratings are presented by reference to the credit ratings of international credit rating agencies. None of cash and cash equivalents are past due.

(in millions of Kazakhstani tenge unless otherwise stated)

18. Cash and cash equivalents, continued

All cash and cash equivalents are categorised into Stage 1 of the credit risk grading, except for cash and cash equivalents of KZT 10,081 million that are categorised into Stage 2 of credit risk grading (31 December 2022: KZT 8,988 million and KZT 5 million that are categorised into Stage 2 and Stage 3 of credit risk grading, respectively).

Current account balances with other non-rated banks comprise mainly balances for the total amount of KZT 2,096 million with Central Securities Depository JSC and balances for the total amount of KZT 1,887 million on current accounts with Russian banks. (31 December 2022: comprise balances for the total amount of KZT 11,796 million with Russian banks).

Term deposits with other non-rated banks with maturity of up to 90 days comprise term deposits with Russian banks for the total amount of KZT 2,766 million.

Ratings of these Russian banks have been withdrawn by the respective agencies. Prior to the withdrawal, the banks were rated from BB+ to BBB- according to the scale of international rating agencies. According to the Group, there are no restrictions for withdrawal of these cash balances from such accounts.

As at 31 December 2023, the Group concluded reverse repurchase agreements with contractual maturity of up to 90 days, the fair value of which as at 31 December 2023 was KZT 23,656 million (31 December 2022: KZT 18,868 million).

Minimum reserve requirements

As at 31 December 2023 and 2022 minimum reserve requirements are calculated in accordance with regulations issued by NBRK. To meet the minimum reserve requirements the Bank places cash in reserve assets, which should be maintained at the level not less than average of cash on hand in the national currency and balances on current account with the NBRK in the national currency for a 4-week period, calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other Bank's liabilities.

As at 31 December 2023 the minimum reserve requirements amounted to KZT 33,390 million (31 December 2022: KZT 34,251 million), and the reserve asset is KZT 43,004 million (31 December 2022: KZT 70,106 million).

Optima Bank OJSC calculates the minimum reserve requirements in accordance with the rules of the National Bank of the Kyrgyz Republic (NBKR). As at 31 December 2023 Optima Bank OJSC is in compliance with the minimum reserve requirements, and its minimum reserve was KZT 17,666 million (31 December 2022: KZT 15,338 million).

The table below provides an analysis of the changes in allowance for ECL for 2023:

	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balance at 1 January	(48)	(640)	(5)	**(693)**
Net charge (*Note 8*)	(58)	(154)	5	**(207)**
Write-offs	28	–	–	**28**
Foreign exchange differences	10	19	–	**29**
Balance at 31 December	**(68)**	**(775)**	**–**	**(843)**

The table below provides an analysis of the changes in allowance for ECL for 2022:

	2022			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balance at 1 January	(27)	(13)	(5)	**(45)**
Net charge (*Note 8*)	(38)	(662)	(407)	**(1,107)**
Write-offs	18	–	466	**484**
Foreign exchange differences	(1)	35	(59)	**(25)**
Balance at 31 December	**(48)**	**(640)**	**(5)**	**(693)**

Concentration of cash and cash equivalents

As at 31 December 2022, the Group held funds on current and deposit accounts with NBRK and NBKR, whose balances exceed 10% of the Group's equity. The gross value of these balances as of 31 December 2023 was KZT 384,922 million (31 December 2022: current and deposit accounts with NBRK and NBKR and short-term notes of NBKR with the gross value of KZT 595,511 million).

(in millions of Kazakhstani tenge unless otherwise stated)

19. Derivative financial instruments

Foreign currency contracts

The Group enters into derivative transactions. The table below shows the fair values of derivatives carried as assets or liabilities, and its notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, base rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	31 December 2023			*31 December 2022*		
	Notional amount	***Fair value***		***Notional amount***	***Fair value***	
		Asset	***Liability***		***Asset***	***Liability***
Foreign currency contracts						
Currency swaps – domestic contracts	95,756	67	(384)	43,196	81	(1,341)
Currency swaps – foreign contracts	25,112	127	–	37,393	53	(29)
Total	**120,868**	**194**	**(384)**	**80,589**	**134**	**(1,370)**

Foreign contracts in the table above stand for contracts concluded with the RK non-resident entities and domestic contracts mean contracts concluded with the RK resident entities.

Forwards

A forward contract is a contract to buy or sell a certain financial instrument at a specified price on a specified future date. Forwards are the specialised contracts traded in an OTC market.

During 2022 the Bank closed its forward contracts with a related party for the total amount of USD 72 million, which is equivalent to KZT 29,136 million. The amount of USD 27 million, which is equivalent to KZT 12,514 million, not paid by a counterparty, is recognised in equity as a loss on transaction with an intermediate parent company, as the intermediate parent company has no intention to repay the outstanding balance of receivables in the foreseeable future.

In July 2023 the Bank and Jusan Technologies Ltd. concluded a debt forgiveness agreement and terminated the contract of general terms of non-cash foreign currency purchase.

Swaps

Swaps are contractual agreements between two parties to exchange amounts corresponding to changes in the exchange rate based on the notional amounts.

In 2023 net profit on operations with foreign currency swaps amounted to KZT 3,866 million (2022: KZT 19,655 million) *(Note 12)*.

20. Amounts due from banks and other financial institutions

Due from banks and other financial institutions

	31 December 2023	***31 December 2022***
Restricted cash with NBRK rated BBB-	838	1.405
Account with the NBKR rated B	736	568
Loans and deposits with other banks and financial institutions		
- rated from A- to A+	11,858	9,821
- rated BBB- to BBB+	412	502
- rated from BB- to BB+	4	4,241
- rated B- to B+	–	270
- not rated	50,055	28,273
Gross loans and deposits with other banks	**63,903**	**45,080**
Foreign currency contracts ("spot")	4	–
Allowance for expected credit losses	(73)	(89)
Amounts due from banks and other financial institutions	**63,834**	**44,991**

(in millions of Kazakhstani tenge unless otherwise stated)

20. Amounts due from banks and other financial institutions, continued

The credit ratings are presented by reference to the credit ratings of international credit rating agencies.

At 31 December 2023, all amounts due from banks and other financial institutions are not past due and categorised into Stage 1 of the credit risk grading (31 December 2022: into Stage 1).

Restricted cash with NBRK

As at 31 December 2023, restricted cash balances on current accounts with NBRK include funds provided by Development Bank of Kazakhstan JSC ("DBK") for a total amount of KZT 838 million (31 December 2022: KZT 1,405 million). Funds may be granted as loans to large-size businesses operating in the manufacturing industry, and to individuals to purchase locally manufactured motor vehicles on special preferential terms, only after approval by DBK.

In March 2022 the funds provided by Damu Entrepreneurship Development Fund JSC ("Damu") were early repaid for a total amount of KZT 4,991 million.

Due from banks and other financial institutions (not rated)

As at 31 December 2023, loans and deposits with other banks (not rated) comprise security deposits and a margin with KASE for the total amount of KZT 41,025 million (31 December 2022: KZT 20,466 million), and deposits in the international payment systems in the amount of KZT 8,120 million restricted in use (31 December 2022: KZT 6,881 million) and in other financial institutions for the amount of KZT 910 million (31 December 2022: KZT 926 million).

The table below provides an analysis of the changes in allowance for ECL for 2023:

	2023		
	Stage 1	***Stage 3***	***Total***
Balance at 1 January	(89)	–	**(89)**
Net charge (*Note 8*)	18	–	**18**
Foreign exchange differences	(2)	–	**(2)**
Balance at 31 December	**(73)**	**–**	**(73)**

The table below provides an analysis of the changes in allowance for ECL for 2022:

	2022		
	Stage 1	***Stage 3***	***Total***
Balance at 1 January	(30)	–	**(30)**
Net charge (*Note 8*)	(59)	–	**(59)**
Balance at 31 December	**(89)**	**–**	**(89)**

Concentration of amounts due from banks and other financial institutions

As at 31 December 2023 the Group has no amounts due from banks and other financial institutions whose balance exceeds 10% of the Group's equity (31 December 2022: none).

(in millions of Kazakhstani tenge unless otherwise stated)

21. Trading securities

Trading securities include the following items:

	31 December 2023	*31 December 2022*
Debt securities		
- Government bonds		
- Bonds of MFRK	1,218	2,218
- US Treasury bonds	–	13,144
- Notes of NBRK	–	2,010
Total government bonds	**1,218**	**17,372**
Corporate bonds		
- rated from AAA- to AAA+	820	–
- rated from A- to A+	1,360	1,444
- rated BBB- to BBB+	400	6,788
- not rated	5,217	5,790
Total corporate bonds	**7,797**	**14,022**
Structured notes		
International structured notes	38	1,124
Total structured notes	**38**	**1,124**
Total debt investment securities	**9,053**	**32,518**
Equity securities		
Corporate shares	2,482	3,292
Equity unit	548	1,265
ETF	494	181
Total equity instruments	**3,524**	**4,738**
Pledged under sale and repurchase agreements		
- Government bonds		
- Bonds of MFRK *(Note 29)*	6,937	6,069
Total government bonds pledged under sale and repurchase agreements	**6,937**	**6,069**
Total trading securities	**19,514**	**43,325**

The credit ratings are presented by reference to the credit ratings of international credit rating agencies.

As at 31 December 2023 the non-rated corporate bonds comprise Eurobonds of Russian issuers for the total amount of KZT 5,217 million (31 December 2022: Eurobonds of Russian issuers and corporate bonds of Central Asian Electric Power Corporation JSC for the total amount of KZT 5,790 million).

22. Investment securities

Investment securities comprise:

	31 December 2023	*31 December 2022*
Investment securities measured at FVOCI	727,591	868,018
Investment securities measured at amortised cost	237,679	69,554
Investment securities	**965,270**	**937,572**

(in millions of Kazakhstani tenge unless otherwise stated)

22. Investment securities, continued

Investment securities measured at fair value through other comprehensive income include:

	31 December 2023	*31 December 2022*
Debt securities		
- Government bonds		
- Notes of NBRK	307,445	382,666
- Bonds of MFRK	144,593	181,700
- Bonds of KSF JSC	75,003	88,667
- US Treasury bonds	22,233	4,652
- bonds of SWF Samruk-Kazyna JSC	8,805	19,205
- Eurobonds of MFRK	5,394	4,545
Total government bonds	**563,473**	**681,435**
Corporate bonds		
- rated from AAA- to AAA+	2,539	5,170
- rated from AA- to AA+	1,359	–
- rated from A- to A+	1,435	3,958
- rated BBB- to BBB+	56,812	9,909
- rated from BB- to BB+	3,134	1,377
- rated B- to B+	–	2,000
- not rated	11,647	4,494
Total corporate bonds	**76,926**	**26,908**
Equity securities		
- corporate shares of Kcell JSC	35,244	31,294
- corporate shares of Kazakhtelecom JSC	32,366	–
- unquoted shares	39	39
Total equity securities	**67,649**	**31,333**
	708,048	**739,676**
Pledged under sale and repurchase agreements		
- Government bonds		
- bonds of SWF Samruk-Kazyna JSC (*Note 29*)	12,230	1,026
- Bonds of the Ministry of Finance of the Republic of Kazakhstan (*Note 29*)	7,313	189
- Notes of NBRK *(Note 29)*	–	125,607
Corporate bonds		
- not rated	–	1,520
Total bonds pledged under sale and repurchase agreements	**19,543**	**128,342**
Total	**727,591**	**868,018**

The credit ratings are presented by reference to the credit ratings of international credit rating agencies.

Balances of investment securities measured at fair value through other comprehensive income are not past due and are allocated to Stage 1 of credit risk gradings, except for investment securities for the amount of KZT 1,078 million allocated to Stage 2 of credit risk gradings for ECL purposes (31 December 2022: KZT 4,494 million). Securities allocated to Stage 2 comprise corporate bonds of non-rated Russian issuers (31 December 2022: corporate bonds of Russian issuers).

The table below provides an analysis of the changes in allowances for ECL for 2023 and 2022:

	2023	*2022*
Balance at 1 January	(281)	(291)
Net charge (*Note 8*)	(625)	(73)
Write-off	489	–
Foreign exchange differences	9	83
Balance at 31 December	**(408)**	**(281)**

(in millions of Kazakhstani tenge unless otherwise stated)

22. Investment securities, continued

Investment securities measured at amortised cost include:

	31 December 2023	*31 December 2022*
Debt securities		
- Government bonds		
- Bonds of MFRK	122,174	19
- Bonds of KSF JSC	25,424	–
- US Treasury bonds	17,699	–
- Eurobonds of MFRK	15,986	15,440
- Treasury bonds of the Ministry of Finance of the Kyrgyz Republic	4,211	6,051
Notes of NBRK	–	995
Total gross government bonds	**185,494**	**22,505**
Allowance for expected credit losses	(160)	(57)
Total government bonds	**185,334**	**22,448**
Corporate bonds		
- rated from AAA- to AAA+	15,243	5,202
- rated from BBB- to BBB+	20,294	37,024
Total gross corporate bonds	**35,537**	**42,226**
Allowance for expected credit losses	–	(43)
Total corporate bonds	**35,537**	**42,183**
Total debt investment securities	**220,871**	**64,631**
Pledged under sale and repurchase agreements		
- Government bonds		
- Corporate bonds	12,876	–
- Eurobonds of MFRK *(Note 29)*	3,932	4,923
Total bonds pledged under sale and repurchase agreements	**16,808**	**4,923**
Total investment securities measured at amortised cost	**237,679**	**69,554**

The credit ratings are presented by reference to the credit ratings of international credit rating agencies.

As at 31 December 2023 the Group has accounts payable under repo agreements concluded at KASE, which are secured by coupon Eurobonds of MFRK, bonds of international financial organisations and international coupon bonds of SWF Samruk-Kazyna JSC with fair value of KZT 36,351 million (31 December 2022: coupon Eurobonds of MFRK, NBRK discount notes, international coupon bonds of SWF Samruk-Kazyna JSC and corporate bonds of national company with fair value of KZT 133,265 million). All transactions were closed during next reporting month.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

Corporate bonds are interest-bearing securities issued by an international financial organisation, local companies and banks. These securities are freely tradable on KASE.

All balances on investment securities measured at amortised cost are not past due and allocated to Stage 1 of credit risk gradings for ECL purposes *(Note 8*).

The table below provides an analysis of the changes in allowances for ECL for 2023 and 2022:

	2023	*2022*
Balance at 1 January	**(100)**	**(67)**
Net charge (*Note 8*)	(64)	(18)
Foreign exchange difference	4	(15)
Balance at 31 December	**(160)**	**(100)**

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers

Loans to customers comprise the following items:

	31 December 2023	*31 December 2022*
Loans to customers measured at amortised cost	1,336,108	1,228,708
Allowance for expected credit losses	(280,911)	(316,462)
Loans to customers measured at amortised cost, net of allowance for expected credit losses	**1,055,197**	**912,246**
Loans to customers measured at fair value through profit or loss	9,009	13,524
Total loans to customers	**1,064,206**	**925,770**

Loans to customers measured at amortised cost

Loans to customers measured at amortised cost comprise the following items:

	31 December 2023				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to corporate customers					
Loans to large corporates	155,436	418	11,630	63,819	**231,303**
Loans to small and medium-size businesses	356,507	9,164	21,704	214,099	**601,474**
Total loans to corporate customers	**511,943**	**9,582**	**33,334**	**277,918**	**832,777**
Loans to retail customers					
Express loans	367,601	10,004	30,015	65	**407,685**
Consumer loans	39,129	1,279	11,102	3,814	**55,324**
Mortgage loans	31,175	432	1,792	4,670	**38,069**
Credit cards	901	55	558	–	**1,514**
Car loans	449	–	170	120	**739**
Total loans to retail customers	**439,255**	**11,770**	**43,637**	**8,669**	**503,331**
Gross loans to customers	**951,198**	**21,352**	**76,971**	**286,587**	**1,336,108**
Allowance for expected credit losses	(15,699)	(4,602)	(45,683)	(214,927)	(280,911)
Net loans to customers	**935,499**	**16,750**	**31,288**	**71,660**	**1,055,197**

	31 December 2022				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans to corporate customers					
Loans to large corporates	138,697	3,447	11,112	108,079	**261,335**
Loans to small and medium-size businesses	340,335	10,682	19,349	240,538	**610,904**
Total loans to corporate customers	**479,032**	**14,129**	**30,461**	**348,617**	**872,239**
Loans to retail customers					
Express loans	213,119	5,237	22,507	475	**241,338**
Mortgage loans	46,472	2.316	10,316	5,147	**64,251**
Consumer loans	37,523	692	2,418	5,799	**46,432**
Credit cards	2,430	213	870	–	**3,513**
Car loans	728	–	81	126	**935**
Total loans to retail customers	**300,272**	**8,458**	**36,192**	**11,547**	**356,469**
Gross loans to customers	**779,304**	**22,587**	**66,653**	**360,164**	**1,228,708**
Allowance for expected credit losses	(11,974)	(3,264)	(36,917)	(264,307)	(316,462)
Net loans to customers	**767,330**	**19,323**	**29,736**	**95,857**	**912,246**

In 2019 the Group reclassified certain previously existing loans to customers to POCI loans. This resulted in the derecognition of the previously recognised instruments, and recognition of new POCI loans.

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers, continued

Loans to customers measured at amortised cost, continued

However, due to the limitations of the automated banking information system of the Group, the related consolidated financial statement disclosures reflect the historic gross value of the existing loan contracts, prior to their derecognition, together with a related allowance for expected credit losses. The additional gross disclosure of the historic loan amount does not affect the carrying amount of the newly recognised POCI loans in the consolidated statement of financial position.

As required by IFRS 9, the carrying amount of corporate POCI-loans recognised in the consolidated statement of financial position of the Group as at 31 December 2023 was KZT 87,410 million (31 December 2022: KZT 122,266 million) and corresponding ECL allowance was KZT 15,750 million (31 December 2022: KZT 26,409 million).

Impairment allowance for loans to customers measured at amortised cost

Below is an analysis of changes in gross carrying amount and corresponding ECL allowance for loans to corporate customers for the year ended 31 December 2023:

	2023				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to corporate customers					
Gross carrying amount at 1 January	479,032	14,129	30,461	348,617	**872,239**
New assets originated or purchased	297,527	–	–	242	**297,769**
Assets that have been derecognised or repaid (except for write-offs)	(258,197)	(6,612)	(3,568)	(27,257)	**(295,634)**
Transfers to Stage 1	2,224	(2,018)	(206)	–	–
Transfers to Stage 2	(7,296)	7,524	(228)	–	–
Transfers to Stage 3	(4,563)	(2,003)	6,566	–	–
Net change in interest accrued	6,967	(1,135)	(295)	(5,235)	**302**
Recoveries/(write-offs)	–	–	941	(37,258)	**(36,317)**
Effect of movements in foreign exchange rates	(3,751)	(303)	(337)	(1,191)	**(5,582)**
At 31 December	**511,943**	**9,582**	**33,334**	**277,918**	**832,777**

	2023				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to corporate customers					
ECL balance at 1 January	(3,863)	(741)	(15,503)	(260,749)	**(280,856)**
New assets originated or purchased	(1,761)	–	–	(1)	**(1,762)**
Assets that have been derecognised or repaid (except for write-offs)	335	(42)	416	2,035	**2,744**
Transfers to Stage 1	113	94	19	–	–
Transfers to Stage 2	235.	(323)	88	–	–
Transfers to Stage 3	(1,127)	(215)	1,342	–	–
Net remeasurement of loss allowance	1,359	110	694	7,253	**9,416**
Unwinding of discount	–	–	(25)	1,979	**1,954**
(Write-off)/recoveries	–	–	(941)	37,258	**36,317**
Effect of movements in foreign exchange rates	229	29	(69)	573	**762**
At 31 December	**(4,706)**	**(1,088)**	**(13,979)**	**(211,652)**	**(231,425)**

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers, continued

Impairment allowance for loans to customers measured at amortised cost, continued

Below is an analysis of changes in gross carrying amount and corresponding ECL allowance for loans to corporate customers for the year ended 31 December 2022:

	2022				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to corporate customers					
Gross carrying amount at 1 January	399,159	51,340	12,841	339,320	**802,660**
New assets originated or purchased	240,117	–	–	2,386	**242,503**
Assets that have been derecognised or repaid (except for write-offs)	(149,171)	(25,733)	(5,169)	(19,396)	**(199,469)**
Transfers to Stage 1	4,010	(3,931)	(79)	–	–
Transfers to Stage 2	(4,504)	4,536	(32)	–	–
Transfers to Stage 3	(2,309)	(8,923)	11,232	–	–
Net change in interest accrued	(13,273)	(4,147)	6,822	(1,121)	**(11,719)**
Recovery	–	–	4,331	14,474	**18,805**
Effect of movements in foreign exchange rates	5,003	987	515	12,954	**19,459**
At 31 December	**479,032**	**14,129**	**30,461**	**348,617**	**872,239**

	2022				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to corporate customers					
ECL balance at 1 January	(2,297)	(1,886)	(4,007)	(228,957)	**(237,147)**
New assets originated or purchased	(4,690)	–	–	(2,042)	**(6,732)**
Assets that have been derecognised or repaid (except for write-offs)	66	6	2,505	4,659	**7,236**
Transfers to Stage 1	(613)	593	20	–	–
Transfers to Stage 2	48	(71)	23	–	–
Transfers to Stage 3	84	2,394	(2,478)	–	–
Net remeasurement of loss allowance	3,828	510	(5,949)	(12,895)	**(14,506)**
Unwinding of discount	–	–	235	1,217	**1,452**
Recoveries	–	–	(4,331)	(14,474)	**(18,805)**
Effect of movements in foreign exchange rates	289	(2,287)	(1,521)	(8,257)	**(12,354)**
At 31 December	**(3,863)**	**(741)**	**(15,503)**	**(260,749)**	**(280,856)**

Below is an analysis of changes in gross carrying amount and corresponding ECL allowance for loans to retail customers measured at amortised cost for the year ended 31 December 2023:

	2023				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to retail customers					
Gross carrying amount at 1 January	300,272	8,458	36,192	11,547	**356,469**
New assets originated or purchased	383,840	–	–	–	**383,840**
Assets that have been derecognised or repaid (except for write-offs)	(211,422)	(2,647)	(22,110)	(3,378)	**(239,557)**
Transfers to Stage 1	3,033	(752)	(2,281)	–	–
Transfers to Stage 2	(11,897)	11,968	(71)	–	–
Transfers to Stage 3	(33,564)	(5,725)	39,289	–	–
Net change in interest accrued	9,519	497	9,195	1,385	**20,596**
Write-offs	–	–	(16,556)	(890)	**(17,446)**
Effect of movements in foreign exchange rates	(526)	(29)	(21)	5	**(571)**
Gross carrying amount at 31 December	**439,255**	**11,770**	**43,637**	**8,669**	**503,331**

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers, continued

Impairment allowance for loans to customers measured at amortised cost, continued

	2023				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to retail customers					
ECL balance at 1 January	(8,111)	(2,523)	(21,414)	(3,558)	**(35,606)**
New assets originated or purchased	(8,457)	–	–	–	**(8,457)**
Assets that have been derecognised or repaid (except for write-offs)	2,659	244	1,199	100	**4,202**
Transfers to Stage 1	(717)	314	403	–	–
Transfers to Stage 2	663	(685)	22	–	–
Transfers to Stage 3	6,055	895	(6,950)	–	–
Net remeasurement of loss allowance	(3,088)	(1,761)	(22,246)	(795)	**(27,890)**
Unwinding of discount	–	–	704	88	**792**
Write-offs	–	–	16,556	890	**17,446**
Effect of movements in foreign exchange rates	3	2	22	–	**27**
At 31 December	**(10,993)**	**(3,514)**	**(31,704)**	**(3,275)**	**(49,486)**

Below is an analysis of changes in gross carrying amount and corresponding ECL allowance for loans to retail customers measured at amortised cost for the year ended 31 December 2022:

	2022				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to retail customers					
Gross carrying amount at 1 January	254,156	3,479	12,600	13,434	**283,669**
New assets originated or purchased	184,146	–	–	46	**184,192**
Assets that have been derecognised or repaid (except for write-offs)	(102,178)	(801)	(7,593)	(2,330)	**(112,902)**
Transfers to Stage 1	1,569	(480)	(1,089)	–	–
Transfers to Stage 2	(7,759)	7,832	(73)	–	–
Transfers to Stage 3	(29,439)	(1,883)	31,322	–	–
Net change in interest accrued	(1,085)	237	4,030	630	**3,812**
Unwinding of discount	–	–	1,053	1,355	**2,408**
Write-offs	–	–	(4,089)	(1,641)	**(5,730)**
Effect of movements in foreign exchange rates	862	74	31	53	**1,020**
Gross carrying amount At 31 December	**300,272**	**8,458**	**36,192**	**11,547**	**356,469**

	2022				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Loans to retail customers					
ECL balance at 1 January	(6,049)	(818)	(5,731)	(4,539)	**(17,137)**
New assets originated or purchased	(7,275)	–	–	(24)	**(7,299)**
Assets that have been derecognised or repaid (except for write-offs)	1,663	23	278	1,435	**3,399**
Transfers to Stage 1	215.	64	151	–	–
Transfers to Stage 2	730	(742)	12	–	–
Transfers to Stage 3	7,210	401	(7,611)	–	–
Net remeasurement of loss allowance	(4,159)	(1,410)	(12,400)	(2,010)	**(19,979)**
Unwinding of discount	–	–	(172)	(52)	**(224)**
Write-offs	–	–	4,089	1,641	**5,730**
Effect of movements in foreign exchange rates	(16)	(41)	(30)	(9)	**(96)**
At 31 December	**(8,111)**	**(2,523)**	**(21,414)**	**(3,558)**	**(35,606)**

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers, continued

Impairment allowance for loans to customers measured at amortised cost, continued

Modified and restructured loans

The Group derecognises a financial asset, e.g. a loan to a customer, if the related contractual terms are renegotiated to the extent that it in fact becomes a new loan, and records the difference as gains or losses arising from derecognition before impairment loss is recognised. Upon initial recognition the loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not imply a substantial change in cash flows, such modification does not result in a derecognition. Based on changes in cash flows discounted at the initial effective interest rate, the Group recognises profit or loss from modification before impairment loss is recognised.

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers, continued

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 2023:

Loans to customers	*Loans to large corporates*	*Loans to small and medium-size businesses*	*Mortgage loans*	*Car loans*	*Express loans*	*Consumer loans*	*Credit cards*	*Total*
- not overdue	205,036	463,321	33,162	451	356,650	38,940	826	**1,098,386**
- overdue less than 30 days	3,222	11,351	307	–	13,148	1,723	80	**29,831**
- overdue 30-89 days	1,442	2,734	307	–	10,264	1,437	55	**16,239**
- overdue 90-179 days	–	1,303	166	–	8,649	1,589	149	**11,856**
- overdue more than 180 days and less than 1 year	86	17,521	314	23	9,104	3,053	32	**30,133**
- overdue more than 1 year	21,517	105,244	3,813	265	9,870	8,582	372	**149,663**
Gross loans to customers	**231,303**	**601,474**	**38,069**	**739**	**407,685**	**55,324**	**1,514**	**1,336,108**
Allowance for expected credit losses	(57,795)	(173,630)	(1,911)	(172)	(34,533)	(12,399)	(471)	**(280,911)**
Net loans to customers	**173,508**	**427,844**	**36,158**	**567**	**373,152**	**42,925**	**1,043**	**1,055,197**

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

Loans to customers	*Loans to large corporates*	*Loans to small and medium-size businesses*	*Mortgage loans*	*Car loans*	*Express loans*	*Consumer loans*	*Credit cards*	*Total*
- not overdue	230,327	466,737	39,971	736	206,795	46,167	2,490	**993,223**
- overdue less than 30 days	5,140	9,652	889	30	8,198	2,646	254	**26,809**
- overdue 30-89 days	2,698	929	594	21	5,506	2,917	213	**12,878**
- overdue 90-179 days	–	17,380	610	33	6,214	3,636	173	**28,046**
- overdue more than 180 days and less than 1 year	3,689	22,231	600	2	10,059	5,413	105	**42,099**
- overdue more than 1 year	19,481	93,975	3,768	113	4,566	3,472	278	**125,653**
Gross loans to customers	**261,335**	**610,904**	**46,432**	**935**	**241,338**	**64,251**	**3,513**	**1,228,708**
Allowance for expected credit losses	(95,228)	(185,628)	(1,828)	(125)	(23,327)	(9,710)	(616)	**(316,462)**
Net loans to customers	**166,107**	**425,276**	**44,604**	**810**	**218,011**	**54,541**	**2,897**	**912,246**

23. Loans to customers, continued

Key assumptions and judgments used in estimation of expected credit losses

Loans to corporate customers

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

- a discount of between 0.0% and 60.0% to the originally appraised value if the property pledged is sold (31 December 2022: between 0.0% and 60.0%);
- a delay from 36 months up to 60 months in obtaining proceeds from the foreclosure of collateral (31 December 2022: from 36 months to 60 months);
- PD for loans referred to as Stage 1 in terms of credit quality was from 0.11% to 26.42% (31 December 2022: from 0.05% to 17.38%); PD for loans referred to as Stage 2 in terms of credit quality was from 0.11% to 67.73% (31 December 2022: from 0.76% to 67.73%);
- LGD for loans referred to as Stages 1 and 2 was from 0.00% to 81.54% (31 December 2022: from 0.00% to 81.54%).

Changes in the above estimates may impact a loss allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus ten percent, allowance for expected credit losses on loans to corporate customers as at 31 December 2023 would be KZT 6,250 million lower and KZT 6,894 million higher, respectively (31 December 2022: KZT 7,181 million lower and KZT 10,568 million higher, respectively). To the extent that the delay in obtaining proceeds from the foreclosure of collateral differs by plus/minus one year, loss allowance for expected credit losses on loans to corporate customers as at 31 December 2023 would be KZT 10,531 million higher and KZT 11,625 million lower, respectively (31 December 2022: by KZT 9,991 million lower and KZT 9,989 higher, respectively).

Loans to retail customers

The Group estimates loss 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 loss allowance for expected credit losses for loans to retail customers include:

- Migration rates are constant and can be estimated based on the migration model built using Markov chain, given the impact of macroeconomic information; a 12-month PD for groups of products referred to as Stage 1 in terms of credit quality was 0.93% - 23.49% (31 December 2022: 2.28%-48.88%); lifetime PD referred to as Stage 2 in terms of credit quality was 40.17% - 81.67% (31 December 2022: 30.55% - 94.80%) depending on the group of products of homogeneous retail portfolio.
- Recovery rates for uncollateralised loans are estimated based on a sample of contracts defaulted not more than 6 years; recovery rates for products of retail portfolio referred to as Stage 1 and Stage 2 for the first year was 22.85% - 26.77%, for the second year - 9.99% - 33.16% (31 December 2022: 18.67%-35.71%) and for the third year - 0.91% - 18.06% (31 December 2022: 8.24%-23.39%).
- A discount of between 30.0% and 70.0% to the annually appraised value if the property pledged is sold (31 December 2022: 30.0%-80.0%).
- An average period of 24 months for sale of foreclosed collateral (31 December 2022: an average period of 24 months).

Changes in the above estimates may impact a loss 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, ECL allowance for loans to retail customers as at 31 December 2023 would be KZT 16,162 million lower/higher (31 December 2022: KZT 10,694 million lower/higher).

Loan maturities

The maturities of the loans to customers as at the reporting date are presented in *Note 38* and show the contractual maturities of the loans.

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers, continued

Loans to corporate customers measured at fair value through profit or loss

Loans to customers measured at fair value through profit or loss comprise predominantly the loans for project financing without recourse due to economic reasons or under contract, as well as loans with embedded derivatives the terms and conditions of which do not comply with the framework loan agreement. Information on measurement of fair value of loans to customers measured at fair value through profit or loss is disclosed in *Note 44*.

Loans to customers measured at fair value through profit or loss as at 31 December 2023 and 2022 comprise the following items:

	31 December 2023	*31 December 2022*
Loans to small and medium-size businesses	9,009	13,524
Total	**9,009**	**13,524**

The following table provides information on the credit quality of loans to corporate customers measured at fair value through profit or loss as at 31 December 2023:

	Loans to large corporates	*Loans to small and medium-size businesses*	*Total*
Not overdue	–	660	**660**
Overdue more than 360 days	–	8,349	**8,349**
Total	–	**9,009**	**9,009**

The following table provides information on the credit quality of loans to corporate customers measured at fair value through profit or loss as at 31 December 2022:

	Loans to large corporates	*Loans to small and medium-size businesses*	*Total*
Not overdue	–	721	**721**
Overdue 90-179 days	–	475	**475**
Overdue more than 360 days	–	12,328	**12,328**
Total	–	**13,524**	**13,524**

Analysis of collateral and other credit enhancements

The following tables provides information on collateral and other credit enhancements securing loans to corporate customers (net of loss allowance for expected credit losses) by types of collateral.

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers, continued

Analysis of collateral and other credit enhancements, continued

	31 December 2023			
Loans to customers - at amortised cost	***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 of loan inception date***	***Fair value of collateral not determined***
Stage 1				
Cash and deposits	7,871	7,871	–	–
Real estate	263,791	90,967	172,824	–
Movable property	4,595	4,113	482	–
Transport	42,843	35,858	6,985	–
Equipment	4,431	1.909	2,522	–
Guarantees	117,607	–	–	117,607
Other	465	465	–	–
No collateral or other credit enhancement	65,634	–	–	65,634
Total Stage 1 loans	**507,237**	**141,183**	**182,813**	**183,241**
Stage 2				
Cash and deposits	154	1	153	–
Real estate	7,080	3,888	3,192	–
Movable property	194	2	192	–
Transport	103	2	101	–
Equipment	58	16	42	–
Guarantees	460	–	–	460
No collateral or other credit enhancement	445	–	–	445
Total Stage 2 loans	**8,494**	**3,909**	**3,680**	**905**
Stage 3				
Cash and deposits	32	4	28	–
Real estate	17,984	11,460	6,524	–
Guarantees	273	–	–	273
Vehicles	860	–	860	–
Equipment	154	–	154	–
No collateral or other credit enhancement	52	–	–	52
Total Stage 3 loans	**19,355**	**11,464**	**7,566**	**325**
POCI				
Cash and deposits	616	608	8	–
Real estate	65,204	49,684	15,520	–
Movable property	33	1	32	–
Vehicles	91	74	17	–
Equipment	7	1	6	–
Guarantees	1	–	–	1
No collateral or other credit enhancement	314	–	–	314
Total loans of POCI stage	**66,266**	**50,368**	**15,583**	**315**
At FVTPL				
Cash and deposits	1	1	–	–
Real estate	8,984	8,572	412	–
Equipment	24	–	24	–
Total loans to corporate customers measured at fair value through profit or loss	**9,009**	**8,573**	**436**	**–**
Total loans to corporate customers	**610,361**	**215,497**	**210,078**	**184,786**

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers, continued

Analysis of collateral and other credit enhancements, continued

	31 December 2022			
Loans to customers - at amortised cost	***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 of loan inception date***	***Fair value of collateral not determined***
Stage 1				
Cash and deposits	8,192	8,192	–	–
Real estate	261,174	128,352	132,822	–
Movable property	3,924	2,627	1,297	–
Transport	39,269	34,638	4,631	–
Equipment	6,340	3,055	3.285	–
Guarantees	97,416	–	–	97,416
Other	423	423	–	–
No collateral or other credit enhancement	58,431	–	–	58,431
Total Stage 1 loans	**475,169**	**177,287**	**142,035**	**155,847**
Stage 2				
Cash and deposits	5,132	5,132	–	–
Real estate	8,020	7,118	902	–
Movable property	2	2	–	–
Transport	32	1	31	–
Equipment	10	–	10	–
Guarantees	184	–	–	184
No collateral or other credit enhancement	8	–	–	8
Total Stage 2 loans	**13,388**	**12,253**	**943**	**192**
Stage 3				
Cash and deposits	11	11	–	–
Real estate	14,212	9,918	4,294	–
Guarantees	86	–	–	86
Vehicles	255	230	25	–
Equipment	200	–	200	–
No collateral or other credit enhancement	194	–	–	194
Total Stage 3 loans	**14,958**	**10,159**	**4,519**	**280**
POCI				
Cash and deposits	574	574	–	–
Real estate	82,284	65,942	16,342	–
Movable property	72	1	71	–
Vehicles	324	292	32	–
Equipment	23	22	1	–
Guarantees	4,583	–	–	4,583
No collateral or other credit enhancement	8	–	–	8
Total loans of POCI stage	**87,868**	**66,831**	**16,446**	**4,591**
At FVTPL				
Cash and deposits	1	1	–	–
Real estate	13,479	13,421	58	–
Equipment	44	44	–	–
Total loans to corporate customers measured at fair value through profit or loss	**13,524**	**13,466**	**58**	**–**
Total loans to corporate customers	**604,907**	**279,996**	**164,001**	**160,910**

The tables above exclude overcollateralisation.

During 2023, the Group made no amendments to the policy securing performance of obligations by borrowers (2022: made no amendments to the policy securing performance of obligations by borrowers).

The amount stated in “No collateral or other credit enhancement” item comprises unsecured loans and part of loans not fully secured.

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers, continued

Analysis of collateral and other credit enhancements, continued

For loans secured by multiple types of collateral, collateral that is most relevant for assessment of allowance for expected credit losses is disclosed. Sureties received from individuals, such as shareholders of SME borrowers and corporate guarantees received from local companies not rated, are not considered for the assessment of allowance for expected credit losses' purposes.

Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. The Group's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 80% at loan inception date. Auto loans are secured by the underlying cars. The Group's policy is to issue auto loans with a loan-to-value ratio of a maximum of 80%. Consumer loans are generally secured by underlying properties and in certain cases by assets, including vehicles, cash deposits and guarantees.

The following tables provides information on collateral and other credit enhancements securing loans to retail customers at Stage 3 and POCI (net of loss allowance for expected credit losses) by types of collateral.

	31 December 2023			
Loans to retail customers at amortised cost:	***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 of loan inception date***	***Fair value of collateral not determined***
Stage 3				
Cash and deposits	5	–	5	–
Real estate	2,459	148	2,311	–
Vehicles	61	–	61	–
Guarantees	20	–	–	20
No collateral or other credit enhancement	9,388	–	–	9,388
Total Stage 3 loans	**11,933**	**148**	**2,377**	**9,408**
POCI				
Cash and deposits	10	–	10	–
Real estate	5,359	128	5,231	–
Vehicles	17	–	17	–
Guarantees	8	6	–	2
Total loans of POCI stage	**5,394**	**134**	**5,258**	**2**
Total loans to retail customers	**453,845**	**19,987**	**37,947**	**395,911**

	31 December 2022			
Loans to retail customers at amortised cost:	***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 of loan inception date***	***Fair value of collateral not determined***
Stage 3				
Cash and deposits	6	6	–	–
Real estate	3,214	232	2,982	–
Vehicles	34	2	32	–
Guarantees	37	–	–	37
No collateral or other credit enhancement	11,487	–	–	11,487
Total Stage 3 loans	**14,778**	**240**	**3.014**	**11,524**
POCI				
Cash and deposits	12	12	–	–
Real estate	7,716	277	7,439	–
Movable property	7	–	7	–
Vehicles	40	2	38	–
Guarantees	18	–	–	18
No collateral or other credit enhancement	196	–	–	196
Total loans of POCI stage	**7,989**	**291**	**7,484**	**214**
Total loans to retail customers	**320,863**	**14,738**	**49,876**	**256,249**

(in millions of Kazakhstani tenge unless otherwise stated)

23. Loans to customers, continued

Industry analysis of the loan portfolio

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

	31 December 2023	*31 December 2022*
Loans to corporate customers		
Services	225,533	304,819
Production	175,834	165,749
Trade	129,836	146,920
Construction	107,630	119,214
Finance and insurance	96,447	55,632
Transport	43,757	33,789
Agriculture	20,458	18,218
Education	20,965	17,436
Other	12,317	10,462
	832,777	**872,239**
Loans to retail customers		
Express loans	407,685	241,338
Consumer loans	55,324	64,251
Mortgage loans	38,069	46,432
Credit cards	1,514	3,513
Car loans	739	935
	503,331	**356,469**
	1,336,108	**1,228,708**
Allowance for expected credit losses	(280,911)	(316,462)
Total loans to customers measured at amortised cost	**1,055,197**	**912,246**

Significant credit exposures

As at 31 December 2023 the Group has one group of borrowers (31 December 2022: one group) whose carrying amount, net of impairment allowance, exceeded 10% of equity. The gross value of these loans as at 31 December 2023 is KZT 70,452 million (31 December 2022: KZT 68,640 million).

In December 2023 the Bank issued an unsecured loan of KZT 46,000 million to an individual using its own funds, which matures in 7 months and bears an interest rate of 18.2% per annum. This loan was classified in a corporate loans portfolio, and ECL allowance was calculated using PD value of 4.3% categorised to Stage 1 of credit quality.

(in millions of Kazakhstani tenge unless otherwise stated)

24. Property, plant and equipment and intangible assets

Movements of property, plant and equipment for 2023 are as follows:

	Note	*Land plots and (administrative) buildings*	*Land plots and (industrial) buildings*	*Computers*	*Vehicles*	*Construction in progress*	*Other*	*Intangible assets*	*Right-of-use assets*	*Total*
Cost										
Balance at 1 January 2023		49,272	3,196	8,624	3,300	1,359	15,104	9,072	6,496	**96,423**
Additions		2,498	48	1,674	190	2,361	5,610	3,821	1,398	**17,600**
Disposals and write-offs		2,412	–	(2,303)	(63)	–	(2,462)	(868)	(1,859)	**(9,967)**
Transfers		32	–	1,409	–	(1,782)	341	–	–	**–**
Impairment		–	–	–	–	–	–	(30)	–	**(30)**
Foreign exchange difference		(158)	–	(99)	(33)	(12)	(138)	(94)	(106)	**(640)**
Balance at 31 December 2023		**49,232**	**3,244**	**9,305**	**3,394**	**1,926**	**18,455**	**11,901**	**5,929**	**103,386**
Depreciation and amortisation										
Balance at 1 January 2023		(1,198)	(595)	(546)	(192)	–	(4,463)	(2,601)	(2,369)	**(11,964)**
Depreciation and amortisation for the year	16	(911)	(3)	(2,384)	(116)	–	(3,390)	(1,811)	(1,416)	**(10,031)**
Disposals and write-offs		67	–	2,296	51	–	1,649	864	1,544	**6,471**
Foreign exchange difference		3	–	5	–	–	6	–	10	**24**
Balance at 31 December 2023		**(2,039)**	**(598)**	**(629)**	**(257)**	**–**	**(6,198)**	**(3,548)**	**(2,231)**	**(15,500)**
Carrying amount										
At 31 December 2023		**47,193**	**2,646**	**8,676**	**3,137**	**1,926**	**12,257**	**8,353**	**3,698**	**87,886**

The Group measures the fair value of land and buildings once every three years resulting from accounting for land plots and buildings at fair value in accordance with the Group's accounting policy. In case of significant change in specific market or property indicators, the Group can perform revaluation of land plots and buildings more often. In 2023 the Group did not revalue the land plots and buildings.

As at 31 December 2022 the Group revalued the land plots and (administrative) buildings as required by IAS 16. Fair value was measured using predominantly the income approach, which was built on cash flow testing based on data from internal information sources, including the Bank's forecasts and statistics available from different published sources, information guides, etc. Revaluation resulted in increase of carrying amount of land plots and buildings by KZT 6,375 million, which were recognised in the Group's other comprehensive income.

The fair values of the land plots and buildings are categorised into Level 2 of the fair value hierarchy.

(in millions of Kazakhstani tenge unless otherwise stated)

24. Property, plant and equipment and intangible assets, continued

Movements of property, plant and equipment for 2022 are as follows:

	Note	*Land plots and (administrative) buildings*	*Land plots and (industrial) buildings*	*Computers*	*Vehicles*	*Construction in progress*	*Other*	*Intangible assets*	*Right-of-use assets*	*Total*
Cost										
Balance at 1 January 2022		50,862	3,105	6,463	2,768	1,193	11,153	7,509	6,053	**89,106**
Additions		2,001	91	3,155	519	344	7,128	1,900	1,689	**16,827**
Disposals and write-offs		(7,746)	–	(1,425)	(97)	–	(3,795)	(464)	(1,378)	**(14,905)**
Transfers		9	–	110	–	(220)	101	–	–	**–**
Effect of revaluation	35	4,106	–	238	87	–	366	–	–	**4,797**
Foreign exchange difference		40	–	83	23	42	151	127	132	**598**
Balance at 31 December 2022		**49,272**	**3,196**	**8,624**	**3,300**	**1,359**	**15,104**	**9,072**	**6,496**	**96,423**
Depreciation and amortisation										
Balance at 1 January 2022		(1,357)	(75)	–	–	–	(2,918)	(1,510)	(1,599)	**(7,459)**
Depreciation and amortisation for the year	16	(855)	(520)	(1,914)	(251)	–	(2,252)	(1,450)	(1,468)	**(8,710)**
Disposals and write–offs		1,042	–	1,415	69	–	812	443	721	**4,502**
Foreign exchange difference		(28)	–	(47)	(10)	–	(105)	(84)	(23)	**(297)**
Balance at 31 December 2022		**(1,198)**	**(595)**	(546)	(192)	–	(4,463)	(2,601)	(2,369)	**(11,964)**
Carrying amount										
At 31 December 2022		**48,074**	**2,601**	**8,078**	**3,108**	**1,359**	**10,641**	**6,471**	**4,127**	**84,459**

If the cost of land plots and buildings had not been revalued, their carrying amount as at 31 December 2023 would have been KZT 53,440 million (31 December 2022: KZT 54,296 million).

As at 31 December the Group has property, plant and equipment pledged as collateral for the total amount of KZT 1,921 million (31 December 2022: KZT 2,065 million).

(in millions of Kazakhstani tenge unless otherwise stated)

25. Non–current assets held for sale

	2023	*2022*
Balance at 1 January	**8,136**	**547**
Additions	11,877	29,051
Disposals	(13,028)	(21,462)
Balance at 31 December	**6,985**	**8,136**

Non–current assets held for sale comprise the equity shares in the charter capital of the companies and real estate accepted by the Group in exchange for its rights of claim in relation to impaired loans to customers.

26. Investment property

	2023	*2022*
Balance at 1 January	**34,620**	**37,152**
Additions	11,630	10,871
Disposals	(8,051)	(11,730)
Remeasurement	4,662	(1,673)
Balance at 31 December	**42,861**	**34,620**

27. Other assets

Other assets include the following items:

	31 December 2023	*31 December 2022*
Bank debtors	6,232	5,566
Receivables from sale of owned assets	5,978	5,231
Fee and commission receivable (*Note 9*)	4,569	2,734
Trade receivables	2,873	4,327
Receivables from guarantees issued	2,540	2,861
Accounts receivable for the Bank's participation in auctions	1,021	1,235
Other receivables	3,892	9,531
Allowance for expected credit losses	(2,063)	(1,723)
Other financial assets	**25,042**	**29,762**
Repossessed collateral	31,530	37,498
Prepayments	21,306	9,653
Materials and supplies	4,427	2,415
Prepayments for intangible assets	225	299
Prepayments for office buildings	120	631
Other non–financial assets	596	802
Impairment allowance	(2,161)	(758)
Other non–financial assets	**56,043**	**50,540**
Other assets	**81,085**	**80,302**

As at 31 December 2023, prepayments included prepayment under preliminary contract of sale and purchase of the movable and immovable property related to purchase of an administrative building for the amount of KZT 11,900 million.

Analysis of movement in allowance for ECL

Movements in allowance for expected credit losses for other financial assets for 2023 and 2022 are as follows:

	2023	*2022*
ECL balance at 1 January	**(1,723)**	**(1,305)**
Net charge (*Note 8*)	(536)	(1,894)
Write–offs	132	1,546
Movements in foreign exchange rates and other movements	64	(70)
ECL balance at 31 January	**(2,063)**	**(1,723)**

(in millions of Kazakhstani tenge unless otherwise stated)

27. Other assets, continued

Analysis of movement in allowance for ECL, continued

Movements in impairment allowance for other non–financial assets are as follows:

	2023	*2022*
Balance at 1 January	**(758)**	**(332)**
Net charge	(1,484)	(533)
Write–offs	64	–
Foreign exchange differences	17	107
Balance at 31 December	**(2,161)**	**(758)**

28. Amounts due to banks and other financial institutions

Amounts due to banks and other financial institutions comprise the following items:

	31 December 2023	*31 December 2022*
Correspondent accounts of other banks	46,878	18,137
Deposits from other banks and other financial institutions	15,753	15,787
Loans from state–owned companies	12,511	13,091
Loans from other banks and financial institutions	3.750	9.319
	78,892	**56,334**
Foreign currency contracts (“spot”)	4	9
Total	**78,896**	**56,343**

As at 31 December 2023, loans received from state–owned companies included loans of KZT 6,610 million from Damu, loans of KZT 4,523 million from DBK, loans of KZT 1,378 million from the Ministry of Finance of the Kyrgyz Republic (MFKR) (31 December 2022: Damu – loans of KZT 5,947 million, DBK – loans of KZT 4,496 million from DBK and MFKR – loans of KZT 2,541 million). In January 2023, loans issued by Agrarian Credit Corporation JSC were repaid ahead of schedule in the total amount of KZT 106 million (31 December 2022: KZT 107 million). The loans issued by Damu, and DBK are denominated in KZT, bear the nominal interest rates from 0.1% to 2.0% per annum and mature in 2034−2035. Loans provided by MFKR are denominated in Kyrgyz Som, bear a nominal interest rate from 1.5% to 5.0% and mature in 2024–2025. These financial liabilities were initially recognised at fair value, including the assumption that raising of funds as part of the government lending programs available to the second–tier banks, represent a separate market segment.

At 31 December 2023 deposits from other banks included mostly deposits received from foreign banks in the amount of KZT 8,306 million and from a Kazakh second–tier bank in the amount of KZT 7,447 million (31 December 2022: mostly deposits received from foreign banks in the amount of KZT 7,004 million and from a Kazakh second–tier bank in the amount of KZT 7,865 million.

Concentration of amounts due to banks and other financial institutions

As at 31 December 2023 and 31 December 2022 the Group had no amounts due to banks and other financial institutions whose gross balances exceeded 10% of the Group’s equity.

29. Amounts payable under repurchase agreements

As at 31 December 2023, the Group has accounts payable of KZT 43,288 million under repo agreements (31 December 2022: KZT 139,410 million), which are secured by investment securities measured at fair value through other comprehensive income, trading securities and investment securities measured at amortised cost for the amounts of KZT 19,543 million, KZT 6,937 million and KZT 16,808 million, respectively (31 December 2022: KZT 128,342 million, KZT 6,069 million and KZT 4,923 million, respectively).

(in millions of Kazakhstani tenge unless otherwise stated)

30. Current accounts and deposits from customers

Current accounts and deposits from customers comprise:

	31 December 2023	*31 December 2022*
Current accounts and demand deposits		
– Corporate	399,536	431,709
– Retail	171,033	163,115
Term deposits		
– Corporate	398,448	482,498
– Retail	595,892	527,431
Savings deposits		
– Corporate	11,603	32,906
– Retail	47,580	24,505
	1,624,092	**1,662,164**
Held as security of guarantees and letters of credit (*Note 40*)	(5,228)	(6,477)

As at 31 December 2022, the Group maintained customer deposit balances of KZT18,597 million that serve as collateral for loans and unrecognised credit instruments granted by the Group (31 December 2022: KZT 31,464 million).

During 2022 the Group closed its forward contracts with the Bank's related party, including at the expense of repayment of security (pledge) provided by the related party to fulfil its liabilities under said forward contracts for the total amount of USD 18.7 million, which is equivalent to KZT 24,432 million.

Participation in the state financing programmes

As at 31 December 2022 the corporate term deposits also included deposits for the total amount of KZT 14,253 million received from KSF JSC as part of the state programme for refinancing of residential mortgage loans approved by NBRK (as at 31 December 2022: KZT 17,115 million). Deposits are denominated in tenge, bear interest rates of 0.10%–2.99% per annum and are repayable in 2045–2050.

During the year ended 31 December 2022 the Group made amendments to two contracts with KSF JSC by merging them into a single contract. Due to substantial modification of the contracts, the Group derecognised the old deposits and recognised new financial liabilities. Therefore, the deposits were discounted to fair value as at the date of merging the contracts using a market interest rate of 12.20%, which resulted in recognition of effect from modification of terms and conditions of KZT 1,520 million within interest expenses in the consolidated statement of profit or loss and other comprehensive income.

Concentration of amounts due to customers

As at 31 December 2023, the Group has one customer (31 December 2022: two customers), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KZT 67,906 million (31 December 2022: KZT 168,434 million).

(in millions of Kazakhstani tenge unless otherwise stated)

31. Debt securities issued

Debt securities issued included:

	Date of issue	*Year of maturity*	*Coupon rate p.a.*	*Effective rate p.a.*	*Carrying amount 31 December 2023*	*Carrying amount 31 December 2022*
Third bond issue as part of the fifth bond issue program	14.03.2019	14.03.2026	10.95%	13.44%	59,089	58,243
KZT–denominated bonds of the first issue	15.10.2018	15.01.2034	0.10%	11.50%	41,254	37,110
KZT–denominated bonds of the fourth issue	22.01.2019	22.01.2034	0.10%	11.50%	28,777	25,893
KZT–denominated bonds of the fifth issue	11.12.2020	05.10.2045	0.10%	12.50%	25,557	23,014
First bond issue as part of the fourth bond issue program	10.02.2015	10.02.2025	9.90%	13.41%	19,887	19,405
KZT–denominated bonds of the third issue	28.01.2019	28.01.2034	0.10%	11.50%	17,029	15,322
KZT–denominated bonds of the fourth issue	28.01.2019	28.01.2034	0.10%	11.50%	10,217	9,193
KZT–denominated bonds of the third issue	28.01.2019	28.01.2034	0.10%	11.50%	7,629	6,864
KZT–denominated bonds of the first issue	11.07.2007	11.07.2027	7.50%	10.90%	3,144	3,046
KZT–denominated bonds of the second issue	22.01.2019	22.01.2034	0.10%	11.50%	469	416
Third bond issue as part of the fourth bond issue program	10.02.2015	10.02.2023	9.70%	13.49%	–	38,156
KZT–denominated bonds of the twelfth issue	04.06.2013	04.06.2023	Inflation rate +1.0%	8.90%	–	10,031
					213,052	**246,693**

The Group's debt securities issued are quoted at KASE.

On 7 November 2022 the Group paid off the USD–denominated bonds due to their maturity using the Group's own funds. The total amount of payment on these bonds was KZT 12,668 million.

On 10 February 2023 the Bank paid off the third issued bonds as part of the fourth bond issue program due to their maturity, using the Bank's own funds. The total amount of payments on these bonds was KZT 36,899 million.

On 4 June 2023 the Bank paid off the bonds of the twelfth issue due to their maturity, using the Bank's own funds. The total amount of payments on these bonds was KZT 10,000 million.

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

	2023	*2022*
Balance at 1 January	**246,693**	**244,320**
Repayment of debt securities issued	(46,899)	(12,668)
Interest expense *(Note 7)*	24,879	28,503
Interest paid *(Note 7)*	(11,621)	(13,462)
Balance at 31 December	**213,052**	**246,693**

(in millions of Kazakhstani tenge unless otherwise stated)

32. Subordinated debts

Subordinated debt comprises the following items:

	31 December 2023	*31 December 2022*
Subordinated bonds	201,511	195,796
Preference shares	49	2,478
	201,560	**198,274**

As at 31 December 2023 and 2022 subordinated debt comprises quoted bonds and 2,500,000 cumulative non–redeemable preference shares for the total amount of KZT 49 million (31 December 2022: KZT 2,478 million).

In case of bankruptcy, the subordinated debt would be repaid once the Group fully repays all other liabilities but before repayment of the preferred shares.

A summary of subordinated bond issues at 31 December 2023 and 2022 is presented below:

					Carrying amount	
	Date of issue	*Year of maturity*	*Coupon rate p.a.*	*Effective rate p.a.*	*31 December 2023*	*31 December 2022*
KZT–denominated bonds of the first issue	24.12.2020	24.12.2025	9.00%	13.80%	92,297	89,036
First bond issued as part of the fifth bond issue program	10.02.2015	10.02.2025	10.00%	14.93%	40,437	39,055
Second bond issued as part of the fifth bond issue program	10.02.2015	10.02.2025	10.00%	14.93%	21,005	20,287
KZT–denominated registered unsecured coupon bonds	22.12.2020	01.11.2035	0.10%	15.29%	12,977	11,315
KZT–denominated bonds of the sixth issue	11.12.2020	25.10.2040	0.10%	14.60%	10,723	9,447
KZT–denominated registered unsecured coupon bonds	11.12.2020	01.11.2040	0.10%	15.29%	9,713	8,514
KZT–denominated registered unsecured coupon bonds	23.12.2020	01.11.2040	0.10%	15.29%	7,272	6,373
KZT–denominated bonds of the eighth issue	04.06.2013	04.06.2028	9.00%	10.01%	4,850	4,821
KZT–denominated bonds of the second issue	11.12.2020	26.10.2040	0.10%	14.60%	2,237	1,972
KZT–denominated bonds of the seventh issue	04.06.2013	04.06.2023	8.00%	10.01%	–	4,976
					201,511	**195,796**

The Group’s subordinated bonds issued are quoted at KASE.

On 7 November 2022 the Bank paid off the USD–denominated bonds due to their maturity using the Bank’s own funds. The total amount of payment on these bonds was KZT 12,668 million.

On 4 June 2023 the Bank paid off the bonds of the seventh issue due to their maturity, using the Bank's own funds. The total amount of payments on these bonds was KZT 5,000 million.

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

	2023	*2022*
Balance at 1 January	**198,274**	**188,871**
Changes from financing cash flows		
Repayment of subordinated debt	(5,000)	–
	(5,000)	**–**
Changes in carrying amount from recognition of discount	(2,436)	–
Interest expense *(Note 7)*	26,916	26,019
Interest paid *(Note 7)*	(16,194)	(16,616)
Balance at 31 December	**201,560**	**198,274**

32. Subordinated debts, continued

Cumulative non–redeemable preference shares

Holders of cumulative non–redeemable preference shares receive a minimum cumulative dividend of 100 KZT of the par value of their shareholding. The preference shares do not carry the right to vote unless the dividend is in arrears. All shares rank equally with regard to distribution of residual value of the Group's net assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears. All preference shares were issued and fully paid at price of KZT 1,000 each.

On 19 July 2022 the Bank paid dividends on preference shares based on performance results for 2021 in the amount of KZT 250 million (KZT 100.00 per one share).

Due to the amendments to the Law of the Republic of Kazakhstan "On Banks and Banking Activities in the Republic of Kazakhstan", the Bank, which financial stability and recovery require use of the funds allocated from the national budget, National Fund of the Republic of Kazakhstan (hereinafter, "NFRK"), NBRK and its subsidiaries, from the date of making decision 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, shall 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, for the year ended 31 December 2023, the Bank neither declared nor paid dividends, including on preference share.

As a result of the above amendments, in 2023 the Bank recognised the difference between the carrying amount and fair value of the debt component of the preference shares in the amount of KZT 2,436 million, given the final period of payments of the funds provided as part of the state programmes. This difference was recognised as gain from modification of the subordinated debt in the consolidated statement of profit or loss and other comprehensive income using a fixed interest rate of 10.0% per year.

33. Liabilities to the mortgage organisation

Accounts payable to Mortgage Organisation "Baspana" JSC

In 2018, the NBRK approved the residential mortgage programmes "Mortgage Program "7–20–25" and "Baspana Hit". Main objective of these programme is providing opportunities to population to buy primary housing and encouraging banks to provide related financing. According to the terms of "Mortgage Program "7–20–25", loans are issued in KZT, carry an annual interest rate of 7.0% and mature in 25 years. The initial contribution makes up 20%. According to the terms of "Baspana Hit" programme, loans are issued in KZT, carry an annual nominal interest rate equal to a base rate of the National Bank of the RK + 175 basis points and mature in 15 years. The initial contribution makes up 20%. No commission for issue and servicing a loan is charged.

As part of the programmes the Bank issued mortgage loans to customers and transferred it to Kazakhstan Sustainability Fund JSC (the "Operator") (previously Mortgage Organisation "Baspana" JSC whose activity was terminated in March 2020 through consolidation with KFS), in exchange for consideration in cash in the amount of the loans' nominal value. The Bank acts as an agent under this programme and receives a commission fee of 4.0% p.a. of the interest receipts.

The Group has determined that it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset transferred; however, the Group has determined that it retains control over the assets transferred and continues recognising thereof to the extent of continuing involvement in the assets transferred. As the Group's continuing involvement takes a form of the guarantee on the asset transferred, the extent of the Group's continuing involvement is determined equal to maximum amount of consideration received that the Group has to return. The Group believes that the value of the guarantee is high enough and this guarantee will prevent the Operator from selling of the asset transferred thereto, as such sale will be impracticable. As at 31 December 2023, the carrying amount of loans transferred is KZT 9,680 million and the carrying amount of the liabilities to the Operator is KZT 9,319 million (31 December 2022: the carrying amount of loans transferred is KZT 11,320 million and the carrying amount of liabilities to the Operator is KZT 10,817 million).

(in millions of Kazakhstani tenge unless otherwise stated)

34. Other liabilities

Other liabilities comprise the following items:

	31 December 2023	*31 December 2022*
Insurance and reinsurance payables	1,693	1,470
Trade payables	1,383	836
Accrued fee and commission expense	740	531
Accrued expenses on deposit guarantee fund	440	584
Liabilities on electronic money issued	152	184
Other lenders	3,529	3,911
Other financial liabilities	**7,937**	**7,516**
Provision for accrued vacation and other amounts due to employees	8,502	11,003
Estimated liabilities	6,393	5,580
Provision for guarantees and letters of credit	3,755	3,536
Other taxes payable	2,362	2,215
Other prepayments	3,593	1,652
Deferred income on guarantees and letters of credit issued	1,566	1,350
Other liabilities	3,267	1,840
Other non–financial liabilities	**29,438**	**27,176**
Total other liabilities	**37,375**	**34,692**

35. Equity

Share capital

As at 31 December 2023 the authorised share capital of the Bank comprises 697,500,000 ordinary shares (31 December 2022: 697,500,000 ordinary shares). The authorised, issued and outstanding share capital comprises 165,318,620 ordinary shares of which 164,078,731 ordinary shares are outstanding (31 December 2022: 165,318,620 ordinary shares of which 164,078,731 ordinary shares are outstanding). The shares have no nominal value.

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 Group shareholders.

Nature and purpose of reserves

Revaluation reserve for property, plant and equipment

The revaluation reserve for property, plant and equipment is used to recognise revaluation increase in fair value of land and building as well as revaluation decrease in fair value of land and building, however, revaluation decrease is recognised to the extent that it relates to a previous revaluation increase in the value of the same asset previously recognised in equity.

Fair value reserve

Fair value reserve comprises change in the fair value of financial assets designated at fair value through other comprehensive income.

Cumulative reserve for translation in presentation currency

Reserve for translation in presentation currency comprises foreign exchange reserve and is used to reflect the translation differences, which arise in translation of the financial statements of foreign operations.

Reverse acquisition reserve

In 2019, under the business combination, First Heartland Bank JSC was identified as the acquirer.

The reverse acquisition reserve represents an adjustment to the Group's equity in accordance with IFRS, in order to allow the registered share capital of the Bank to be presented as a separate component.

(in millions of Kazakhstani tenge unless otherwise stated)

35. Equity, continued

Nature and purpose of reserves, continued

Other reserves related to equity instruments

Share–based payments

The Bank implements a program under which certain senior executives are provided with the options for Bank shares.

In 2021 the Bank established the share–based payment reserve used to record the amount of share–based payment settled with equity instruments made by key management personnel as part of their remuneration.

In November 2023 the Bank wrote back the entire provision related to payment of lump–sum variable remuneration in the form of ordinary shares held by certain members of the Bank's Management Board due to their retirement.

Movement in provision items for 2023

	Revaluation reserve for property, plant and equipment	*Fair value reserve*	*Cumulative translation reserve*	*Other reserves related to equity instruments*	*Total*
At 1 January 2023	**7,521**	**(2,792)**	**1,839**	**2,847**	**9,415**
Depreciation of revaluation reserve, net of income tax	(642)	–	–	–	**(642)**
Revaluation reserve for property, plant and equipment, net of income tax	77	–	–	–	**(77)**
Share–based payments	–	–	–	(2,847)	**(2,847)**
Net change in fair value of debt instruments measured at FVOCI	–	6,756	–	–	**6,756**
Change in ECL allowance of debt instruments measured at FVOCI	–	546	–	–	**546**
Amount reclassified to profit or loss as a result of derecognition of investment securities measured at FVOCI	–	110	–	–	**110**
Net change in fair value of debt instruments measured at FVOCI	–	3,950	–	–	**3,950**
Foreign currency translation differences for foreign operations	–	–	(3,827)	–	**(3,827)**
At 31 December 2023	**6,802**	**8,570**	**(1,988)**	–	**13,384**

(in millions of Kazakhstani tenge unless otherwise stated)

35. Equity, continued

Share capital, continued

Movement in provision items for 2022

	Revaluation reserve for property, plant and equipment	*Fair value reserve*	*Cumulative translation reserve*	*Other reserves related to equity instruments*	*Total*
At 1 January 2022	**1,316**	**8,334**	**(268)**	**2,847**	**12,229**
Depreciation of revaluation reserve, net of income tax	(170)	–	–	–	**(170)**
Revaluation reserve for property, plant and equipment, net of income tax (*KZT 1,468 million, Note 17)*	6,375	–	–	–	**6,375**
Net change in fair value of debt instruments measured at FVOCI	–	(12,337)	–	–	**(12,337)**
Change in ECL allowance of debt instruments measured at FVOCI	–	44	–	–	**44**
Amount reclassified to profit or loss as a result of derecognition of investment securities measured at FVOCI	–	(1)	–	–	**(1)**
Net change in fair value of debt instruments measured at FVOCI	–	1,168	–	–	**1,168**
Foreign currency translation differences for foreign operations	–	–	2,107	–	**2,107**
At 31 December 2022	**7,521**	**(2,792)**	**1,839**	**2,847**	**9,415**

Dividends

In accordance with Kazakhstan legislation and the Bank's charter documents, distributable reserves are subject to the rules and regulations of the Republic of Kazakhstan.

36. Earnings per share

Basic and diluted earnings per share

The following table shows the profit and number of shares used to calculate basic and diluted earnings per ordinary share:

	2023	*2022*
Basic earnings per share		
Profit attributable to ordinary shareholders	151,872	112,471
Weighted average number of ordinary shares	164,078,731	164,078,731
Basic and diluted earnings per ordinary share (KZT)	**925.60**	**685.47**

(in millions of Kazakhstani tenge unless otherwise stated)

37. Analysis by segments

The Group has three reportable segments, as described below, which are the Group'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 reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments.

- banking – includes lending, deposit taking and other transactions with customers, trading and corporate finance activities, the Group's funding and banking risk management activities through borrowings, issue of debt securities;
- insurance – conducting insurance and reinsurance activities.
- investing and brokerage activity – includes provision of broker services, financing instrument trading and transactions on capital markets.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports, which are based on the statutory financial statements, 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.

Segment breakdown of assets and liabilities, without taking into account the elimination of intra–group operations, is set out below:

	31 December 2023	***31 December 2022***
Assets		
Banking	3,134,018	3,091,342
Investing and brokerage activity	88,018	90,586
Insurance	70,315	45,351
Unallocated assets	84,856	66,777
Total assets	**3,377,207**	**3,294,056**
Liabilities		
Banking	2,404,689	2,513,526
Investing and brokerage activity	14,561	20,313
Insurance	39,086	25,089
Unallocated liabilities	15,427	5,713
Total liabilities	**2,473,763**	**2,564,641**

(in millions of Kazakhstani tenge unless otherwise stated)

37. Analysis by segments, continued

Segment information for the main reportable segments, not taking into account the elimination of intra–segment operations for the year ended 31 December 2023 is set out below:

	Banking	*Insurance*	*Investing and brokerage activity*	*Retained earnings*	*Total*
Interest income calculated using effective interest method	354,264	4,299	2,892	2,112	**363,567**
Other interest income	233	–	1,602	–	**1,835**
Fee and commission income	**64,349**	**–**	**753**	**–**	**65,102**
Insurance income	–	3,788	–	–	**3,788**
Net gain/(loss) on financial instruments measured at fair value through profit or loss	4,208	–	1,551	–	**5,759**
Net foreign exchange gain/(loss)	29,485	(324)	(947)	–	**28,214**
Income from modification of subordinated debt	2,436	–	–	–	**2,436**
Other operating income	7,276	–	(26)	12,660	**19,910**
Total revenue	**462,251**	**7,763**	**5,825**	**14,772**	**490,611**
Interest expense	(146,629)	–	(314)	(351)	**(147,294)**
Fee and commission expense	(43,782)	–	(343)	(83)	**(44,208)**
Reinsurance expenses	–	(1,305)	–	–	**(1,305)**
Credit loss expenses	(23,028)	(2)	(45)	(86)	**(23,161)**
(Losses)/gains due to derecognition of investment securities measured at FVOCI	(83)	(508)	481	–	**(110)**
Personnel expenses	(54,787)	(2,037)	(1,560)	(6,405)	**(64,789)**
Losses on charge of other reserves	(2,576)	–	–	(19)	**(2,595)**
Other general and administrative expenses	(47,237)	(186)	(972)	(2,429)	**(50,824)**
Total expenses	**(318,122)**	**(4,038)**	**(2,753)**	**(9,373)**	**(334,286)**
Segment financial result	**144,129**	**3,725**	**3,072**	**5,399**	**156,325**
Corporate income tax expense	–	–	–	–	**(4,037)**
Net profit after corporate income tax	**–**	**–**	**–**	**–**	**152,288**
Other segment items					
Additions of property, plant and equipment	–	–	–	7,782	**7,782**
Depreciation and amortisation *(Note 16)*	(9,689)	(98)	(38)	(206)	**(10,031)**

(in millions of Kazakhstani tenge unless otherwise stated)

37. Analysis by segments, continued

Segment information for the main reportable segments, not taking into account the elimination of intra–segment operations for the year ended 31 December 2022 is set out below:

	Banking	*Insurance*	*Investing and brokerage activity*	*Retained earnings*	*Total*
Interest income calculated using effective interest method	270,147	2,093	509	886	**273,635**
Other interest income	526	–	2,268	–	**2,794**
Fee and commission income	**42,934**	**–**	**658**	**–**	**43,592**
Insurance income	–	7,028	–	–	**7,028**
Net gain/(losses) on financial instruments at fair value through profit or loss	22,672	–	(10,510)	–	**12,162**
Net foreign exchange gain/(loss)	56,607	1,469	5,253	(16)	**63,313**
(Losses)/gains due to derecognition of investment securities measured at FVOCI	(40)	1	40	–	**1**
Gain on recovery of other reserves	129	–	–	–	**129**
Other operating income	5,531	–	10	14,199	**19,740**
Total revenue	**398,506**	**10,591**	**(1,772)**	**15,069**	**422,394**
Interest expense	(119,088)	–	(269)	(1,422)	**(120,779)**
Fee and commission expense	(26,504)	–	(671)	(84)	**(27,259)**
Reinsurance expenses	–	(2,292)	–	–	**(2,292)**
Credit loss expenses	(39,697)	(31)	(88)	(1,125)	**(40,941)**
Personnel expenses	(47,797)	(2,268)	(1,577)	(5,087)	**(56,729)**
Other general and administrative expenses	(37,632)	(291)	(528)	(5,068)	**(43,519)**
Total expenses	**(270,718)**	**(4,882)**	**(3,133)**	**(12,786)**	**(291,519)**
Segment financial result	**127,788**	**5,709**	**(4,905)**	**2,283**	**130,875**
Corporate income tax benefit	–	–	–	–	**(17,643)**
Net profit after income tax benefit	**–**	**–**	**–**	**–**	**113,232**
Other segment items					
Additions of property, plant and equipment	1,520	3	39	9,444	**11,006**
Depreciation and amortisation	(8,449)	(77)	(35)	(149)	**(8,710)**

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2023	*2022*
Revenue		
Total revenue of reportable segments	490,611	422,394
Elimination of inter–segment revenue	(1,756)	(2,205)
Consolidated revenue	**488,855**	**445,758**
Profit or loss		
Total profit for reportable segments	152,288	113,232
Consolidated profit for the year	**152,288**	**113,232**

	2023	*2022*
Assets		
Total assets for reportable segments	3,377,207	3,294,056
Elimination of inter–segment assets	(225,466)	(172,732)
Consolidated assets	**3,151,741**	**3,121,324**
Liabilities		
Total liabilities for reportable segments	2,473,763	2,564,641
Elimination of inter–segment liabilities	(57,739)	(22,135)
Consolidated liabilities	**2,416,024**	**2,542,506**

(in millions of Kazakhstani tenge unless otherwise stated)

37. Analysis by segment, continued

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, continued

The geographic information for 2023 and 2022 is as follows:

	Revenues		*Non–current non–financial assets at 31 December*	
	2023	***2022***	***2023***	***2022***
Republic of Kazakhstan	447,804	392,010	125,726	53,361
Kyrgyz Republic	42,807	30,384	12,054	73,901
Total	**490,611**	**422,394**	**137,780**	**127,262**

The majority of revenues from external customers relate to residents of the Republic of Kazakhstan. The majority of non–current assets are located in the Republic of Kazakhstan. The Group operates in the Republic of Kazakhstan and foreign countries. In presenting the geographic information, the allocation of revenue has been based on the geographic location of customers and assets.

Major customers

For 2023 and 2022, no corporate customers of the reportable segments represented more than 10% of the Group's total revenue.

38. Risk management

Management of risk is fundamental to the business of banking and forms an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk, operational risk, legal and reputational risks.

Risk management policies and procedures

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

The Board of Directors of the Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and approving its risk management policies and procedures as well as approving significant large exposures.

Credit, market and liquidity risks are managed and controlled by the Board of Directors, Management Board and through a system of Credit Committees and the Authorised Collegial Bodies (ACB). In order to facilitate efficient and effective decision–making, the Group established a hierarchy of credit committees, depending on the type and amount of the exposure.

Market risk

Market risk is the probability of financial losses on balance sheet and off–balance sheet items, due to adverse changes in the market situation, expressed in changes in market interest rates, foreign exchange rates, market value of financial instruments, goods. The main types of market risk are interest rate, currency and price risks.

Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The Group manages market risk through performance of the following tasks:

- determining and establishing the levels of market risk appetite and developing action plans in case of breaches of the established levels, including responsibility for taking risks that have been determined to be high;
- building up an effective market risk management system of the Group;
- ensuring an optimal ratio between profitability and the level of risk assumed;

38. Risk management, continued

Market risk, continued

- ensuring that the authorised collegial bodies (ACB) who make decisions involving risks, are aware of the market risk by establishing an effective corporate governance system and having complete, reliable and timely management information;
- identifying the participants to the process and determining the procedure for their interaction while managing market risk;
- ensuring continuous monitoring and control of established levels of risk appetite and internal limits of market risk;
- performing stress testing to identify the level of potential market risks, assessing the Group's ability to withstand changes;
- performing back–testing to check the effectiveness of the risk measurement procedures using historical data on the Group's operations;
- minimising risks related to the failure of the Group's staff to comply with the established limits and market risk powers;
- developing mechanisms to address unexpected or extraordinary situations of the Group related to a significant change in market indicators resulting in increase in market risk.

Overall authority for market risk is vested in the Management Board and Board of Directors. Market risk limits are approved by Management Board and Board of Directors based on recommendations of the Market Risk Department.

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

The Group also uses Value–at–Risk ("VaR") methodology to monitor market risk of its trading positions.

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Market risk, continued

During 2023 and 2022 the Group implemented the following measures: improved the market risk management procedures; improved procedures of the market risk stress testing; improved the system of the market risk management reporting; revised internal limits form market risk.

Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major interest bearing financial instruments as at 31 December 2023 is as follows:

	Less than 1 month	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Non–interest bearing*	*At 31 December 2023*
Assets							
Cash and cash equivalents	576,504	13,316	–	–	–	116,562	**706,382**
Amounts due from banks and other financial institutions	6,552	–	45	910	–	56,327	**63,834**
Trading securities	3,743	4	11,140	1,261	241	3,125	**19,514**
Investment securities	344,178	45,171	288,122	209,523	10,470	67,806	**965,270**
Loans to customers	57,410	46,194	227,240	600,141	133,221	–	**1,064,206**
Acquired right of claim on promissory note to the MFRK	–	–	719	104,739	–	–	**105,458**
	988,387	**104,685**	**527,266**	**916,574**	**143,932**	**243,820**	**2,924,664**
Liabilities							
Amounts due to banks and other financial institutions	13,265	537	2,510	2,425	11,133	49,026	**78,896**
Amounts payable under repurchase agreements	43,288	–	–	–	–	–	**43,288**
Current accounts and deposits from customers	125,001	174,411	677,965	48,618	38,466	559,631	**1,624,092**
Debt securities issued	299	2,972	26	79,358	130,397	–	**213,052**
Subordinated debt	–	2,435	251	155,960	42,865	49	**201,560**
	181,853	**180,355**	**680,752**	**286,361**	**222,861**	**608,706**	**2,160,888**
	806,534	**(75,670)**	**(153,486)**	**630,213**	**(78,929)**	**(364,886)**	**763,776**

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Interest rate gap analysis, continued

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

	Less than 1 month	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Non–interest bearing*	*At 31 December 2022*
Assets							
Cash and cash equivalents	644,132	39,526	–	–	–	169,328	**852,986**
Amounts due from banks and other financial institutions	10,893	131	32	–	–	33,935	**44,991**
Trading securities	7,532	10,805	8,012	12,062	13	4,901	**43,325**
Investment securities	530,763	14,217	187,432	167,030	6,796	31,334	**937,572**
Loans to customers	65,609	43,779	160,747	508,293	147,342	–	**925,770**
Acquired right of claim on promissory note to the MFRK	–	–	731	102,337	–	–	**103,068**
	1,258,929	**108,458**	**356,954**	**789,722**	**154,151**	**239,498**	**2,907,712**
Liabilities							
Amounts due to banks and other financial institutions	16,840	678	122	7,590	10,919	20,194	**56,343**
Amounts payable under repurchase agreements	139,410	–	–	–	–	–	**139,410**
Current accounts and deposits from customers	43,805	144,401	745,008	96,105	47,027	585,818	**1,662,164**
Debt securities issued	10,330	41,128	26	77,869	117,340	–	**246,693**
Subordinated debt	–	2,957	5,244	145,783	42,062	2,228	**198,274**
	210,385	**189,164**	**750,400**	**327,347**	**217,348**	**608,240**	**2,302,884**
	1,048,544	**(80,706)**	**(393,446)**	**462,375**	**(63,197)**	**(368,742)**	**604,828**

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Average effective interest rates

The table below shows average effective interest rates for interest–bearing assets and liabilities as at 31 December 2023 and 31 December 2022. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 December 2023 Average effective interest rate, % p.a.			*31 December 2022 Average effective interest rate, % p.a.*		
	KZT	*US D*	*Other currencies*	*KZT*	*USD*	*Other currencies*
Interest–bearing assets						
Cash and cash equivalents	13.38	4.18	8.59	15.58	3.61	7.41
Amounts due from banks and other financial institutions	1.97	0.50	–	1.41	4.46	2.20
Trading securities	11.88	3.30	1.00	14.40	4.50	–
Investment securities measured at fair value through other comprehensive income	14.14	4.31	–	16.02	3.03	–
Investment securities measured at amortised cost	14.73	4.94	12.20	13.87	4.78	11.13
Loans to customers	23.45	10.38	9.58	17.83	8.22	17.58
Acquired right of claim on promissory note to the MFRK	–	3.93	–	–	3.93	–
Interest–bearing liabilities						
Amounts due to banks and other financial institutions	12.15	3.30	0.26	9.79	1.44	4.34
Amounts payable under repurchase agreements	17.55	3.81	–	16.82	2.95	–
Amounts due to customers	13.31	1.49	2.66	12.54	0.98	1.48
Debt securities issued	12.33	–	–	12.40	–	–
Subordinated debt	14.33	–	–	14.20	–	–
Lease liabilities	14.55	5.23	10.60	13.58	5.20	9.97

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. As the financial instruments have fixed interest rates, the interest rate gap analysis is consistent with the maturity analysis.

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 of banking book. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate 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 expected for the period of up to twelve months existing as at 31 December 2023 and 2022 is as follows:

	2023		*2022*	
	Profit or loss	*Equity*	*Profit or loss*	*Equity*
100 bp parallel fall	(5,149)	(5,149)	(6,410)	(6,410)
100 bp parallel rise	5,149	5,149	6,410	6,410

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Average effective interest rate, continued

Interest rate sensitivity analysis, continued

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets at FVTPL and financial assets at FVOCI due to changes in the interest rates based on positions existing as at 31 December 2023 and 2022 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves using modified duration method is as follows:

	2023		*2022*	
	Profit or loss	*Equity*	*Profit or loss*	*Equity*
100 bp parallel fall	533	5,352	830	5,720
100 bp parallel rise	(526)	(3,755)	(827)	(5,023)

Currency risk

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

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

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2023:

At 31 December 2023	*KZT*	*USD*	*EUR*	*RUB*	*Other currencies **	*Total*
Assets						
Cash and cash equivalents	260,849	264,269	42,391	28,241	110,632	**706,382**
Amounts due from banks and other financial institutions	907	61,781	410	–	736	**63,834**
Trading securities	313	15,676	1	–	–	**15,990**
Investment securities	763,972	129,481	–	–	4,168	**897,621**
Loans to customers	853,693	145,311	11	55	65,136	**1,064,206**
Acquired right of claim on promissory note to the MFRK**	–	105,458	–	–	–	**105,458**
Insurance contract assets	1,728	1,216	1	3	–	**2,948**
Reinsurance contract assets	1,805	1,270	1	3	–	**3,079**
Other financial assets	16,389	2,602	107	223	5,721	**25,042**
Total financial assets	**1,899,656**	**727,064**	**42,922**	**28,525**	**186,393**	**2,884,560**
Liabilities						
Amounts due to banks and other financial institutions	12,878	40,433	21,576	234	3,775	**78,896**
Amounts payable under repurchase agreements	14,250	29,038	–	–	–	**43,288**
Current accounts and deposits from customers	968,830	437,338	61,712	26,092	130,120	**1,624,092**
Debt securities issued	213,052	–	–	–	–	**213,052**
Subordinated debt	201,560	–	–	–	–	**201,560**
Lease liabilities	1,680	1,883	–	–	471	**4,034**
Other financial liabilities	4,835	1,949	405	42	706	**7,937**
Total financial liabilities	**1,417,085**	**510,641**	**83,693**	**26,368**	**135,072**	**2,172,859**
The effect of derivatives held for risk management	78,228	(118,519)	42,354	(4)	(1,849)	**210**
Net position as at 31 December 2023	**560,799**	**97,904**	**1,583**	**2,153**	**49,472**	**711,911**

** Other currencies mainly include KGS for Optima Bank OJSC's transactions.*

*** Promissory notes from the Ministry of Finance of the Republic of Kazakhstan are denominated in KZT, including interest, but are indexed to the change in US Dollar to KZT exchange rate from the date of issue of promissory notes.*

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Currency risk, continued

The following table shows the currency structure of finance assets and liabilities at 31 December 2022:

At 31 December 2022	*KZT*	*USD*	*EUR*	*RUB*	*Other currencies**	*Total*
Assets						
Cash and cash equivalents	345,017	346,594	46,527	27,889	86,959	**852,986**
Amounts due from banks and other financial institutions	1,500	42,381	542	–	568	**44,991**
Trading securities	2,209	36,378	–	–	–	**38,587**
Investment securities	794,261	105,985	–	–	5,993	**906,239**
Loans to customers	744,415	118,812	7	59	62,477	**925,770**
Acquired right of claim on promissory note to the MFRK	–	103,068	–	–	–	**103,068**
Insurance contract assets	1,175	343	–	2	–	**1,520**
Reinsurance contract assets	2,564	806	1	5	–	**3,376**
Other financial assets	21,724	1,527	141	519	5,851	**29,762**
Total financial assets	**1,912,865**	**755,894**	**47,218**	**28,474**	**161,848**	**2,906,299**
Liabilities						
Amounts due to banks and other financial institutions	10,672	35,607	1,721	419	7,924	**56,343**
Amounts payable under repurchase agreements	133,461	5,949	–	–	–	**139,410**
Current accounts and deposits from customers	915,700	543,072	71,499	23,770	108,123	**1,662,164**
Debt securities issued	246,693	–	–	–	–	**246,693**
Subordinated debt	198,274	–	–	–	–	**198,274**
Lease liabilities	1,861	2,056	–	–	530	**4,447**
Other financial liabilities	3,363	2,853	300	318	682	**7,516**
Total financial liabilities	**1,510,024**	**589,537**	**73,520**	**24,507**	**117,259**	**2,314,847**
The effect of derivatives held for risk management	16,172	(37,619)	28,093	(5,744)	(763)	**139**
Net position as at 31 December 2022	**419,013**	**128,738**	**1,791**	**(1,777)**	**43,826**	**591,591**

** Other currencies mainly include KGS for Optima Bank OJSC's transactions.*

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2023 and 31 December 2022, would have decreased/increased 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 Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2023		*2022*	
	Profit or loss	*Equity*	*Profit or loss*	*Equity*
30% appreciation of USD against KZT	23,497	23,497	30,897	30,897
30% appreciation of EUR against KZT	380	380	430	430
30% appreciation of RUB against KZT	517	517	(426)	(426)
30% appreciation of KGS against KZT	11,873	11,873	10,518	10,518

A strengthening of the KZT against the above currencies at 31 December 2023 and 2022 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.

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Other price risks

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 Group takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in equity securities prices based on positions for equity instruments existing as at 31 December 2023 and 2022 and a simplified scenario of a 10% change in all equity securities prices is as follows:

	2023		***2022***	
	Profit or loss	***Equity***	***Profit or loss***	***Equity***
10% increase in securities prices	382	7,145	452	3,584
10% decrease in securities prices	(382)	(7,145)	(452)	(3,584)

Credit risk

Credit risk is the probability of financial loss to the Bank if a customer or counterparty fails to meet its contractual obligations according to agreed terms. The Group has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes and determines the major requirements to be followed in lending activity, including:

- aims and objectives of the Group’s lending activity;
- priorities and restrictions in lending;
- credit risk allowable level;
- system of the credit risk limits;
- terms of granting loans to the individuals and legal entities, including entities having special relations with the Bank;
- stages and participants of the lending process;
- decision–making system;
- key principles and methods of credit risk management in the Group;
- internal control system for the credit risk management process.

On the basis of the Credit Policy, which covers the key directions of the Group’s activity and the system of the credit risk management instruments, the Group has built a more efficient lending process in the segments of the corporate business, small and medium–size business and retail business, as described below.

Corporate and SME loan credit applications are analysed by the Credit Analysis Department and SME lending divisions in branches, respectively, which are responsible for the analysis of issuing loans. The minimum rating required for the borrower to obtain a loan has been established in accordance with the decision of the Board of Directors of the Bank.

Then, to consider a project at the meeting of the authorised body that makes decisions on concluding a transaction, the opinions of the Group’s departments are provided, including: opinion of the Legal Department; opinion of the Security Department; opinion of the Collateral Department; and opinion of the Risk Management Department.

For the purpose of effective risk management, the Risk Management Department, while analysing the projects, assigns a rating (probability of default) to the borrower.

Currently the Group uses the rating and scoring models for each business segment: small, medium, corporate and retail clients.

38. Risk management, continued

Credit risk, continued

Based on the submitted opinions, the Credit Committee makes a decision depending on the level of authority to make decisions. In this case, transactions in excess of 5% of the Bank's equity are approved exclusively by the decision of the Board of Directors of the Bank.

Retail loan credit applications are reviewed by the Retail Lending Department through the use of models and application data verification procedures developed together with the Credit Risk Department.

To achieve the Group's key performance indicators, while setting the interest rates for the customers from the corporate business, SME and retail business, the level of credit risk accepted under each transaction is taken into account, and at least the following factors are analysed:

- rating/scoring (probability of default of the borrower);
- losses if the borrower defaults;
- funding costs;
- cost of capital;
- the Group's overheads.

As a part of this lending process, to ensure the timely response to the changes in the financial position and paying capacity of the Borrower and ability to make the appropriate management decisions, the Group exercises the ongoing monitoring of the status of individual loans, and regularly revalues the paying capacity of its borrowers. Revaluation procedures are based on analysis of the financial statements of the borrower as at the latest reporting date, or other information provided by the borrower itself or otherwise obtained by the Group.

Also, requirements to collateral are very important for the management of credit risk. The Group had developed and implemented effective procedures for the monitoring of collateral, in order to avoid the decrease of coverage of the credit portfolio by the collateral.

To ensure the effective risk management at the portfolio level the Group uses such methods as diversification of the loan portfolio and system of management reporting, which allows exercising the regular monitoring of the Group lending activity, identifying the major problems and implementing the risk minimisation instruments as well as stress–testing of credit risk.

The Group has improved the system of credit risk limits, which comprises:

- credit risk allowable level;
- limits by the categories of borrowers;
- limits on the types of lending;
- limits for the retail segment, comprising the portfolio limits and individual limits;
- limits on lending in terms of the industries, etc.

Monitoring and control are exercised periodically and findings are submitted for consideration to the Management Board/Board of Directors of the Bank.

This instrument allows the Group to control the lending activity based on the strategic development targets and risk taking in different areas.

The system of management reporting is functioning within the Group, the purpose of which is to provide the high quality, reliable and accurate information on the credit risk level and its deviation from the set value. The management reports are generated at the level of both the Group and individual segments on a monthly/quarterly basis, and submitted for consideration to the Management Board/Board of Directors of the Bank.

The Group applies the methodology of credit risk stress testing, which is performed using a scenario analysis and sensitivity analysis. While performing the stress testing, the Group uses the following scenarios:

- general business scenario, which is based on assessment of influence of deterioration of the economic situation in the country, including decline in economic growth in general and in separate industries;

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Credit risk, continued

- scenario specific to the Group's business, which is based on assessment of influence of the local stress factors, including those related to the specifics of the Group's lending activity and structure of its loan portfolio.

Credit risk stress testing makes it possible to respond on a timely basis to changes in macroeconomic and other indicators that may adversely affect the Group's operations, and to forecast the impact of these factors and develop risk mitigation methods.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in 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 2023	*31 December 2022*
Assets		
Cash and cash equivalents	611,511	719,288
Amounts due from banks and other financial institutions	63,834	44,991
Trading securities	15,990	38,587
Investment securities	897,621	906,239
Loans to customers	1,064,206	925,770
Acquired right of claim on promissory note to the MFRK	105,458	103,068
Insurance contract assets	2,948	1,520
Reinsurance contract assets	3,079	3,376
Other financial assets	25,042	29,762
Total maximum exposure to credit risk	**2,789,689**	**2,772,601**

For the analysis of concentration of credit risk in respect of loans to customers refer to *Note 23*.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 40.

As at 31 December 2023 the Group has no debtors or groups of connected debtors (31 December 2022: none), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position, or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

− loans to customers collateralised by cash on bank deposits; and

− repurchase and reverse repurchase agreements.

This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Offsetting financial assets and financial liabilities, continued

The following table provides information on financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2023:

Types of financial assets/liabilities	Gross amounts of recognised financial assets/ liabilities	Gross amount of recognised financial asset/liability offset in the consolidated statement of financial position	Net amount of financial assets/ liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments	Related amounts not offset in the consolidated statement of financial position: Cash collateral received	Net amount
Loans to customers	56,536	–	56,536	–	(9,662)	**46,874**
Amounts receivable under reverse repurchase agreements	23,656	–	23,656	(23,656)	–	–
Total financial assets	**80,192**	–	**80,192**	**(23,656)**	**(9,662)**	**46,874**
Current accounts and deposits from customers	9,662	–	9,662	(9,662)	–	–
Amounts payable under repurchase agreements	43,288	–	43,288	(43,288)	–	–
Total financial liabilities	**52,950**	–	**52,950**	**(52,950)**	–	–

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2022:

Types of financial assets/liabilities	Gross amounts of recognised financial assets/ liabilities	Gross amount of recognised financial asset/liability offset in the consolidated statement of financial position	Net amount of financial assets/ liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments	Related amounts not offset in the consolidated statement of financial position: Cash collateral received	Net amount
Loans to customers	58,112	–	58,112	–	(13,928)	**44,184**
Amounts receivable under reverse repurchase agreements	18,868	–	18,868	(18,868)	–	–
Total financial assets	**76,980**	–	**76,980**	**(18,868)**	**(13,928)**	**44,184**
Current accounts and deposits from customers	14,355	–	14,355	(14,355)	–	–
Amounts payable under repurchase agreements	139,410	–	139,410	(139,410)	–	–
Total financial liabilities	**153,765**	–	**153,765**	**(153,765)**	–	–

The securities pledged under repurchased agreements represent the transferred financial assets that are not derecognised in their entirety.

38. Risk management, continued

Offsetting financial assets and financial liabilities, continued

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position at amortised cost. The amounts in the above tables that are offset in the consolidated statement of financial position are measured on the same basis.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Bank’s liquidity policy is reviewed by the Management Board and approved by the Board of Directors.

The key objectives of the Group’s liquidity risk management are as follows:

- to ensure that the Group is able to discharge its liabilities in time and in full scope;
- to invest the Group’s free cash flows in high income earning and highly liquid assets.

In the process of liquidity risk management the Group is governed by the following principles:

- liquidity is managed on a day–to–day basis and continuously;
- sound management of assets and liabilities;
- management of access to the interbank market;
- diversification and stability of liabilities;
- application of the methods and instruments for the liquidity risk assessment, which do not contradict the regulatory legal acts of the NBRK;
- clear split of the powers and responsibility for liquidity management between the bodies of the Group, its officials and business units;
- setting of limits that ensure the adequate level of liquidity and meet the size, nature of business and financial position of the Group;
- in case of a conflict between the liquidity and returns, to make decision in favour of liquidity;
- planning of the liquidity requirements;
- regular monitoring of the decisions to provide liquidity, which have been made before.

Liquidity risk management policy provides for assessment of the total liquidity requirement under both normal and stressed conditions, taking into account the following:

- the Group’s strategy and those types of activity, which expose the Group to the liquidity risk;
- the Group’s risk appetite strategy;
- size, nature and complexity of the Group’s business;
- size of the Group’s exposure to liquidity risk and assessment of its impact on the Group’s financial position;
- the results of the risk assessment, including those obtained through stress testing;
- the effectiveness of the liquidity risk management procedures previously applied by the Group;
- expectations of internal organisational and/or external changes in market conditions;
- legislation of the Republic of Kazakhstan.

38. Risk management, continued

Liquidity risk, continued

To manage the liquidity risk, a system of the liquidity risk management is established, which is based on the *Rules for the Formation of the Risk Management and Internal Control System for Second–tier Banks*, approved by Resolution No.188 of the NBRK's Management Board of dated 12 November 2019, and standards and instruments recommended by Basel Committee on Bank Supervision and complies with the requirements of the banking laws and best global practices. The liquidity risk management system meets the current market situation, strategy, size and level of complexity of the Bank's operations and ensures the efficient identification, measurement, monitoring and control of the Bank's liquidity risk, with due consideration of the intra–group transactions.

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

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Liquidity risk, continued

The liquidity position is monitored on a daily basis and liquidity forecasting is performed on a regular basis by the Strategic Risks Department both under normal and stress market conditions. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a daily basis. Decisions on liquidity management are made by the authorised collegial body and implemented by the Strategic Risks Department.

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 outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment.

The maturity analysis for financial liabilities as at 31 December 2023 is as follows:

At 31 December 2023	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 months to 1 year*	*From 1 to 5 years*	*More than 5 years*	*No maturity*	*Total gross amount outflow*	*Total*
Liabilities								
Amounts due to banks and other financial institutions	71,695	1,076	4,884	7,646	31,111	–	116,412	**78,896**
Amounts payable under repurchase agreements	43,313	–	–	–	–	–	43,313	**43,288**
Current accounts and deposits from customers	770,910	178,009	720,048	51,856	54,893	–	1,775,716	**1,624,092**
Debt securities issued	440	4,232	4,663	96,692	616,294	–	722,321	**213,052**
Subordinated debt	–	3,089	12,902	181,894	367,783	–	565,668	**201,560**
Lease liabilities	61	264	736	2,768	205	–	4,034	**4,034**
Other financial liabilities	4,446	1,032	1,681	778	–	–	7,937	**7,937**
Total liabilities	**890,865**	**187,702**	**744,914**	**341,634**	**1,070,286**	–	**3,235,401**	**2,172,859**
Credit related commitments	9,531	–	–	–	–	–	**9,531**	**9,531**

Future interest payments for non–redeemable cumulative preference shares, which are payable annually, are not included in the table above.

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Liquidity risk, continued

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

At 31 December 2022	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 months to 1 year*	*From 1 to 5 years*	*More than 5 years*	*No maturity*	*Total gross amount outflow*	*Total*
Liabilities								
Amounts due to banks and other financial institutions	37,145	699	164	7,844	31,786	–	77,638	**56,343**
Amounts payable under repurchase agreements	139,508	–	–	–	–	–	139,508	**139,410**
Current accounts and deposits from customers	619,753	156,718	796,631	107,457	61,014	–	1,741,573	**1,662,164**
Debt securities issued	319	43,221	14,984	105,368	617,088	–	780,980	**246,693**
Subordinated debt	–	3,109	18,082	192,153	373,204	–	586,548	**198,274**
Lease liabilities	60	457	1,835	4,566	–	–	6,918	**4,447**
Other financial liabilities	4,084	825	3,170	839	24	50	8,992	**8,992**
Total liabilities	**800,869**	**205,029**	**834,866**	**418,227**	**1,083,116**	**50**	**3,342,157**	**2,316,323**
Credit related commitments	13,703	–	–	–	–	–	**13,703**	**13,703**

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. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

In accordance with Article 765 of the Civil Code of the Republic of Kazakhstan, depositors can withdraw their term, savings, escrow and demand deposits from the Bank on demand, generally losing, in most of the cases, the accrued interest. The Bank is obliged to return term and/or escrow deposits or part thereof not later than seven calendar days from the date of receipt of the depositor's request, and savings deposits – not earlier than thirty calendar days from the date of receipt of the depositor's request. In accordance with legislation of the Republic of Kyrgyzstan, individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest.

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 Group indicates that these customer accounts provide a long–term and stable source of funding.

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Liquidity risk, continued

Management expects that the cash flows from certain 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 contractual maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2023:

At 31 December 2023	*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*
Non–derivative assets								
Cash and cash equivalents	693,066	13,316	–	–	–	–	–	**706,382**
Amounts due from banks and other financial institutions	48,797	–	45	14,992	–	–	–	**63,834**
Trading securities	3,743	4	11,140	1,261	241	2,182	943	**19,514**
Investment securities	344,178	45,171	288,122	209,523	10,470	67,806	–	**965,270**
Loans to customers	11,984	46,194	227,240	600,141	133,221	–	45,426	**1,064,206**
Acquired right of claim on promissory note to the MFRK	–	–	719	104,739	–	–	–	**105,458**
Insurance contract assets	1,300	469	1,054	18	–	–	107	**2,948**
Reinsurance contract assets	1,358	490	1,101	19	–	–	111	**3,079**
Property, equipment and intangible assets	–	–	–	–	–	87,886	–	**87,886**
Non–current assets held for sale	–	–	4,906	2,079	–	–	–	**6,985**
Investment property	–	–	–	42,861	–	–	–	**42,861**
Current tax asset	348	78	1,425	–	78	–	–	**1,929**
Deferred tax asset	39	–	–	13	–	58	–	**110**
Other assets	14,336	12,323	11,462	39,713	21	2,049	1,181	**81,085**
Total assets	**1,119,149**	**118,045**	**547,214**	**1,015,359**	**144,031**	**159,981**	**47,768**	**3,151,547**
Non–derivative liabilities								
Amounts due to banks and other financial institutions	62,291	537	2,510	2,425	11,133	–	–	**78,896**
Amounts payable under repurchase agreements	43,288	–	–	–	–	–	–	**43,288**
Current accounts and deposits from customers	684,632	174,411	677,965	48,618	38,466	–	–	**1,624,092**
Debt securities issued	299	2,972	26	79,358	130,397	–	–	**213,052**
Subordinated debt	–	2,435	251	155,960	42,865	49	–	**201,560**
Liabilities to the mortgage company	–	1	6	286	9,026	–	–	**9,319**
Lease liabilities	61	264	736	2,768	205	–	–	**4,034**
Current tax liability	408	–	–	91	–	–	–	**499**
Deferred tax liabilities	–	–	1,594	164,968	–	–	–	**166,562**
Insurance contract liabilities	–	4,894	28,704	2,273	876	–	–	**36,747**
Reinsurance contract liabilities	–	216	–	–	–	–	–	**216**
Other liabilities	23,944	1,868	7,185	3,695	18	–	665	**37,375**
Total liabilities	**814,923**	**187,598**	**718,977**	**460,442**	**232,986**	**49**	**665**	**2,415,640**
Net position	**304,226**	**(69,553)**	**(171,763)**	**554,917**	**(88,955)**	**159,932**	**47,103**	**735,907**

(in millions of Kazakhstani tenge unless otherwise stated)

38. Risk management, continued

Liquidity risk, continued

The table below shows an analysis, by contractual maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2022:

At 31 December 2022	*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*
Non–derivative assets								
Cash and cash equivalents	813,463	39,523	–	–	–	–	–	**852,986**
Amounts due from banks and other financial institutions	24,756	128	14,107	–	6,000	–	–	**44,991**
Trading securities	7,532	10,805	8,394	12,062	13	4,519	–	**43,325**
Investment securities	536,388	8,592	187,432	167,030	6,796	31,334	–	**937,572**
Loans to customers	14,150	43,779	160,747	508,293	145,257	–	53,544	**925,770**
Acquired right of claim on promissory note to the MFRK	–	–	731	102,337	–	–	–	**103,068**
Insurance contract assets	265	435	764	–	–	–	56	**1,520**
Reinsurance contract assets	542	1,021	1,680	–	–	–	133	**3,376**
Property, equipment and intangible assets	–	–	–	22	–	84,437	–	**84,459**
Non–current assets held for sale	–	–	8,136	–	–	–	–	**8,136**
Investment property	–	–	–	15,192	19,428	–	–	**34,620**
Current tax asset	–	–	622	230	–	–	–	**852**
Deferred tax asset	–	–	205	–	–	8	–	**213**
Other assets	13,423	3,291	6,318	51,715	364	2,239	2,952	**80,302**
Total assets	**1,410,519**	**107,574**	**389,136**	**856,881**	**177,858**	**122,537**	**56,685**	**3,121,190**
Non–derivative liabilities								
Amounts due to banks and other financial institutions	37,033	678	122	7,590	10,920	–	–	**56,343**
Amounts payable under repurchase agreements	139,410	–	–	–	–	–	–	**139,410**
Current accounts and deposits from customers	612,468	144,417	762,149	96,104	47,026	–	–	**1,662,164**
Debt securities issued	299	41,128	10,057	77,869	117,340	–	–	**246,693**
Subordinated debt	–	2,957	5,244	145,783	42,062	2,228	–	**198,274**
Liabilities to the mortgage company	–	1	5	283	10,528	–	–	**10,817**
Lease liabilities	55	287	1,110	2,979	16	–	–	**4,447**
Current tax liability	184	32	212	–	–	–	–	**428**
Deferred tax liabilities	–	–	1,642	163,486	–	–	–	**165,128**
Insurance contract liabilities	33	2,544	17,136	648	702	–	–	**21,063**
Reinsurance contract liabilities	–	–	1,677	–	–	–	–	**1,677**
Other liabilities	19,994	1,312	9,996	1,979	396	491	524	**34,692**
Total liabilities	**809,476**	**193,356**	**809,350**	**496,721**	**228,990**	**2,719**	**524**	**2,541,136**
Net position	**601,043**	**(85,782)**	**(420,214)**	**360,160**	**(51,132)**	**119,818**	**56,161**	**580,054**

38. Risk management, continued

Operational risk

Operational risk is the probability of loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors, such as those arising from legal and regulatory requirements (excluding strategic risk and reputational risk).

The Group had developed the policy on operational risk management, which was approved by the Board of Directors.

The Group is establishing the system of operational risk management that is organised in three levels:

- Level 1– risk management by the departments of the Group.
- Level 2– risk management by the independent operational risk management department.
- Level 3– independent assessment of operational risk management system effectiveness by the internal audit department.

Level 1 relates to risk coordinators that were appointed in the departments of the Group, who are responsible for the collection and direction of information about the operational risk to the risk management department. Risk management department conducts the education of risk coordinators of the Group and controls the work performed by risk coordinators.

The Group uses automated base for the collection and analysis of information about operation risk events. Risk coordinators collect the information about operation risk events, each event is evaluated by the risk management department together with process holders and then directed to the specialised collegial body.

Additional instrument of operational risk management is the process of self–assessment of operational risk in the departments of the Group. Self–assessment is conducted by the first level of defence directed by the risk management department. The results are organised in risk maps.

Separate operational risk assessment is conducted before implementation of new products, processes and systems.

On a monthly basis, Management Board and Board of Directors review the information on operational risk.

39. Capital management

The NBRK sets and monitors capital requirements for the Group as a whole. The Group defines 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 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 and other revaluation reserves. Additional capital comprises of perpetual contracts and paid–in preference share capital less adjustments for the Group's investment in its own perpetual financial instruments and treasury preference shares.
- Tier 2 capital, which comprises the subordinated debt denominated in the national currency, less investments in the subordinated debt of the financial organisations not consolidated with the Bank under IFRS.
- Total capital is the sum of tier 1 and tier 2 capital. Various further limits and qualifying criteria are applied to the above elements of the capital base.

In accordance with the current legislative requirements, the banks have to maintain 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) at least at 0.075, inclusive of the capital conservation buffer;
- a ratio of tier 1 capital, net of investments, 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) at least at 0.085, inclusive of the capital conservation buffer;

(in millions of Kazakhstani tenge unless otherwise stated)

39. Capital management, continued

- a ratio of equity 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) at least at 0.010, inclusive of the capital conservation buffer.

The following table shows the composition of the capital position of the Group as at 31 December 2023 and 2022 calculated in accordance with the requirements established by the NBRK:

	31 December 2023	*31 December 2022*
Tier 1 capital	655,126	473,585
Tier 2 capital	252,696	277,954
Total statutory capital	**907,822**	**751,539**
Total risk–weighted statutory assets, contingent liabilities and operational and market risks	**1,843,707**	**1,584,475**
k1	0.355	0.299
k1.2	0.355	0.299
k2	0.492	0.474

NBRK's requirements are established under liabilities incurred by the Bank and its subsidiary. The Bank and its subsidiaries complied with all externally imposed capital requirements as at 31 December 2023 and 2022.

40. Credit related commitments

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

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The Group 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 commitments are set out in the following table by category. The amounts reflected in the table for 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 2023	*31 December 2022*
Credit card commitments	5,649	6,808
Financial guarantees issued	3,311	5,165
Letters of credit	571	1,730
	9,531	**13,703**
Less: Reserves	(29)	(105)
	9,502	**13,598**

Agreements for credit– and credit line–related commitments provide for the Group's right to unilaterally withdraw from an agreement once conditions unfavourable to the Group have arisen, including change of refinancing, inflation and exchange rates, and other conditions.

Total outstanding contractual amount of credit– and credit line–related commitments, and guarantees and letters of credit does not necessarily represent future cash claims as the term of commitments may expire or the said commitments may be cancelled without funds being provided to the borrower.

(in millions of Kazakhstani tenge unless otherwise stated)

40. Credit related commitments, continued

The following table summarises the quality of commitments as at 31 December 2023 and 2022:

	31 December 2023			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
– rated from BBB– to BBB+	5,037	–	–	**5,037**
– not rated	4,456	23	15	**4,494**
	9,493	**23**	**15**	**9,531**
Less: Reserves	(26)	–	(3)	**(29)**
	9,467	**23**	**12**	**9,502**

	31 December 2022			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
– rated from BBB– to BBB+	11,567	–	–	**11,567**
– rated from BB– to BB+	2,053	–	–	**2,053**
– rated from B– to B+	–	44	–	**44**
– rated from CCC– to CCC+	–	–	20	**20**
– not rated	–	–	19	**19**
	13,620	**44**	**39**	**13,703**
Less: Reserves	(89)	(5)	(11)	**(105)**
	13,531	**39**	**28**	**13,598**

As at 31 December 2023 the amount of current accounts and deposits from customers held to secure the guarantees and letters of credit is KZT 5,228 million (31 December 2022: KZT 6,477 million) *(Note 30)*.

41. Lease liabilities

Leases as lessee

Non–cancellable lease rentals are payable as follows:

	31 December 2023	***31 December 2022***
Less than 1 year	1,061	281

The Group leases a number of premises and equipment under leases. The leases typically run for an initial period of one–to–five years, with an option to then renew the lease. Lease payments are usually increased annually to reflect market rentals. None of the leases include contingent rentals.

In 2023, KZT 1,055 million was recognised as expense in the consolidated statement of profit or loss and other comprehensive income under the lease agreements (31 December 2022: KZT 1,566 million) *(Note 16)*.

42. Contingencies

Insurance

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

Litigations

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

(in millions of Kazakhstani tenge unless otherwise stated)

42. Contingencies, continued

Taxation contingencies in Kazakhstan

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

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 Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

43. Related party transactions

Control relationship

As at 31 December 2023, the major shareholders of the Bank are the Kazakhstani brokerage company First Heartland Securities JSC that owns 79.63% of outstanding ordinary shares and Mr. G.Sh. Yessenov, who owns 20.11% of outstanding ordinary shares (31 December 2022: First Heartland Securities JSC that owns 78.73% of outstanding ordinary shares and Mr. G.Sh. Yessenov, who owns 20.11% of outstanding ordinary shares *(Note 1)*.

As at 31 December 2023, the ultimate controlling party of the Bank is Mr. G.Sh. Yessenov (31 December 2022: New Generation Foundation, Inc.).

Remuneration to the key management personnel

Total remuneration paid to the key management personnel included in personnel expenses in the consolidated statement of profit or loss and other comprehensive income for 2023 and 2022 is as follows:

	2023	*2022*
Personnel expenses		
Key management personnel	(1,737)	(2,616)

These amounts include long–term remuneration to the members of the Board of Directors and the Management Board and related taxes of KZT 523 million (2022: KZT 358 million) recognised in accordance with the NBRK Resolution No. 74 dated 24 February 2012, payable over a period of at least three years, subject to the established conditions.

Transactions with the key management personnel

The outstanding balances and average interest rates as at 31 December 2023 and 2022 for transactions with the members of the key management personnel are as follows:

	31 December 2023	*Average interest rate, % p.a.*	*31 December 2022*	*Average interest rate, % p.a.*
Liabilities				
Current accounts and deposits from customers	498	5.14	944	5.46
Other liabilities *	92	–	7,398	–

** As at 31 December 2022 other liabilities include an accrued variable interest payable in the form of ordinary shares, which were dissolved during 2023.*

Amounts included in profit or loss in relation to transactions with the key management personnel are as follows:

	2023	*2022*
Interest expense	(54)	(20)
Total	**(54)**	**(20)**

(in millions of Kazakhstani tenge unless otherwise stated)

43. Related party transactions, continued

Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2023 and related profit or loss amounts of transactions for the year ended 2023 with other related parties are as follows:

	Parent Company		*Ultimate parent company and other fellow subsidiaries*		*Other **		
	KZT mln	*Average interest rate, % p.a.*	*KZT mln*	*Average interest rate, % p.a.*	*KZT mln*	*Average interest rate, % p.a.*	*Total KZT mln*
Consolidated statement of financial position							
Assets							
Loans to customers							
Principal, in KZT	–	–	–	–	613	14.03	**613**
Other assets	–	–	–	–	–	–	**–**
Liabilities							
Current accounts and deposits from customers							
in KZT	63	–	132	14.5	4,249	13.80	**4,444**
in USD	10	–	593	1	3,273	1.32	**3,876**
in other currency	–	–	–	–	1,243	3.00	**1,243**
Lease liabilities	–	–	–	–	409	–	**409**
Other liabilities	–	–	–	–	71	–	**71**
Consolidated statement of profit or loss and other comprehensive income							
Interest income	–	–	–	–	98	–	**98**
Interest expense	–	–	(3)	–	(2,863)	–	**(2,866)**
Net gains on FX derivatives transactions	–	–	–	–	–	–	–
Other income	–	–	–	–	51	–	**51**
Other general and administrative expenses	–	–	–	–	(11)	–	**(11)**

** Other related parties include other entities under common control.*

(in millions of Kazakhstani tenge unless otherwise stated)

43. Related party transactions, continued

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

	Parent Company		*Ultimate parent company and other fellow subsidiaries*		*Other **		
	KZT mln	*Average interest rate, % p.a.*	*KZT mln*	*Average interest rate, % p.a.*	*KZT mln*	*Average interest rate, % p.a.*	*Total KZT mln*
Consolidated statement of financial position							
Assets							
Loans to customers							
Principal, in KZT	–	–	–	–	761	14.05	**761**
Other assets	128	–	–	–	35	–	**163**
Liabilities							
Current accounts and deposits from customers							
in KZT	2	–	1	–	38,197	14.47	**38,200**
in USD	1		705		99,530	0.80	**100,236**
in other currency	–	–	–	–	6,926	–	**6,926**
Lease liabilities	–	–	–	–	527	–	**527**
Other liabilities	–	–	–	–	10	–	**10**
Consolidated statement of profit or loss and other comprehensive income							
Interest income	–	–	–	–	181	–	**181**
Interest expense	–	–	–	–	(5,581)	–	**(5,581)**
Net gains on FX derivatives transactions	–	–	–	–	20,289	–	**20,289**
Other income	–	–	–	–	28	–	**28**
Other general and administrative expenses	–	–	–	–	(128)	–	**(128)**

** Other related parties include other entities under common control*

(in millions of Kazakhstani tenge unless otherwise stated)

44. Fair value of financial instruments

Accounting classifications and fair values

For the purposes of fair value disclosures, the Group has determined categories of assets and liabilities based on their nature, characteristics and risks inherent to assets or liabilities as well as the level in the fair value hierarchy. The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2023:

	FVTPL	*Amortised cost*	*FVOCI*	*Carrying amount*	*Fair value*
Financial assets					
Cash and cash equivalents	–	706,382	–	**706,382**	**706,382**
Derivative financial instruments	194	–	–	**194**	**194**
Amounts due from banks and other financial institutions	–	63,834	–	**63,834**	**63,834**
Trading securities	19,514	–	–	**19,514**	**19,514**
Investment securities measured at fair value through other comprehensive income	–	–	727,591	**727,591**	**727,591**
Loans to customers	9,009	1,055,197	–	**1,064,206**	**1,050,095**
Investment securities measured at amortised cost	–	237,679	–	**237,679**	**236,620**
Acquired right of claim on promissory note to the MFRK	–	–	105,458	**105,458**	**105,458**
Insurance contract assets	–	2,948	–	**2,948**	**2,948**
Reinsurance contract assets	–	3,079	–	**3,079**	**3,079**
Other financial assets	–	25,042	–	**25,042**	**25,042**
	28,717	**2,094,161**	**833,049**	**2,955,927**	**2,940,757**
Financial liabilities					
Amounts due to banks and other financial institutions	–	78,896	–	**78,896**	**74,819**
Amounts payable under repurchase agreements	–	43,288	–	**43,288**	**43,288**
Derivative financial instruments	384	–	–	**384**	**384**
Current accounts and deposits from customers	–	1,624,092	–	**1,624,092**	**1,623,573**
Debt securities issued	–	213,052	–	**213,052**	**172,317**
Subordinated debt	–	201,560	–	**201,560**	**199,453**
Lease liabilities	–	4,034	–	**4,034**	**4,034**
Insurance contract liabilities	–	36,747	–	**36,747**	**36,747**
Reinsurance contract liabilities	–	216	–	**216**	**216**
Other financial liabilities	–	7,937	–	**7,937**	**7,937**
	384	**2,209,822**	–	**2,210,206**	**2,162,768**

(in millions of Kazakhstani tenge unless otherwise stated)

44. Fair value of financial instruments, continued

Accounting classifications and fair values, continued

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

	FVTPL	*Amortised cost*	*FVOCI*	*Carrying amount*	*Fair value*
Financial assets					
Cash and cash equivalents	–	852,986	–	**852,986**	**852,986**
Derivative financial instruments	134	–	–	**134**	**134**
Amounts due from banks and other financial institutions	–	44,991	–	**44,991**	**44,991**
Trading securities	43,325	–	–	**43,325**	**43,325**
Investment securities measured at fair value through other comprehensive income	–	–	868,018	**868,018**	**868,018**
Loans to customers	13,524	912,246	–	**925,770**	**871,444**
Investment securities measured at amortised cost	–	69,554	–	**69,554**	**68,712**
Acquired right of claim on promissory note to the MFRK	–	–	103,068	**103,068**	**103,068**
Insurance contract assets	–	1,520	–	**1,520**	**1,520**
Reinsurance contract assets	–	3,376	–	**3,376**	**3,376**
Other financial assets	–	29,762	–	**29,762**	**29,762**
	56,983	**1,914,435**	**971,086**	**2,942,504**	**2,887,336**
Financial liabilities					
Amounts due to banks and other financial institutions	–	56,343	–	**56,343**	**54,604**
Amounts payable under repurchase agreements	–	139,410	–	**139,410**	**139,410**
Derivative financial instruments	1,370	–	–	**1,370**	**1,370**
Current accounts and deposits from customers	–	1,662,164	–	**1,662,164**	**1,662,293**
Debt securities issued	–	246,693	–	**246,693**	**201,786**
Subordinated debt	–	198,274	–	**198,274**	**183,731**
Lease liabilities	–	4,447	–	**4,447**	**4,447**
Insurance contract liabilities	–	21,063	–	**21,063**	**21,063**
Reinsurance contract liabilities	–	1,677	–	**1,677**	**1,677**
Other financial liabilities	–	7,516	–	**7,516**	**7,516**
	1,370	**2,337,587**	–	**2,338,957**	**2,277,897**

44. Fair value of financial instruments, continued

Accounting classifications and fair values, continued

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

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

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

Valuation techniques include net present value and discounted cash flow models 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 Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments. 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 such as interest rate swaps.

For more complex instruments, the Group 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 securities for which there is no active market.

The following assumptions are used by the Management to estimate the fair values of financial instruments as at 31 December 2023:

- discount rates of 20.35% – 23.68% p.a., 13.00% – 28.00% p.a. and 7.20% – 10.50% p.a. are used for discounting future cash flows from loans to corporate customers denominated in KZT, KGS and USD, respectively (31 December 2022: 18.57% – 19.94% p.a., 4.00% – 30.00% p.a. and 4.00% – 7.00% p.a., respectively);
- discount rates of 9.68% – 40.11% p.a. and 8.00% – 30.00% p.a. are used for discounting future cash flows from loans to retail customers denominated in USD, KZT and KGS, respectively (31 December 2022: 9.52% – 39.38% p.a. and 11.50% – 30.00% p.a., respectively);
- the fair value of current accounts and deposits of customers approximates their carrying amount given the depositors’ rights to withdraw their funds prior to maturity in accordance with the laws of the Republic of Kazakhstan and the Kyrgyz Republic (Note 38);
- discount rates of 14.60% – 16.20% p.a. are used for discounting future cash flows from debt securities issued denominated in KZT (31 December 2022: 14.16% – 20.12% p.a.);
- discount rates of 14.70% – 16.40% p.a. are used for discounting future cash flows from subordinated debt (31 December 2022: 14.34% – 20.63% p.a.).

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short–term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to current accounts, demand deposits and savings accounts without a specific maturity.

(in millions of Kazakhstani tenge unless otherwise stated)

44. Fair value of financial instruments, continued

Fair value hierarchy

The table below analyses financial instruments measured at fair value at 31 December 2023 and 2022, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

		Fair value measurement using			
At 31 December 2023	***Measurement date***	***Input data of Level 1***	***Input data of Level 2***	***Input data of Level 3***	***Total***
Financial instruments at FVTPL:					
– derivative financial assets	31 December 2023	–	194	–	**194**
– derivative financial liabilities	31 December 2023	–	384	–	**384**
– trading securities	31 December 2023	12,274	2,018	5,222	**19,514**
– loans to customers	31 December 2023	–	–	9,009	**9,009**
Equity financial instruments at FVOCI:					
– corporate shares	31 December 2023	67,633	–	16	**67,649**
Debt financial instruments at FVOCI					
– investment securities at FVOCI	31 December 2023	54,560	605,382	–	**659,942**
– acquired right of claim on promissory note to the MFRK	31 December 2023	–	105,458	–	**105,458**

		Fair value measurement using			
At 31 December 2022	***Measurement date***	***Input data of Level 1***	***Input data of Level 2***	***Input data of Level 3***	***Total***
Financial instruments at FVTPL:					
– derivative financial assets	31 December 2022	–	134	–	**134**
– derivative financial liabilities	31 December 2022	–	1,370	–	**1,370**
– trading securities	31 December 2022	25,545	12,193	5,587	**43,325**
– loans to customers	31 December 2022	–	–	13,524	**13,524**
Equity financial instruments at FVOCI:					
– corporate shares	31 December 2022	–	31,333	–	**31,333**
Debt financial instruments at FVOCI					
– investment securities at FVOCI	31 December 2022	22,637	814,048	–	**836,685**
– acquired right of claim on promissory note to the MFRK	31 December 2022	–	103,068	–	**103,068**

Securities, which are listed on Kazakh Stock Exchange but which do not have an active market as at 31 December 2023 and 2022 are classified as Level 2 in the fair value hierarchy. As at 31 December 2023, the financial instruments classified as Level 2, include government securities for the amount of KZT 605,382 million (31 December 2022: KZT 814,048 million) and promissory notes from the MFRK in the amount of KZT 105,458 million (31 December 2022: KZT 103,068 million).

(in millions of Kazakhstani tenge unless otherwise stated)

44. Fair value of financial instruments, continued

Fair value hierarchy, continued

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 Group uses valuation techniques that rely on unobservable inputs.

Changes in Level 3 assets measured at fair value

The fair value of loans to customers measured at FVTPL is determined using the discounted cash flows valuation technique. The valuation model considers the present value of expected future cash flows from the foreclosure of collateral, discounted using a risk–adjusted discount rate from 19.20% – 22.20% p.a. (31 December 2022: from 20.54% to 23.54% p.a.). Unobservable inputs to valuation models include credit, market and liquidity risk adjustments associated with expected cash flows from the borrower's operations or the valuation of collateral. For the assumptions used in estimation of expected future cash flows from the foreclosure of collateral please refer to *Note 23*.

The fair value of trading securities is estimated using the cash price method on the basis of the securities base. Unobservable inputs for valuation models include bid–ask spreads.

The following table shows a reconciliation of the amounts recognised at the beginning and at the end of the reporting period for Level 3 financial assets carried at fair value:

	Fair value measurement using input data of Level 3	
	2023	***2022***
At 1 January	**19,111**	**17,910**
Transfer from Level 1	–	12,926
Net interest income	–	282
Interest paid	(2,008)	(2,320)
Repayments	(2,845)	(5,369)
Net loss on fair value adjustment	(11)	(4,318)
At 31 December	**14,247**	**19,111**

During the year ended 31 December 2022, securities of Russian issuers were transferred to Level 3 of the fair value hierarchy, where significant inputs used in making those estimates, previously observable, became unobservable: these securities were listed on the stock exchange and observable transactions with those securities on an arm's length basis were conducted.

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

(in millions of Kazakhstani tenge unless otherwise stated)

44. Fair value of financial instruments, continued

Changes in Level 3 assets measured at fair value, continued

The table below provides a comparison between the carrying amount and the fair value by category and level in the fair value hierarchy to which the fair value measurement of the Group's financial instruments is designated, and which are not presented at fair value in the consolidated statement of financial position. The fair values of non–financial assets and non–financial liabilities are not presented in the table.

At 31 December 2023	*Level 1*	*Level 2*	*Level 3*	*Fair value*	*Carrying amount*
Assets					
Cash and cash equivalents	−	706,382	−	**706,382**	**706,382**
Amounts due from banks and other financial institutions	−	63,834	−	**63,834**	**63,834**
Loans to customers	−	838,660	202,426	**1,041,086**	**1,055,197**
Investment securities measured at amortised cost	41,660	194,960	−	**236,620**	**237,679**
Other financial assets	−	25,042	−	**25,042**	**25,042**
Liabilities					
Amounts due to banks and other financial institutions	−	74,819	−	**74,819**	**78,896**
Amounts payable under repurchase agreements	−	43,288	−	**43,288**	**43,288**
Current accounts and deposits from customers	−	1,623,573	−	**1,623,573**	**1,624,092**
Debt securities issued	−	172,317	−	**172,317**	**213,052**
Subordinated debt	−	199,453	−	**199,453**	**201,560**
Lease liabilities	−	4,034	−	**4,034**	**4,034**
Other financial liabilities	−	7,937	−	**7,937**	**7,937**

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:

At 31 December 2022	*Level 1*	*Level 2*	*Level 3*	*Fair value*	*Carrying amount*
Assets					
Cash and cash equivalents	−	852,986	−	**852,986**	**852,986**
Amounts due from banks and other financial institutions	−	44,991	−	**44,991**	**44,991**
Loans to customers	−	646,082	211,838	**857,920**	**912,246**
Investment securities measured at amortised cost	19,585	49,127	−	**68,712**	**69,554**
Other financial assets	−	29,762	−	**29,762**	**29,762**
Liabilities					
Amounts due to banks and other financial institutions	−	42,746	11,858	**54,604**	**56,343**
Amounts payable under repurchase agreements	−	139,410	−	**139,410**	**139,410**
Current accounts and deposits from customers	−	1,474,974	187,319	**1,662,293**	**1,662,164**
Debt securities issued	−	201,786	−	**201,786**	**246,693**
Subordinated debt	−	183,731	−	**183,731**	**198,274**
Lease liabilities	−	4,447	−	**4,447**	**4,447**
Other financial liabilities	−	7,516	−	**7,516**	**7,516**

45. Subsequent events

On 23 February 2024, the Monetary Policy Committee of the NBRK made decision to decrease the base rate by 50 bp and set it at 14.75% p.a. with a corridor of +/– 1 bp.

In January 2024, the Bank placed a short–term syndicated loan of USD 5 million, equivalent to KZT 2,241 million, with a foreign bank.

(in millions of Kazakhstani tenge unless otherwise stated)

Annex to the audited consolidated financial statements of the Group for the year ended 31 December 2023.

The carrying amounts of one ordinary share and one preference share calculated in accordance with the rules of the Kazakhstan Sock Exchange to the audited consolidated financial statements of the Group for the year ended 31 December 2023 are as follows:

The carrying amount of 1 ordinary share:

NAV = (TA – IA) – TL = (3,151,741 – 8,353) – 2,416,024 = KZT 727,364 million;

BV_{CS} = NAV/NO_{CS} = KZT 727,364 million / 164,078,731 shares = **KZT 4,433.02 per 1 ordinary share**;

The carrying amount of 1 preference share:

BV_{PS} = (PS + TD_{PS})/NO_{PS} = KZT 49 million / 2,500,000 shares = **KZT 19.60 per 1 preference share;**

where,

TA –	the assets of the share issuer in the statement of financial position of the share issuer as at the calculation date;
IA –	the intangible assets in the statement of financial position of the share issuer as at the calculation date, which the entity will not be able to sell to third parties in order to recover the cash or cash equivalents paid and/or to receive economic benefits;
TL –	the liabilities in the statement of financial position of the share issuer as at the calculation date;
PS –	the balance of the account “Charter capital, preference shares” in the statement of financial position of the share issuer as at the calculation date;
BV_{CS} –	the carrying amount of one ordinary share as at the calculation date;
NAV –	the net assets for ordinary shares as at the calculation date;
NO_{CS} –	the number of ordinary shares as at the calculation date;
NO_{PS} –	the number of preference shares as at the calculation date;
TD_{PS} –	the amount of dividends accrued but unpaid on preference shares as at the date.