ForteBank Joint Stock Company

Consolidated Financial Statements

For the year ended 31 December 2023
with Independent Auditors' Report

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«КПМГ Аудит» жауапкершілігі шектеулі серіктестік
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Independent Auditors' Report

To the Shareholders and Board of Directors of ForteBank Joint Stock Company

Opinion

We have audited the consolidated financial statements of ForteBank 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) for loans to customers	
Please refer to the Notes 3, 4, 14 and 25 in the consolidated financial statements.	
Key audit matter	***How the matter was addressed in our audit***
Loans to customers represent 42.3% 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 applies the ECL valuation model, which requires management to apply professional judgment and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of expected cash flows forecast for loans to customers classified as credit-impaired. Due to the significant volume of loans to customers and the related estimation uncertainty of ECL allowance, this area is a key audit matter.	We assessed the key aspects of changes in the Group's methodology related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of our own specialists in financial risks management. To assess adequacy of professional judgment and assumptions made by the management in relation to ECL allowance estimate, we performed the following procedures: - For loans to customers we tested the design and operating effectiveness of controls over timely reflection of delinquency events in the underlying systems. - For a sample of loans to customers, for which a potential change 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 judgments, applied by the Group. - Regarding individually significant loans assigned to Stage 1 and individually insignificant loans assigned to Stages 1, 2 and 3, for which ECL allowance is assessed on a collective basis, 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. - For a sample of purchased or originated credit-impaired loans (POCI) to customers for which ECL is assessed individually, we critically assessed assumptions used by the Group to forecast future cash flows based on our understanding of historical experience and publicly available market information. - We assessed general predictive capability of the models used by the Group to assess ECL 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.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by other auditors who expressed an unmodified opinion on those statements on 13 March 2023.

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:

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

14 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

(millions of tenge)

	Note	*2023*	*2022*
Interest income calculated using the effective interest rate	5	**370,682**	258,780
Other interest income	5	**3,424**	1,961
Interest expense	5	**(180,758)**	(132,108)
Net interest income		**193,348**	128,633
Fee and commission income	6	**36,306**	36,210
Fee and commission expense	6	**(13,134)**	(12,242)
Net (loss)/gain on financial instruments at fair value through profit or loss		**(958)**	2,011
Net (loss)/gain on derecognition of investment securities measured at fair value through other comprehensive income		**(32)**	311
Net loss on derecognition of financial assets measured at amortised cost	14	**(4,787)**	(4,477)
Net gains from foreign currencies	7	**31,909**	49,862
Other income	10	**8,749**	3,744
Non-interest income		**58,053**	75,419
Credit loss expense	8	**(49,725)**	(37,650)
General and administrative expenses	9	**(79,106)**	(62,205)
Other expenses	10	**(6,109)**	(5,484)
Non-interest expense		**(134,940)**	(105,339)
Profit before corporate income tax		**116,461**	98,713
Corporate income tax expense	11	**(24)**	(627)
Profit for the year		**116,437**	98,086

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Note	*2023*	*2022*
Other comprehensive income			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Net change in fair value of debt instruments at fair value through other comprehensive income		**18,791**	(33,202)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	8	**120**	337
Reclassification of cumulative gain/(loss) on disposal of debt instruments at fair value through other comprehensive income to profit or loss		**32**	(311)
Income tax relating to components of other comprehensive income	11	**(298)**	665
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**18,645**	(32,511)
Other comprehensive income, that will not to be reclassified subsequently to profit or loss			
Gain on equity investments measured at fair value through other comprehensive income		**(803)**	488
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(803)**	488
Other comprehensive income/(loss) for the year net of income tax		**17,842**	(32,023)
Total comprehensive income for the year		**134,279**	66,063
Basic and diluted earnings per ordinary share (tenge)	24	**1.29**	1.08

Signed and authorised for release on behalf of the Management of the Bank:

Ravshan Irmatov
Deputy Chairman of the Management Board (CFO)

Zaure Albossinova
Chief Accountant - Managing Director

13 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

(millions of tenge)

	Note	*31 December 2023*	*31 December 2022*
Assets			
Cash and cash equivalents	12	**704,042**	457,962
Amounts due from credit institutions	13	**101,430**	31,046
Securities measured at fair value through profit or loss		**3,016**	2,763
Loans to customers	14	**1,377,500**	1,173,542
Investment securities:			
Held by the Group	15	***789,486***	*922,446*
Pledged under sale and repurchase agreement	15	***164,168***	*68,128*
Property and equipment	16	**56,665**	59,020
Intangible assets	17	**13,867**	14,550
Other assets	18	**43,001**	59,929
Total assets		**3,253,175**	2,789,386
Liabilities			
Current accounts and deposits from customers	19	**2,261,023**	2,011,734
Amounts due to banks and other credit institutions	20	**68,384**	66,751
Amounts payable under repurchase agreements	27	**163,523**	67,980
Debt securities issued	21	**267,250**	249,473
Subordinated debt	22	**14,389**	16,795
Deferred tax liabilities	11	**12,732**	13,904
Other liabilities	18	**36,066**	18,989
Total liabilities		**2,823,367**	2,445,626
Equity			
Share capital	23	**332,815**	332,815
Additional paid-in capital		**23,651**	23,651
Treasury shares	23	**(3,465)**	(3,465)
Fair value reserve	23	**(6,044)**	(23,886)
Retained earnings		**82,851**	14,645
Total equity		**429,808**	343,760
Total equity and liabilities		**3,253,175**	2,789,386

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

(millions of tenge)

	Note	*2023*	*2022*
Cash flows from operating activities			
Interest received	5	**351,709**	250,762
Interest paid	5	**(160,569)**	(114,817)
Fee and commission received		**36,666**	35,945
Fee and commission paid		**(13,119)**	(12,256)
Net realised (loss)/gain on financial instruments at fair value through profit or loss		**(1,068)**	1,190
Net realised gain from foreign currency transactions		**31,891**	48,077
General administrative expenses paid		**(67,825)**	(51,542)
Other operating income received/(expense paid), net		**6,922**	(2,376)
Decrease/(increase) in operating assets			
Amounts due from credit institutions		**(68,030)**	19,359
Securities at fair value through profit or loss		**(203)**	1,015
Loans to customers		**(257,223)**	(410,160)
Other assets		**16,371**	10,030
Increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		**262,824**	256,464
Amounts due to banks and other credit institutions		**9,566**	(7,834)
Amounts payable under repurchase agreements		**95,453**	42,789
Other liabilities		**12,670**	65
Net cash from operating activities before income tax paid		**256,035**	66,711
Corporate income tax paid		**(2,983)**	(44)
Net cash flows from operating activities		**253,052**	66,667
Cash flows from investing activities			
Purchase of investment securities at fair value through other comprehensive income		**(600,589)**	(233,141)
Proceeds from sale of investment securities at fair value through other comprehensive income		**102,804**	37,668
Redemption of investment securities at fair value through other comprehensive income		**548,820**	180,304
Purchase of investment securities measured at amortised cost		**–**	(6,830)
Repayment of investment securities at amortised cost		**4,807**	7,548
Purchases of property and equipment and intangible assets		**(6,625)**	(7,363)
Proceeds from sale of property, equipment and intangible assets		**4**	71
Net cash from/(used in) investing activities		**49,221**	(21,743)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	*2023*	*2022*
Cash flows from financing activities			
Repayment of subordinated debt	28	**(2,313)**	(3,675)
Dividends paid to the shareholders of the Bank	23	**(49,034)**	–
Issue of debt securities	28	**12,862**	13,295
Redemption of debt securities issued	28	**(11,382)**	–
Repayment of debt securities issued	28	**–**	(34,306)
Repayment of finance lease liabilities		**(760)**	(969)
Net cash used in financing activities		**(50,627)**	(25,655)
Effect of changes in exchange rates on cash and cash equivalents		**(5,573)**	5,754
Effect of expected credit loss on cash and cash equivalents		**7**	(9)
Net change in cash and cash equivalents		**246,080**	25,014
Cash and cash equivalents at the beginning of the year		**457,962**	432,948
Cash and cash equivalents at the end of the year	12	**704,042**	457,962
Non-monetary transactions			
Repossession of collateral on loans to customers	14	**3,022**	1,701

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

(millions of tenge)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Fair value reserve*	*Accumulated losses*	*Total equity*
At 1 January 2022	332,815	23,651	(3,465)	8,137	(83,441)	277,697
Profit for the year	–	–	–	–	98,086	98,086
Other comprehensive loss for the year	–	–	–	(32,023)	–	(32,023)
Total comprehensive income for the year	–	–	–	(32,023)	98,086	66,063
Transactions with owners recorded directly in equity						
Dividends declared *(Note 23)*	–	–	–	–	–	–
As at 31 December 2022	332,815	23,651	(3,465)	(23,886)	14,645	343,760
Profit for the year	**–**	**–**	**–**	**–**	**116,437**	**116,437**
Transfer of accumulated revaluation reserve resulting from disposal of equity instruments at fair value through other comprehensive income	**–**	**–**	**–**	**(803)**	**803**	**–**
Other comprehensive income to be reclassified to profit or loss in subsequent periods	**–**	**–**	**–**	**18,645**	**–**	**18,645**
Total comprehensive income for the year	**–**	**–**	**–**	**17,842**	**117,240**	**135,082**
Transactions with owners recorded directly in equity						
Dividends declared (*Note 23*)	**–**	**–**	**–**	**–**	**(49,034)**	**(49,034)**
As at 31 December 2023	**332,815**	**23,651**	**(3,465)**	**(6,044)**	**82,851**	**429,808**

The accompanying notes on pages 7 to 74are an integral part of these consolidated financial statements.

(millions of tenge)

1. General

Principal activities

These consolidated financial statements include financial statements of ForteBank Joint Stock Company (hereinafter, the "Bank") and its subsidiaries (hereinafter, the "Group").

The Bank was formed in 1999 under the laws of the Republic of Kazakhstan. On 10 February 2015, the Bank was reregistered to ForteBank JSC (formerly, Alliance Bank JSC).

Legal address of the Bank's head office: 010017, Republic of Kazakhstan, Astana, 8/1, Dostyk Street. The Bank's activities are regulated by the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan (hereinafter, the "AFM"). The Bank operates under license No. 1.2.29/197/36 for conducting banking and other activities and operations on securities market stipulated by the banking legislation, issued by the AFM on 3 February 2020, which replaces previous licenses.

The Group's primary business is related to commercial banking activities, granting of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services. As at 31 December 2023, certain of the Bank's issued securities are listed on the Luxembourg Stock Exchange, Kazakhstan Stock Exchange (hereinafter, the "KASE") and Astana International Exchange (hereinafter, the "AIX") (31 December 2022: Luxembourg Stock Exchange, KASE and AIX).

The Bank is a participant of the Kazakhstan Deposit Insurance Fund (hereinafter, the "KDIF"). The primary objective of the KDIF is to protect interests of depositors in the event of forced liquidation of the participant bank. As at 31 December 2023 and 2022, depositors can receive limited insurance coverage for deposits, depending on the currency and type of the deposit: in tenge – up to 10 million tenge, in foreign currencies – up to 5 million tenge, savings deposits in tenge - up to 20 million tenge.

As at 31 December 2023 and 31 December 2022, the Group includes the following subsidiaries:

			Ownership interest, %	
Name	***Country of incorporation***	***Principal activity***	***31 December 2023***	***31 December 2022***
ForteLeasing JSC	Republic of Kazakhstan	Leasing operations	**100.00**	100.00
OUSA Alliance LLP	Republic of Kazakhstan	Doubtful and bad assets management	**100.00**	100.00
OUSA-F LLP	Republic of Kazakhstan	Doubtful and bad assets management	**100.00**	100.00
ONE Technologies LLP	Republic of Kazakhstan	Software development	**100.00**	100.00
ForteFinance JSC	Republic of Kazakhstan	Brokerage and dealer activities, investment portfolio management	**100.00**	100.00

2. Basis of preparation

Shareholders

As at 31 December 2023, Mr B. Zh. Utemuratov was the beneficial owner of 81.82% of the outstanding common shares of the Bank (including 0.2% in the form of outstanding global depositary receipts) (31 December 2022: 84.32% including 7.83% in the form of outstanding global depositary receipts) and was the ultimate controlling shareholder of the Group.

General

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

Basis for measurement

The consolidated financial statements have been prepared under the historical cost convention, except for securities at fair value through profit or loss, derivative financial assets, investment securities measured at fair value through other comprehensive income that are carried at fair value.

The Group prepared its consolidated financial statements on a going concern basis.

Functional and presentation currency

The functional currency of the consolidated financial statements of Bank and its subsidiaries is Kazakhstani Tenge as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of the Group's transactions and circumstances relevant to them affecting its activities.

2. Basis of preparation (continued)

Functional and presentation currency (continued)

The Kazakhstani Tenge is also the presentation currency for the purposes of these consolidated financial statements.

All information of the consolidated financial statements has been rounded to the nearest million tenge, unless otherwise stated.

Geopolitical events

As a result of the conflict between the Russian Federation and Ukraine many countries have imposed, and continue to impose, new sanctions on specified Russian entities and individuals. Sanctions have also been imposed on Republic of Belarus.

Volatility in stock and currency markets, restrictions to imports and exports, availability of local materials and services and access to local resources, will directly impact entities that have significant operations or exposures with the Russian Federation, Republic of Belarus or Ukraine. However, the consequence of the current situation may directly or indirectly impact entities other than those with direct interests in the involved in conflict countries.

In order to manage country risk, the Group controls transactions with counterparties within the limits set by the collegiate body of the Bank, which are reviewed on a regular basis.

Inflation and the current economic environment

The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures in almost all economies around the world. High and rising energy prices are having a negative impact on the cost of other goods and services, resulting in significant consumer-price increases in many countries.

Prices of many commodities, including food, remain high. In 2023, inflation rate in Kazakhstan was 9.8% (2022: 20.3%).

Due to the increased of geopolitical tension in 2022, there has been a significant increase in volatility in the stock and currency markets.

On 6 December 2022, the Monetary Policy Committee of the National Bank of Kazakhstan (hereinafter, the "NBRK") made decision to raise the base rate to 16.75% per annum with an interest band of +/-1 percentage points. As at 31 December 2023 the NBRK made decision to reduce the base rate to 15.75% per annum with an interest band of +/-1 percentage points. During January-February 2024 the NBRK made decision to reduce the base rate to 14.75% per annum with an interest band of +/-1 percentage points.

The Group continues to assess the effect of these events and changing economic conditions on its activities, financial position and financial performance.

Current inflationary pressures, macroeconomic and geopolitical uncertainty, including the impacts of the conflict in Ukraine affect the assumptions associated with the measurement of assets and liabilities.

3. Material accounting policies

Changes in accounting policies

The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective.

New standards, interpretations and amendments to the existing standards and interpretations

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). The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- *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;*
- *Amendment to IAS 12 Income Taxes - Deferred tax related to assets and liabilities arising from a single transaction*.

A number of standards, amendments to standards and interpretations issued by the IASB will become effective in future reporting periods and have not been early adopted by the Group:

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1 and IAS 8 will become effective on 1 January 2024;*
- *Non-current Liabilities with Covenants (Amendments to IAS 1) will become effective on 1 January 2024;*
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) will become effective on 1 January 2024*.

The new standards and interpretations are not expected to have a significant effect on the consolidated financial statements of the Group.

(millions of tenge)

3. Material accounting policies (continued)

Basis of consolidation

Subsidiaries, which are entities controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to manage the significant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all significant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights or potential voting rights belonging to the Group.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. If necessary, the accounting policies of subsidiaries are changed to bring it into conformity with the accounting policies of the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Fair value measurement

The Group measures financial instruments at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI), 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:

- 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 by 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 best economic interest.

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 (unadjusted) market prices 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 techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the 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.

(millions of tenge)

3. Material accounting policies (continued)

Financial instruments

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 that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

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 and, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Company 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;
- FVOCI;
- 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 held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers, investment securities measured at amortised cost

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

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

These terms are detailed below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed at the level of individual instruments but at a higher level of aggregated portfolios and is based on observable factors, such as:

- How the performance of the business model and the financial assets held within that business model is evaluated and how this information is reported to the key management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the 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 expected frequency, volume and timing of sales are also important aspects of the Group's business model assessment.

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 in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(millions of tenge)

3. Material accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

"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 they meet the SPPI test.

'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 within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment 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.

In 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 instruments measured at FVOCI

The Group measures debt instruments at FVOCI, if both of the following conditions are met:

- The instrument is held within a business model which objective is achieved by both collecting contractual cash flows and selling financial assets;
- Contractual terms of the financial assets comply with the SPPI test.

FVOCI debt instruments 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 instruments 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 losses that would be created when measuring the asset at amortised cost is recognized 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 measured at FVOCI

The Group sometimes at initial recognition of some investments in equity instruments makes an irrevocable decision to classify investments in equity instruments at FVTPL if they meet the definition of an equity instrument according to 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 recycled 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 it is recognised in other comprehensive income. 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 guarantees, letters of credit and credit related commitments.

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

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 with 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 higher of an ECL allowance and the amount initially recognised less cumulative income, where appropriate.

(millions of tenge)

3. Material accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company 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 2023.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amount due from the National Bank of the Republic of Kazakhstan, cash balances unencumbered on stock exchange and amounts due from credit institutions that mature within ninety days of the date of origination.

Receivables under repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repo") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented as a separate item in the consolidated statement of financial position. Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents in the consolidated statement of financial position. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties 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 this case the purchase and sale transaction is recorded within gains less losses from securities at fair value through profit or loss in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Borrowings

Issued 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 amounts due to banks and other financial institutions, current accounts and deposits from customers, debt securities issued 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 of assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Restructuring of loans

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

(millions of tenge)

3. Material accounting policies (continued)

Restructuring of loans (continued)

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. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

Derecognition of financial assets and financial 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
- 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-off

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 higher than the accumulated ECL 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 where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Such grants are deducted from related expenses when they are reported in the consolidated financial statements.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is 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 amount of the loan determined under IFRS 9 and the proceeds received.

(millions of tenge)

3. Material accounting policies (continued)

Property and equipment and intangible assets

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.

Depreciation on property and equipment and amortisation of intangible assets is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Land plots, construction-in-progress and assets to be installed are not depreciated. The estimated useful lives of various items of property and equipment are as follows:

	Year
Buildings	10-100
Computers	5-7
Vehicles	5-7
Other	2-25
Intangible assets	1-8

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 charged when incurred and included in general and administrative expenses, unless they qualify for capitalisation.

Equity

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recorded as additional paid-in capital.

Treasury shares

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

Dividends are recorded as a liability and deducted from equity only if they were declared before or on the reporting date. Dividends are disclosed 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.

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 and similar income and expenses

The Group calculates interest income on debt financial assets measured at amortised cost or at FVOCI by applying the EIR 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 through 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.

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 assets cures and is 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-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR 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.

(millions of tenge)

3. Material accounting policies (continued)

Recognition of income and expenses (continued)

Interest and similar income and expenses (continued)

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 comprehensive income.

Loss on recognition of loans issued to customers at below market rate and income from amortisation of government grants are recognised in one item in the consolidated statement of comprehensive income.

Fee and commission income

The Group earns commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

<u>Fee income earned from services that are provided over a certain period of time</u>

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

<u>Commission income from providing transaction services</u>

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Group's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Customer loyalty programme

The Group offers a number of customer loyalty programmes. Accounting of such programmes varies depending on who is identified as a customer and what is the Group's role under the contract (agent or principal). For point-based programs, the Group generally recognized a liability for the accumulated points that are expected to be utilized by the customers, which is reversed to profit or loss as the points expire. Cashbacks on plastic card transactions reduce fee and commission income

Dividend income

Income is recognised when the Group's right to receive the payment is established.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the 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.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Tenge at the market exchange rate established by KASE at the date of the consolidated statement of financial position. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of comprehensive income as gains less losses from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the KASE exchange rate on the date of the transaction are included in gains less losses from foreign currencies dealing.

As at 31 December 2023 the official exchange rate used for translation of monetary balances on foreign currency accounts was 454.56 tenge for 1 US Dollar (31 December 2022: 462.65 tenge for 1 US Dollar).

(millions of tenge)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty

In the process of applying the Group's accounting policies, management has used its judgements and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

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.

Estimation uncertainty

Expected credit losses on financial assets

The measurement of impairment losses both under IFRS 9 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 the ECL 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 for ECL. In addition, large-scale business disruptions can lead to liquidity problems for some organizations and consumers. 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 Company'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 PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for ECL for financial assets should be measured on a lifetime expected credit losses basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Identification of relationships between macroeconomic scenarios and economic data, such as the US dollar exchange rate, inflation rate, and the real wage index, and the effect on Probability of Default (PD), Exposure at Default (EAD), and Loss on Default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Under the new model, LGD is calculated based on the Bank's statistics about debt recovery rates after default. Debt recovery rate after default is calculated based on various repayment sources, and a potential recovery of debt is considered once a borrower is no longer in default. Based on various debt repayment sources and methods (including settlement mechanisms applied), the repayment scenarios (recovery, recovery as a result of restructuring, collection) and respective repayment sources/methods are considered. LGDs and probabilities of implementation of the scenarios are assessed by subsegment; in calculation of an allowance for a loan, the parameters of the LGD model that correspond to a subsegment of such loan are applied *(Note 14)*.

Collateral assessment

The Bank management performs monitoring of collateral on a regular basis. The Bank's management uses internal valuation approaches based on Kazakhstani and international requirements or independent valuation to adjust the value of collateral in light of the current market situation.

Taxes

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 returns, 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 forfeits. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

The management believes that the Bank's tax position as at 31 December 2023 and 31 December 2022 was in compliance with tax laws of the Republic of Kazakhstan regulating its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

(millions of tenge)

5. Net interest income

Net interest income comprises:

	2023	*2022*
Interest income calculated using effective interest rate		
Loans to customers	**245,240**	163,800
Debt securities at FVOCI	**72,617**	60,937
Amounts due from credit institutions and cash equivalents	**24,880**	8,634
Investment securities measured at amortized cost	**17,198**	17,882
Amounts receivable under reverse repurchase agreements	**9,442**	6,825
Other financial assets	**1,305**	702
	370,682	258,780
Other interest income		
Finance lease receivables	**3,424**	1,961
	374,106	260,741
Interest expense		
Current accounts and deposits from customers	**(129,152)**	(81,700)
Debt securities issued	**(31,157)**	(30,382)
Amounts payable under repurchase agreements	**(14,114)**	(13,350)
Amounts due to banks and other credit institutions	**(5,199)**	(5,219)
Subordinated debt	**(1,136)**	(1,457)
	(180,758)	(132,108)
Net interest income	**193,348**	128,633

Interest income calculated using the effective interest rate for 2023 includes income in the amount of 12,399 million tenge representing the unwinding of discount on loans to customers (for 2022: 8,675 million tenge).

Interest received is as follows:

	2023	*2022*
Interest received		
Loans to customers	**230,755**	158,501
Debt securities at FVOCI	**66,610**	54,959
Amounts due from credit institutions and cash equivalents	**22,214**	8,634
Investment securities measured at amortized cost	**19,264**	19,882
Amounts receivable under reverse repurchase agreements	**9,442**	6,825
Finance lease receivables	**3,424**	1,961
	351,709	250,762

Interest paid comprises:

	2023	*2022*
Interest paid		
Current accounts and deposits from customers	**(128,500)**	(80,874)
Debt securities issued	**(14,199)**	(15,467)
Amounts payable under repurchase agreements	**(13,857)**	(13,224)
Amounts due to banks and other credit institutions	**(2,784)**	(3,762)
Subordinated debt	**(1,229)**	(1,490)
	(160,569)	(114,817)

6. Net fee and commission income

Fee and commission income is as follows:

	2023	*2022*
Card operations	**16,035**	16,574
Settlement operations	**9,324**	9,482
Cash operations	**5,485**	5,963
Commissions on guarantees and letters of credits	**3,450**	2,436
Foreign currency transactions and transactions with securities	**499**	299
Other	**1,513**	1,456
	36,306	36,210

(millions of tenge)

6. Net fee and commission income (continued)

Fee and commission expense is as follows:

	2023	*2022*
Maintenance of card accounts	**(9,934)**	(9,605)
Maintenance of nostro accounts	**(940)**	(769)
Settlement operations	**(660)**	(488)
Customer accounts services by financial agents	**(218)**	(137)
Foreign currency transactions and transactions with securities	**(129)**	(104)
Other	**(1,253)**	(1,139)
	(13,134)	(12,242)

As at 31 December 2023 and 31 December 2022, the Group recognized contract assets related to contracts with customers in the amount of 1,348 million tenge and 1,708 million tenge in the consolidated statement of financial position within other assets, respectively (Note 18).

7. Net gain from foreign currencies

Net gains from foreign currencies is presented as follows:

	2023	*2022*
Dealing, net	**31,891**	48,077
Translation differences, net	**18**	1,785
	31,909	49,862

8. Credit loss expense

Credit loss expenses for 2023 and 2022 comprised the following:

	2023				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	**7**	**–**	**–**	**–**	**7**
Amounts due from credit institutions	**(47)**	**3**	–	–	**(44)**
Loans to customers (*Note 14*)	**(8,396)**	**(3,378)**	**(24,668)**	**(12,250)**	**(48,692)**
Investment securities measured at amortized cost	**(31)**	**54**	**–**	**–**	**23**
Investment securities measured at FVOCI	**(278)**	**158**	**–**	**–**	**(120)**
Other financial assets	**–**	**–**	**(922)**	**–**	**(922)**
Financial guarantees, letters of credit and undrawn related commitments	**23**	**–**	**–**	**–**	**23**
	(8,722)	**(3,163)**	**(25,590)**	**(12,250)**	**(49,725)**

	2022				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	(9)	–	–	–	(9)
Amounts due from credit institutions	(109)	1	2	–	(106)
Loans to customers (*Note 14*)	(7,355)	(2,229)	(23,846)	(3,267)	(36,697)
Investment securities measured at amortized cost	(1)	104	–	–	103
Investment securities measured at FVOCI	(11)	(326)	–	–	(337)
Other financial assets	–	–	(510)	–	(510)
Financial guarantees, letters of credit and undrawn related commitments	9	314	(417)	–	(94)
	(7,476)	(2,136)	(24,771)	(3,267)	(37,650)

(millions of tenge)

9. General and administrative expenses

General and administrative expenses comprise:

	2023	*2022*
Salary and related taxes	**(43,389)**	(38,807)
Depreciation and amortization	**(8,971)**	(8,254)
Charity and sponsorship	**(6,750)**	(937)
Repair and maintenance	**(6,274)**	(3,686)
Taxes other than corporate income tax	**(3,180)**	(2,979)
Advertising and marketing	**(3,010)**	(1,812)
Maintenance of buildings	**(1,928)**	(1,658)
Security	**(974)**	(841)
Telecommunication and information services	**(786)**	(677)
Encashment	**(565)**	(485)
Transportation services	**(532)**	(474)
Business trips	**(503)**	(231)
Other professional services	**(461)**	(418)
Lease	**(317)**	(306)
Insurance	**(385)**	(332)
Other	**(1,081)**	(308)
	(79,106)	(62,205)

During 2023, the Group provided a sponsorship to Bulat Utemuratov Foundation Private Fund for construction of a school in the city of Essik (Almaty Region). The school of a total area of 12,5 thousand square meters has a capacity of 900 schoolchildren. Completion of the construction is scheduled for September 2024.

The cost of audit and other consulting services provided by one company for 2023 to the Group amounted to 216 million tenge and 9 million tenge, respectively.

10. Other income and expenses

Other income and expense comprise:

	2023	*2022*
Other income		
Net income from government support programmes of the economy	**2,401**	369
Net income from sale of repossessed collateral	**1,842**	430
Income from operating lease	**900**	1,202
Other	**3,606**	1,743
	8,749	3,744
Other expenses		
Expenses on services provided by credit bureaus and public authorities	**(1,397)**	(848)
SMS notification expenses	**(993)**	(938)
Other expenses from non-banking activities	**(771)**	(851)
Provisions for non-financial guarantees	**(706)**	143
Other	**(2,242)**	(2,990)
	(6,109)	(5,484)

11. Corporate income tax expense

Corporate income tax expenses comprise the following:

	2023	*2022*
Current corporate income tax expense	**(1,494)**	(45)
Deferred corporate income tax expense – origination and reversal of temporary differences	**1,470**	(582)
Corporate income tax expense	**(24)**	(627)

The income of the Bank and its subsidiaries is subject to taxation in the Republic of Kazakhstan. Kazakhstan legal entities have to file corporate income tax returns to the tax authorities. The statutory corporate income tax rate in 2023 and 2022 was 20%.

(millions of tenge)

11. Corporate income tax expense (continued)

Below is the reconciliation of income tax expenses based on statutory rate with income tax expenses recorded in the consolidated financial statements:

	2023	*2022*
Profit before corporate income tax expense	**116,461**	98,713
Statutory corporate income tax rate	20%	20%
Theoretical corporate income tax expense at the statutory rate	**(23,292)**	(19,743)
Non-taxable income on state securities and securities officially listed at KASE	**18,125**	15,795
Adjustment of corporate income tax expense for prior years	**273**	(176)
Non-deductible credit loss expense	**(319)**	64
Change in tax losses carried forward and unrecognized deferred tax assets	**5,462**	2,626
Other	**(273)**	807
Corporate income tax expense	**(24)**	(627)

Deferred tax assets and liabilities as at 31 December, as well as their movements for the respective years comprise the following:

	2021	*Origination and reversal of temporary differences within profit or loss*	*Origination and reversal of temporary differences within other comprehen-sive income*	*2022*	*Origination and reversal of temporary differences within profit or loss*	*Origination and reversal of temporary differences within other comprehen-sive income*	*2023*
Tax losses carried forward	12,634	(9,467)	–	3,167	**(3,167)**	**–**	**–**
Loans to customers	3,345	2,634	–	5,979	**(1,480)**	**–**	**4,499**
Investment securities measured at FVOCI	(154)	–	665	511	**–**	**(298)**	**213**
Investment securities measured at amortized cost	(2,649)	(897)	–	(3,546)	**868**	**–**	**(2,678)**
Debt securities issued	(10,204)	2,995	–	(7,209)	**3,385**	**–**	**(3,824)**
Amounts due to banks and other credit institutions	(16,729)	358	–	(16,371)	**(374)**	**–**	**(16,745)**
Property and equipment and intangible assets	6,043	1,905	–	7,948	**(3,197)**	**–**	**4,751**
Other	1,815	(736)	–	1,079	**(27)**	**–**	**1,052**
Deferred tax (liabilities)/ assets	(5,899)	(3,208)	665	(8,442)	**(3,992)**	**(298)**	**(12,732)**
Unrecognised deferred tax assets	(8,088)	2,626	–	(5,462)	**5,462**	**–**	**–**
Deferred tax liabilities, net	(13,987)	(582)	665	(13,904)	**1,470**	**(298)**	**(12,732)**

(millions of tenge)

12. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2023	*31 December 2022*
Cash on hand	**68,036**	45,793
Cash on current accounts with the NBRK rated at BBB-	**39,459**	95,199
Cash on current accounts with other banks:		
- rated from A- to A+	**43,716**	69,860
- rated from BBB- to BBB+	**2,384**	27,026
- rated from BB to BB+	**238**	–
- rated below B+	**5**	175
- not rated	**6,894**	10,257
Time deposits with the NBRK with contractual maturity 90 days or less	**355,798**	161,600
Amount receivable under reverse repurchase agreements with contractual maturity 90 days or less *(Note 27)*	**169,171**	48,062
Time deposits with other banks rated at A- with contractual maturity 90 days or less	**15,067**	–
Time deposits with credit institutions not rated with contractual maturity 90 days or less	**3,276**	–
Cash and cash equivalents before allowance for ECL	**704,044**	457,972
Allowance for ECL	**(2)**	(10)
Cash and cash equivalents	**704,042**	457,962

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

As at 31 December 2023, cash balances of 3,240 million tenge with no external rating assigned and allowance for ECL of 1 million tenge are allocated to Stage 2. As at 31 December 2022, cash balances of 9,844 million tenge with no external rating assigned are allocated to Stage 2. The remaining cash is allocated to Stage 1.

As at 31 December 2022, current account balances with other non-rated banks comprise mainly balances of 6,868 million tenge on current accounts with Russian banks. Ratings of these 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.

As at 31 December 2023, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are bonds of the Ministry of Finance of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC (hereinafter, "KSF"), Eurasian Development Bank and Asian Development Bank, the total fair value of which as at 31 December 2023 is 168,970 million tenge (31 December 2022: bonds of the Ministry of Finance of the Republic of Kazakhstan, KSF, Eurasian Development Bank, shares of Halyk Savings Bank of Kazakhstan JSC and notes of the NBRK with a total fair value of 48,027 million tenge).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 December 2023, combined minimum reserve requirements of the Bank amount to 46,859 million tenge (31 December 2022: 41,731 million tenge).

Concentration of cash and cash equivalents

As at 31 December 2023, the Group has an account with one bank whose balances exceed 10% of total cash and cash equivalents (31 December 2022: one bank). The total balance on the account with the above counterparty as at 31 December 2023 amounts to 395,257 million tenge (31 December 2022: 256,799 million tenge).

(millions of tenge)

13. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2023	*31 December 2022*
Current accounts with the NBRK rated at BBB- restricted in use	**9,696**	7,292
Deposits with the NBRK with up to 90 days or more	**70,846**	–
Deposits with other banks:		
- not rated	**636**	647
Contingent deposits and deposits pledged as a collateral:		
- rated from AA- to AA+	**11,387**	11,027
- rated from A- to A+	**114**	–
- rated from BBB- to BBB+	**–**	116
- not rated	**9,646**	12,816
Amounts due from credit institutions before allowance for ECL	**102,325**	31,898
Allowance for ECL	**(895)**	(852)
Amounts due from credit institutions	**101,430**	31,046

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

Amounts on current accounts with the NBRK restricted in use include funds received by the Bank as part of participation in the state programme of lending businesses. As at 31 December 2023 and 31 December 2022, these funds include amounts allocated by Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC, and Industrial Development Fund JSC in favour of the Bank to support entrepreneurship and provide preferential loans to individuals for the purchase of domestically produced passenger vehicles.

As at 31 December 2023 and 31 December 2022, all balances of amounts due from credit institutions are allocated to Stage 1 for ECL measurement purposes.

As at 31 December 2023, deposits with other banks with no external credit rating assigned primarily include contingent deposit on transactions with the provider of payment system services in the amount of 3,616 million tenge (31 December 2022: 3,509 million tenge) and KASE margin collateral in the amount of 5,815 million tenge (31 December 2022: 9,253 million tenge).

As at 31 December 2023 contingent deposits and deposits pledged as collateral include contingent deposits restricted for use on transactions with providers of payment system services in the amount of 14,976 million tenge (as at 31 December 2022: 14,513 million tenge).

Concentration of amounts due from credit institutions

As at 31 December 2023, the Group has amounts due from two credit institutions which individual balances exceed 10% of total due from credit institutions (31 December 2022: from four credit institutions). As at 31 December 2023, the total amount of such balances is 91,902 million tenge (31 December 2022: 31,059 million tenge).

14. Loans to customers

Loans to customers comprise:

	31 December 2023				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Individually significant loans	**573,686**	**1,177**	**6,252**	**2,398**	**583,513**
Total individually significant loans	**573,686**	**1,177**	**6,252**	**2,398**	**583,513**
Individually insignificant loans					
Corporate loans	**276,996**	**4,842**	**13,365**	**1,051**	**296,254**
Consumer loans	**417,254**	**17,248**	**41,869**	**1**	**476,372**
Car loans	**28,417**	**45**	**191**	**–**	**28,653**
Credit cards	**3,095**	**124**	**1,029**	**–**	**4,248**
Mortgage loans	**17,534**	**127**	**1,185**	**6,427**	**25,273**
Other loans secured by collateral	**29,294**	**711**	**11,722**	**11,723**	**53,450**
Total individually insignificant loans	**772,590**	**23,097**	**69,361**	**19,202**	**884,250**
Loans to customers before allowance for ECL	**1,346,276**	**24,274**	**75,613**	**21,600**	**1,467,763**
Allowance for ECL	**(20,199)**	**(8,952)**	**(51,434)**	**(9,678)**	**(90,263)**
Loans to customers	**1,326,077**	**15,322**	**24,179**	**11,922**	**1,377,500**

(millions of tenge)

14. Loans to customers (continued)

	31 December 2022				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Individually significant loans	489,947	5,071	17,821	328	513,167
Total individually significant loans	489,947	5,071	17,821	328	513,167
Individually insignificant loans					
Corporate loans	212,010	5,842	16,355	968	235,175
Consumer loans	334,016	16,078	28,755	–	378,849
Car loans	12,958	22	405	–	13,385
Credit cards	3,188	272	822	–	4,282
Mortgage loans	14,022	255	3,118	7,603	24,998
Other loans secured by collateral	35,636	1,375	17,205	14,536	68,752
Total individually insignificant loans	611,830	23,844	66,660	23,107	725,441
Loans to customers before allowance for ECL	1,101,777	28,915	84,481	23,435	1,238,608
Allowance for ECL	(22,041)	(6,801)	(34,377)	(1,847)	(65,066)
Loans to customers	1,079,736	22,114	50,104	21,588	1,173,542

Analysis of credit quality of loans to legal entities

The following table provides information on the credit quality of loans to legal entities as at 31 December 2023:

	31 December 2023				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to large corporate business (CB)					
Not overdue	**424,905**	**437**	**5,304**	**82**	**430,728**
Expected credit losses	**(2,737)**	**(17)**	**–**	**–**	**(2,754)**
Total loans to corporate customers	**422,168**	**420**	**5,304**	**82**	**427,974**

	31 December 2023				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to small and medium businesses (SMB)					
Not overdue	**423,998**	**3,307**	**3,238**	**1,955**	**432,498**
Overdue less than 30 days	**1,779**	**610**	**76**	**–**	**2,465**
Overdue 30-89 days	**–**	**1,662**	**619**	**–**	**2,281**
Overdue 90-179 days	**–**	**3**	**1,161**	**–**	**1,164**
Overdue 180-360 days	**–**	**–**	**2,264**	**1,383**	**3,647**
Overdue more than 360 days	**–**	**–**	**6,955**	**29**	**6,984**
Expected credit losses	**(3,895)**	**(443)**	**(9,002)**	**(1,281)**	**(14,621)**
Total	**421,882**	**5,139**	**5,311**	**2,086**	**434,418**

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality of loans to individuals:

The following table provides information on the credit quality of loans to individuals as at 31 December 2023:

	31 December 2023				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to retail customers					
Consumer loans					
Not overdue	**413,161**	**233**	**5,204**	**1**	**418,599**
Overdue less than 30 days	**4,093**	**7,840**	**787**	**–**	**12,720**
Overdue 30-89 days	**–**	**8,890**	**976**	**–**	**9,866**
Overdue 90-179 days	**–**	**285**	**10,223**	**–**	**10,508**
Overdue 180-360 days	**–**	**–**	**15,919**	**–**	**15,919**
Overdue more than 360 days	**–**	**–**	**8,760**	**–**	**8,760**
Expected credit losses	**(12,717)**	**(8,280)**	**(32,469)**	**(1)**	**(53,467)**
Total consumer loans	**404,537**	**8,968**	**9,400**	**–**	**422,905**
Car loans					
Not overdue	**28,351**	**13**	**22**	**–**	**28,386**
Overdue less than 30 days	**66**	**18**	**–**	**–**	**84**
Overdue 30-89 days	**–**	**14**	**–**	**–**	**14**
Overdue 90-179 days	**–**	**–**	**12**	**–**	**12**
Overdue more than 360 days	**–**	**–**	**157**	**–**	**157**
Expected credit losses	**(282)**	**(2)**	**(171)**	**–**	**(455)**
Total car loans	**28,135**	**43**	**20**	**–**	**28,198**
Credit cards					
Not overdue	**3,092**	**5**	**32**	**–**	**3,129**
Overdue less than 30 days	**3**	**80**	**4**	**–**	**87**
Overdue 30-89 days	**–**	**38**	**6**	**–**	**44**
Overdue 90-179 days	**–**	**1**	**62**	**–**	**63**
Overdue 180-360 days	**–**	**–**	**157**	**–**	**157**
Overdue more than 360 days	**–**	**–**	**768**	**–**	**768**
Expected credit losses	**(241)**	**(46)**	**(889)**	**–**	**(1,176)**
Total credit cards	**2,854**	**78**	**140**	**–**	**3,072**
Mortgage loans					
Not overdue	**17,142**	**18**	**286**	**2,790**	**20,236**
Overdue less than 30 days	**392**	**9**	**4**	**183**	**588**
Overdue 30-89 days	**–**	**100**	**23**	**56**	**179**
Overdue 90-179 days	**–**	**–**	**86**	**196**	**282**
Overdue 180-360 days	**–**	**–**	**46**	**146**	**192**
Overdue more than 360 days	**–**	**–**	**740**	**3,056**	**3,796**
Expected credit losses	**(76)**	**(18)**	**(697)**	**(2,974)**	**(3,765)**
Total mortgage loans	**17,458**	**109**	**488**	**3,453**	**21,508**
Other loans secured by collateral					
Not overdue	**28,320**	**20**	**554**	**5,127**	**34,021**
Overdue less than 30 days	**947**	**30**	**68**	**464**	**1,509**
Overdue 30-89 days	**27**	**627**	**84**	**315**	**1,053**
Overdue 90-179 days	**–**	**34**	**352**	**146**	**532**
Overdue 180-360 days	**–**	**–**	**431**	**185**	**616**
Overdue more than 360 days	**–**	**–**	**10,233**	**5,486**	**15,719**
Expected credit losses	**(251)**	**(146)**	**(8,206)**	**(5,422)**	**(14,025)**
Total other loans secured by collateral	**29,043**	**565**	**3,516**	**6,301**	**39,425**
Total retail loans	**482,027**	**9,763**	**13,564**	**9,754**	**515,108**

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality of loans to legal entities:

The following table provides information on the credit quality of loans to legal entities as at 31 December 2022:

	31 December 2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to CB					
Not overdue	378,581	–	16,549	49	395,179
Overdue 30-89 days		70	–	–	70
Overdue more than 360 days	–	–	955	–	955
Expected credit losses	(3,929)	(2)	(581)	(49)	(4,561)
Total	374,652	68	16,923	–	391,643

	31 December 2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to SMB					
Not overdue	323,372	8,068	3,610	1,150	336,200
Overdue less than 30 days	4	1,823	459	–	2,286
Overdue 30-89 days	–	952	174	–	1,126
Overdue 90-179 days	–	–	2,278	–	2,278
Overdue 180-360 days	–	–	1,231	–	1,231
Overdue more than 360 days	–	–	8,920	97	9,017
Expected credit losses	(9,454)	(530)	(4,399)	(44)	(14,427)
Total	313,922	10,313	12,273	1,203	337,711

Analysis of credit quality of loans to individuals:

The following table provides information on the credit quality of loans to individuals as at 31 December 2022:

	31 December 2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to retail customers					
Consumer loans					
Not overdue	333,997	422	980	–	335,399
Overdue less than 30 days	19	8,939	73	–	9,031
Overdue 30-89 days	–	6,717	219	–	6,936
Overdue 90-179 days	–	–	6,555	–	6,555
Overdue 180-360 days	–	–	7,936	–	7,936
Overdue more than 360 days	–	–	12,992	–	12,992
Expected credit losses	(8,050)	(6,015)	(23,496)	–	(37,561)
Total	325,966	10,063	5,259	–	341,288
Car loans					
Not overdue	12,911	6	4	–	12,921
Overdue less than 30 days	47	–	–	–	47
Overdue 30-89 days	–	16	–	–	16
Overdue 90-179 days	–	–	2	–	2
Overdue 180-360 days	–	–	1	–	1
Overdue more than 360 days	–	–	398	–	398
Expected credit losses	(1)	–	(143)	–	(144)
Total	12,957	22	262	–	13,241

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality of loans to individuals (continued):

The following table provides information on the credit quality of loans to individuals as at 31 December 2022 (continued):

	31 December 2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Credit cards					
Not overdue	3,188	31	12	–	3,231
Overdue less than 30 days	–	123	–	–	123
Overdue 30-89 days	–	118	–	–	118
Overdue 90-179 days	–	–	120	–	120
Overdue 180-360 days	–	–	201	–	201
Overdue more than 360 days	–	–	489	–	489
Expected credit losses	(344)	(157)	(675)	–	(1,176)
Total	2,844	115	147	–	3,106
Mortgage loans					
Not overdue	13,826	95	309	3,459	17,689
Overdue less than 30 days	196	96	31	282	605
Overdue 30-89 days	–	64	14	89	167
Overdue 90-179 days	–	–	88	103	191
Overdue 180-360 days	–	–	84	82	166
Overdue more than 360 days	–	–	2,592	3,588	6,180
Expected credit losses	(22)	(2)	(535)	(523)	(1,082)
Total	14,000	253	2,583	7,080	23,916
Other loans secured by collateral					
Not overdue	34,437	187	582	5,870	41,076
Overdue less than 30 days	1,173	477	118	366	2,134
Overdue 30-89 days	26	711	73	606	1,416
Overdue 90-179 days	–	–	615	174	789
Overdue 180-360 days	–	–	1,004	399	1,403
Overdue more than 360 days	–	–	14,813	7,121	21,934
Expected credit losses	(241)	(95)	(4,548)	(1,231)	(6,115)
Total other loans secured by collateral	35,395	1,280	12,657	13,305	62,637
Total retail loans	391,162	11,733	20,908	20,385	444,188

Analysis of credit quality for corporate customers

The table below provides the credit quality analysis for corporate customers according to internal ratings as at 31 December 2023:

	31 December 2023				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
rated AAA	**1,399**	**–**	**–**	**–**	**1,399**
rated AA	**18,823**	**–**	**–**	**–**	**18,823**
rated A+	**39,531**	**–**	**–**	**–**	**39,531**
rated A	**38,563**	**–**	**–**	**–**	**38,563**
rated A-	**6,579**	**–**	**–**	**–**	**6,579**
rated BBB+	**83,071**	**–**	**–**	**–**	**83,071**
rated BBB	**16,977**	**–**	**–**	**–**	**16,977**
rated BBB-	**12,395**	**–**	**–**	**–**	**12,395**
rated BB+	**44,699**	**–**	**–**	**–**	**44,699**
rated BB	**148,450**	**–**	**–**	**–**	**148,450**
rated BB-	**8,876**	**437**	**4,430**	**82**	**13,825**
rated B	**4,195**	**–**	**–**	**–**	**4,195**
rated CCC-	**1,347**	**–**	**–**	**–**	**1,347**
Default	**–**	**–**	**874**	**–**	**874**
Expected credit losses	**(2,737)**	**(17)**	**–**	**–**	**(2,754)**
Total	**422,168**	**420**	**5,304**	**82**	**427,974**

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

The comparative information on credit quality for corporate customers according to internal credit ratings as at 31 December 2022 is not disclosed in the Group's consolidated financial statements as recreation of this information is not practicable.

Analysis of movements in gross carrying amount and allowance for ECL

Analysis of movements in gross carrying amount and related ECL for loans to legal entities of corporate business for 2023 is as follows:

	2023				
Loans to CB	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**378,581**	**70**	**17,504**	**49**	**396,204**
New assets originated or purchased	**628,266**	**–**	**–**	**28**	**628,294**
Assets derecognised or repaid (excluding write-offs)	**(575,162)**	**(63)**	**(13,479)**	**6**	**(588,698)**
Transfers to Stage 2	**(437)**	**437**	**–**	**–**	**–**
Unwinding of discount	**–**	**–**	**76**	**–**	**76**
Reversal of previously written-off amounts	**–**	**–**	**2,124**	**–**	**2,124**
Write-off	**–**	**–**	**(842)**	**–**	**(842)**
Foreign exchange adjustments	**(6,343)**	**(7)**	**(79)**	**(1)**	**(6,430)**
At 31 December	**424,905**	**437**	**5,304**	**82**	**430,728**

	2023				
Loans to CB	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(3,929)**	**(2)**	**(581)**	**(49)**	**(4,561)**
New assets originated or purchased	**(3,045)**	**–**	**–**	**–**	**(3,045)**
Assets derecognised or repaid (excluding write-offs)	**1,122**	**61**	**2,072**	**–**	**3,255**
Transfers to Stage 2	**16**	**(16)**	**–**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**3,037**	**(60)**	**(139)**	**49**	**2,887**
Unwinding of discount	**–**	**–**	**(76)**	**–**	**(76)**
Reversal of previously written-off amounts	**–**	**–**	**(2,124)**	**–**	**(2,124)**
Write-off	**–**	**–**	**842**	**–**	**842**
Foreign exchange adjustments	**62**	**–**	**6**	**–**	**68**
At 31 December	**(2,737)**	**(17)**	**–**	**–**	**(2,754)**

Analysis of movements in gross carrying amount and related ECL for loans to legal entities of small and medium businesses for 2023 is as follows:

	2023				
Loans to SMB	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**323,376**	**10,843**	**16,672**	**1,247**	**352,138**
New assets originated or purchased	**657,159**	**–**	**–**	**1,682**	**658,841**
Assets derecognised or repaid (excluding write-offs)	**(549,088)**	**(5,309)**	**(7,983)**	**540**	**(561,840)**
Transfers to Stage 1	**5,688**	**(4,554)**	**(1,134)**	**–**	**–**
Transfers to Stage 2	**(5,919)**	**5,919**	**–**	**–**	**–**
Transfers to Stage 3	**(5,289)**	**(1,315)**	**6,604**	**–**	**–**
Unwinding of discount	**–**	**–**	**849**	**–**	**849**
Reversal of previously written-off amounts	**–**	**–**	**1,563**	**48**	**1,611**
Write-off	**–**	**–**	**(2,253)**	**(150)**	**(2,403)**
Foreign exchange adjustments	**(150)**	**(2)**	**(5)**	**–**	**(157)**
At 31 December	**425,777**	**5,582**	**14,313**	**3,367**	**449,039**

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Loans to SMB	*2023* *Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January	**(9,454)**	**(530)**	**(4,399)**	**(44)**	**(14,427)**
New assets originated or purchased	**(3,064)**	**–**	**–**	**–**	**(3,064)**
Assets derecognised or repaid (excluding write-offs)	**2,308**	**209**	**2,411**	**118**	**5,046**
Transfers to Stage 1	**(373)**	**298**	**75**	**–**	**–**
Transfers to Stage 2	**259**	**(259)**	**–**	**–**	**–**
Transfers to Stage 3	**1,042**	**49**	**(1,091)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**5,358**	**(210)**	**(5,841)**	**(1,458)**	**(2,151)**
Unwinding of discount	**–**	**–**	**(849)**	**–**	**(849)**
Reversal of previously written-off amounts	**–**	**–**	**(1,563)**	**(48)**	**(1,611)**
Write-off	**–**	**–**	**2,243**	**150**	**2,393**
Foreign exchange adjustments	**29**	**–**	**12**	**1**	**42**
At 31 December	**(3,895)**	**(443)**	**(9,002)**	**(1,281)**	**(14,621)**

Analysis of movements in gross carrying amount and related ECL for loans to individuals for 2023 is as follows:

Loans to retail customers	*2023* *Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	**399,820**	**18,002**	**50,305**	**22,139**	**490,266**
New assets originated or purchased	**395,597**	**–**	**–**	**3,488**	**399,085**
Assets derecognised or repaid (excluding write-offs)	**(258,406)**	**(3,266)**	**(11,717)**	**(3,156)**	**(276,545)**
Transfers to Stage 1	**5,448**	**(4,332)**	**(1,116)**	**–**	**–**
Transfers to Stage 2	**(18,457)**	**18,768**	**(311)**	**–**	**–**
Transfers to Stage 3	**(28,407)**	**(10,918)**	**39,325**	**–**	**–**
Unwinding of discount	**–**	**–**	**6,993**	**–**	**6,993**
Reversal of previously written-off amounts	**–**	**–**	**4,676**	**851**	**5,527**
Write-off	**–**	**–**	**(32,159)**	**(5,169)**	**(37,328)**
Foreign exchange adjustments	**(1)**	**1**	**–**	**(2)**	**(2)**
At 31 December	**495,594**	**18,255**	**55,996**	**18,151**	**587,996**

Loans to retail customers	*2023* *Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January	**(8,658)**	**(6,269)**	**(29,397)**	**(1,754)**	**(46,078)**
New assets originated or purchased	**(7,698)**	**–**	**–**	**–**	**(7,698)**
Assets derecognised or repaid (excluding write-offs)	**11,261**	**84**	**6,963**	**1,340**	**19,648**
Transfers to Stage 1	**(1,609)**	**970**	**639**	**–**	**–**
Transfers to Stage 2	**4,228**	**(4,419)**	**191**	**–**	**–**
Transfers to Stage 3	**6,582**	**4,604**	**(11,186)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**(17,675)**	**(3,462)**	**(30,134)**	**(12,299)**	**(63,570)**
Unwinding of discount	**–**	**–**	**(6,993)**	**–**	**(6,993)**
Reversal of previously written-off amounts	**–**	**–**	**(4,676)**	**(851)**	**(5,527)**
Write-off	**–**	**–**	**32,159**	**5,169**	**37,328**
Foreign exchange adjustments	**2**	**–**	**2**	**(2)**	**2**
At 31 December	**(13,567)**	**(8,492)**	**(42,432)**	**(8,397)**	**(72,888)**

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for loans to legal entities for 2022 is as follows:

			2022		
Loans to CB	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	167,472	15,989	8,855	–	192,316
New assets originated or purchased	452,756	–	–	924	453,680
Assets derecognised or repaid (excluding write-offs)	(243,090)	(876)	(8,283)	(875)	(253,124)
Transfers to Stage 1	3,087	(3,087)	–	–	–
Transfers to Stage 2	(70)	70	–	–	–
Transfers to Stage 3	(2,698)	(12,027)	14,725	–	–
Unwinding of discount	–	–	200	–	200
Reversal of previously written-off amounts	–	–	2,285	–	2,285
Write-off	–	–	(278)	–	(278)
Foreign exchange adjustments	1,124	1	–	–	1,125
At 31 December	378,581	70	17,504	49	396,204

			2022		
Loans to CB	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(2,334)	(9)	(1,487)	–	(3,830)
New assets originated or purchased	(5,964)	–	–	–	(5,964)
Assets derecognised or repaid (excluding write-offs)	1,826	37	2,900	–	4,763
Transfers to Stage 1	(9)	9	–	–	–
Transfers to Stage 2	2	(2)	–	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	2,561	(36)	214	(49)	2,690
Unwinding of discount	–	–	(200)	–	(200)
Reversal of previously written-off amounts	–	–	(2,285)	–	(2,285)
Write-off	–	–	278	–	278
Foreign exchange adjustments	(11)	(1)	(1)	–	(13)
At 31 December	(3,929)	(2)	(581)	(49)	(4,561)

Analysis of movements in gross carrying amount and related ECL for loans to legal entities for 2022 is as follows:

			2022		
Loans to SMB	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	255,163	3,247	35,021	847	294,278
New assets originated or purchased	494,412	–	–	–	494,412
Assets derecognised or repaid (excluding write-offs)	(419,699)	(4,648)	(6,914)	715	(430,546)
Transfers to Stage 1	5,237	(320)	(4,917)	–	–
Transfers to Stage 2	(7,172)	12,828	(5,656)	–	–
Transfers to Stage 3	(5,517)	(297)	5,814	–	–
Unwinding of discount	–	–	532	–	532
Reversal of previously written-off amounts	–	–	901	40	941
Write-off	–	–	(8,110)	(354)	(8,464)
Foreign exchange adjustments	952	33	1	(1)	985
At 31 December	323,376	10,843	16,672	1,247	352,138

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Loans to SMB			*2022*		
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January	(1,840)	(344)	(5,374)	(70)	(7,628)
New assets originated or purchased	(11,420)	–	–	–	(11,420)
Assets derecognised or repaid (excluding write-offs)	8,735	68	461	3	9,267
Transfers to Stage 1	(32)	–	32	–	–
Transfers to Stage 2	36	(400)	364	–	–
Transfers to Stage 3	446	–	(446)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(5,098)	151	(6,083)	(291)	(11,321)
Unwinding of discount	–	–	(532)	–	(532)
Reversal of previously written-off amounts	–	–	(901)	(40)	(941)
Write-off	–	–	8,110	354	8,464
Foreign exchange adjustments	(281)	(5)	(30)	–	(316)
At 31 December	(9,454)	(530)	(4,399)	(44)	(14,427)

Analysis of movements in gross carrying amount and related ECL for loans to individuals for 2022 is as follows:

Loans to retail customers			*2022*		
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	288,602	5,072	40,545	26,327	360,546
New assets originated or purchased	365,032	–	–	927	365,959
Assets derecognised or repaid (excluding write-offs)	(219,641)	(2,332)	(6,092)	(3,113)	(231,178)
Transfers to Stage 1	2,725	(1,043)	(1,682)	–	–
Transfers to Stage 2	(18,736)	19,259	(523)	–	–
Transfers to Stage 3	(18,397)	(2,958)	21,355	–	–
Unwinding of discount	–	–	4,198	–	4,198
Reversal of previously written-off amounts	–	–	5,630	438	6,068
Write-off	–	–	(13,200)	(2,440)	(15,640)
Foreign exchange adjustments	235	4	74	–	313
At 31 December	399,820	18,002	50,305	22,139	490,266

Loans to retail customers			*2022*		
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January	(7,714)	(2,358)	(15,392)	(1,268)	(26,732)
New assets originated or purchased	(12,330)	–	–	–	(12,330)
Assets derecognised or repaid (excluding write-offs)	7,920	646	6,679	439	15,684
Transfers to Stage 1	(839)	291	548	–	–
Transfers to Stage 2	4,008	(4,265)	257	–	–
Transfers to Stage 3	5,124	1,763	(6,887)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(4,818)	(2,344)	(17,977)	(2,927)	(28,066)
Unwinding of discount	–	–	(4,198)	–	(4,198)
Reversal of previously written-off amounts	–	–	(5,630)	(439)	(6,069)
Write-off	–	–	13,200	2,440	15,640
Foreign exchange adjustments	(9)	(2)	3	1	(7)
At 31 December	(8,658)	(6,269)	(29,397)	(1,754)	(46,078)

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

The table below provides an analysis of movements for ECL for loans issued in 2023 and 2022:

	CB	*SMB*	*Consumer loans and credit cards*	*Car loans*	*Mortgage loans*	*Other loans secured by collateral*	*Total loans to customers and banks*
At 1 January 2022	(3,830)	(7,628)	(20,136)	(47)	(2,086)	(4,463)	(38,190)
New assets originated or purchased	(5,964)	(11,420)	(12,275)	(3)	(10)	(42)	(29,714)
Assets derecognised or repaid (excluding write-offs)	4,763	9,267	9,611	334	1,643	4,096	29,714
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	2,690	(11,321)	(15,931)	(181)	(2,191)	(9,763)	(36,697)
Unwinding of discount	(200)	(532)	(3,668)	(14)	(86)	(430)	(4,930)
Reversal of previously written-off amounts	(2,285)	(941)	(119)	(334)	(1,632)	(3,984)	(9,295)
Write-off	278	8,464	3,781	103	3,286	8,470	24,382
Foreign exchange adjustments	(13)	(316)	–	(2)	(6)	1	(336)
At 31 December 2022	(4,561)	(14,427)	(38,737)	(144)	(1,082)	(6,115)	(65,066)
New assets originated or purchased	**(3,045)**	**(3,064)**	**(6,861)**	**–**	**(336)**	**(501)**	**(13,807)**
Assets derecognised or repaid (excluding write-offs)	**3,255**	**5,046**	**15,976**	**204**	**2,572**	**896**	**27,949**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**2,887**	**(2,151)**	**(42,636)**	**(688)**	**(6,655)**	**(13,591)**	**(62,834)**
Unwinding of discount	**(76)**	**(849)**	**(6,288)**	**(15)**	**(99)**	**(591)**	**(7,918)**
Reversal of previously written-off amounts	**(2,124)**	**(1,611)**	**(1,027)**	**(90)**	**(2,351)**	**(2,059)**	**(9,262)**
Write-off	**842**	**2,393**	**24,929**	**279**	**4,185**	**7,935**	**40,563**
Foreign exchange adjustments	**68**	**42**	**1**	**(1)**	**1**	**1**	**112**
At 31 December 2023	**(2,754)**	**(14,621)**	**(54,643)**	**(455)**	**(3,765)**	**(14,025)**	**(90,263)**

(millions of tenge)

14. Loans to customers (continued)

Key assumptions and judgments used in estimation of expected credit losses

In determining the allowance for expected credit losses, the Group made the following assumptions:

- Applying a liquidity ratio varying from 0% to 0.95% to the revalued value of pledged property depending on the type of collateral.
- The average period of collateral sale is between three (3) and six (6) years depending on the type of collateral according to the Group's historical data.
- Where evidence of a significant increase in credit risk or impairment/default exists for individual assets since the date of initial recognition, the Group estimates the expected credit losses for each customer/group based on probability-weighted estimates of credit losses for various scenarios taking into account operating cash flows and/or cash flows from the sale of collateral.

In determining the allowance for ECL on loans to corporate customers, the Group made the following assumptions:

- PD on loans allocated to Stage 1 ranged from 0.05% to 14.62% depending on the borrower's internal rating according to the renewed rating model.
- LGD on loans allocated to Stage 1 ranged from 24% to 45%.

The Group estimates the allowance for ECL on loans to SMB customers based on its past historical loss experience on these types of loans.

The significant assumptions used by the Group in determining the allowance for ECL on loans, on a collective basis, include:

- The approach used to estimate the probability of default is based on the number of days past due, taking into account the effects of macroeconomic information; the weighted-average 12-month PD by product group allocated to Stage 1 ranged from 0.01% to 19.83%, the weighted-average lifetime PD allocated to Stage 2 ranged from 0.01% to 97.38% depending on the product group of the homogeneous portfolio.
- LGD on loans allocated to Stage 1 varied from 3% to 56%, LGD on loans allocated to Stage 2 was from 11% to 54%.

The Group estimates the allowance for ECL on loans to retail customers based on its past historical loss experience on each type of loan.

The significant assumptions used by the Group in determining the allowance for ECL on loans to retail customers include:

- The approach used to estimate the probability of default is based on the number of days past due, taking into account the effects of macroeconomic information; the weighted-average 12-month PD by product group allocated to Stage 1 ranged from 0.01% to 28.22%, the weighted-average lifetime PD allocated to Stage 2 ranged from 0.17% to 96.90% depending on the product group of the homogeneous retail portfolio.
- LGD on loans allocated to Stages 1 and 2 varied from 32% to 91%.

Changes to models used for ECL measurement

In 2023, the Group made the following changes to the model for ECL calculations:

- Application of the renewed rating model to credit risk assessment for the corporate business segment. As a result of applying the rating model, the amount of ECL was increased by 657 million tenge. In 2022, as part of the rating modelling, the Bank started back-testing, validation and renewal of the rating model. The rating model includes three qualitative factors and five quantitative factors (calculated using the Borrower's financial statements).
- Application of the recovery period of at least six (6) months to loans assessed on a collective basis. As a result of applying the updated approach, the amount of ECL was increased by 630 million tenge. Recovery means absence of indication of default/impairment within 6 months from the date of default/impairment.
- Application of an updated approach to assessing the level of loss given default (LGD) to all portfolios except SMB (applied in 2022) is based on a scenario analysis that takes into account the likely outcomes after default for each segment (subsegment), taking into account the period when the asset was in default. As a result of the updated approach, the allowance for ECL was increased by 13,520 million tenge for the year ended 31 December 2023.
- Determining the period of sale of pledged property for the purposes of assessing losses in case of default as the period from the date of default to the date of accepting the property on the balance sheet or selling the collateral. As a result of the updated approach, the amount of ECL was increased by 3,184 million tenge.

(millions of tenge)

14. Loans to customers (continued)

Changes to models used for ECL measurement (continued)

- The Group has revised key macroeconomic factors used in ECL calculations. As a result of these changes, the allowance for ECL was increased by the Group in the amount of 977 million tenge.
- The ECL effects are recognized in the table 'Analysis of movements in gross carrying amount and allowance for ECL' in the following line item 'Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period'.

Modified and renegotiated loans

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss to the extent that an impairment loss has not already been recorded.

In 2022 and 2023 the Group modified contractual terms and performed loan forgiveness for socially vulnerable groups of population within the state programme of refinancing of mortgage and housing loans to customers. As a result of the modification leading to derecognition and forgiveness of loans issued to customers, the Group recognized a loss on derecognition of loans to customers in the amount of 7,100 million tenge (for 2022: 6,234 million tenge).

As part of this government programme, the Group attracted deposits from Kazakhstan Sustainability Fund JSC with nominal interest rates of 0.10% to 2.99% per annum and payable at maturity in 2038-2050 *(Note 20)*. Income on initial recognition of borrowings amounted to 2,313 million tenge (2022: 1,757 million tenge) and was recognized net of a loss as a result of derecognition of loans to customers in "Net (losses)/gains on derecognition of financial assets measured at amortized cost".

Collateral and other credit enhancements

Individually significant corporate loans are subject to assessment and impairment testing on an individual basis. The creditworthiness of a corporate customer is generally the main indicator of the issued credit quality. However, collateral represents additional guarantees, and the Group generally asks corporate borrowers for its provision.

Guarantees and suretyship from individuals such as shareholders of borrowers represented by small and medium-sized businesses are not taken into account in assessing the impairment.

For certain mortgage loans and other loans to individuals, the Group updates the estimated value of collateral at inception of the loan to its current value using automatic revaluation based on analytical price bases based on current information on the real estate market. The Group may also carry out a specific individual valuation of collateral at each reporting date.

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

The main types of collateral obtained are as follows:

- For commercial lending - charges over real estate properties, inventory and trade receivables;
- For retail lending - mortgages over residential properties.

As at 31 December 2023, Stage 3 and POCI loans to customers net of allowance for ECL amount to 36,101 million tenge (as at 31 December 2022: 71,692 million tenge). As at 31 December 2023, the total fair value of collateral securing such loans, limited to the gross value of the respective loans, amounted to 51,901 million tenge (31 December 2022: 71,128 million tenge).

Repossessed collateral

In 2023, the Group received property classified within other assets with a carrying amount of 3,022 million tenge (2022: 1,701 million tenge) by obtaining control over collateral for loans issued to customers *(Note 18)*. The Group's policy assumes sale of these assets as soon as it is practicable.

Concentration of loans to customers

As at 31 December 2023, the Group had a concentration of loans represented by 321,700 million tenge due from the ten largest groups of interrelated borrowers or 21.92% of gross loan portfolio (31 December 2022: 315,382 million tenge or 25.45% of gross loan portfolio). Allowance for ECL on these loans is 1,373 million tenge (31 December 2022: 2,690 million tenge).

(millions of tenge)

14. Loans to customers (continued)

Industry and geographical analysis of loans

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

	31 December 2023	*31 December 2022*
Loans to retail customers	**587,996**	490,266
Metallurgy	**161,602**	191,137
Wholesale trading	**133,381**	94,764
Services provided by small and medium businesses	**96,162**	67,489
Financial services	**78,902**	67,794
Retail services	**61,733**	56,416
Chemical industry	**60,031**	678
Real estate activities	**47,078**	48,528
Food industry	**45,177**	35,681
Transport	**43,872**	78,601
Construction	**39,749**	27,319
Agriculture	**13,498**	9,587
Post and communication services	**12,315**	8,254
Manufacturing	**10,432**	6,593
Textile production	**7,117**	7,609
Metal products manufacturing	**5,194**	3,801
Production of crude oil and natural gas	**1,456**	–
Machine-building	**–**	155
Other	**62,068**	43,936
	1,467,763	1,238,608
Allowance for ECL	**(90,263)**	(65,066)
	1,377,500	1,173,542

Finance lease receivables

As at 31 December 2023 and 31 December 2022 loans to customers include finance lease receivables of 16,698 million tenge and 12,240 million tenge, respectively.

	31 December 2023	*31 December 2022*
Minimum lease payments receivable	**21,193**	15,425
Unearned finance income	**(4,107)**	(2,833)
Net minimum lease payments receivable	**17,086**	12,592
Less: allowance for ECL	**(388)**	(352)
Net investment in finance leases	**16,698**	12,240
Current portion of minimum lease payments	**13,217**	8,769
Current portion of unearned finance income	**(3,029)**	(1,100)
Current portion of net minimum lease payments receivable	**10,188**	7,669
Non-current portion of minimum lease payments	**7,976**	6,656
Non-current portion of unearned finance income	**(1,078)**	(1,733)
Non-current portion of net minimum lease payments receivable	**6,898**	4,923
Net minimum lease payments receivable	**17,086**	12,592

The analysis of finance lease receivables at 31 December 2023 and 31 December 2022, is as follows:

As at 31 December 2023	*Up to 1 year*	*1 to 2 years*	*2 to 3 years*	*3 to 4 years*	*Total*
Minimum lease payments receivable	**13,217**	**6,564**	**1,334**	**78**	**21,193**
Unearned finance income	**(3,029)**	**(930)**	**(144)**	**(4)**	**(4,107)**
Net minimum lease payments receivable	**10,188**	**5,634**	**1,190**	**74**	**17,086**

(millions of tenge)

14. Loans to customers (continued)

Finance lease receivables (continued)

As at 31 December 2022	***Up to 1 year***	***1 to 2 years***	***2 to 3 years***	***3 to 4 years***	***4 to 5 years***	***Total***
Minimum lease payments receivable	8,769	5,099	1,375	155	27	15,425
Unearned finance income	(1,100)	(1,201)	(455)	(64)	(13)	(2,833)
Net minimum lease payments receivable	7,669	3,898	920	91	14	12,592

The table below provides information on the quality of finance lease receivables as at 31 December 2023 and 31 December 2022:

	31 December 2023				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Finance lease receivables					
Not overdue	**16,641**	**28**	**262**	**–**	**16,931**
Overdue less than 30 days	**31**	**123**	**–**	**–**	**154**
Overdue 180-360 days	**–**	**–**	**1**	**–**	**1**
Net minimum lease payments receivable	**16,672**	**151**	**263**	**–**	**17,086**
Expected credit losses	**(367)**	**(5)**	**(16)**	**–**	**(388)**
Net investment in finance leases	**16,305**	**146**	**247**	**–**	**16,698**

	31 December 2022				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Finance lease receivables					
Not overdue	11,764	453	1	–	12,218
Overdue less than 30 days	70	304	–	–	374
Net minimum lease payments receivable	11,834	757	1	–	12,592
Expected credit losses	(315)	(36)	(1)	–	(352)
Net investment in finance leases	11,519	721	–	–	12,240

15. Investment securities

Investment securities, including those pledged under repurchase agreements, comprise:

	31 December 2023	***31 December 2022***
Debt securities at amortized cost		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**29,166**	30,044
Bonds of foreign countries rated at BB- to BB+	**913**	932
Total government bonds	**30,079**	30,976
Corporate bonds		
Rated from BBB- to BBB+	**174,550**	177,938
Rated from BB- to BB+	**84,228**	84,414
Total corporate bonds	**258,778**	262,352
Bonds of banks		
Rated from B- to B+	–	4,711
Total bonds of banks	–	4,711
Investment securities measured at amortised cost before allowance for ECL	**288,857**	298,039
Allowance for ECL	**(162)**	(187)
Investment securities measured at amortized cost	**288,695**	297,852

(millions of tenge)

15. Investment securities (continued)

	31 December 2023	*31 December 2022*
Debt securities at FVOCI		
Government bonds		
Treasury bills of the United States of America rated AA+	**13,610**	293
Bonds of the NBRK rated BBB-	**–**	497
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**543,583**	532,466
Total government bonds	**557,193**	533,256
Corporate bonds		
Rated from BBB- to BBB+	**67,206**	109,984
Rated from BB- to BB+	**22,658**	27,597
Rated below B+	**2,027**	1,963
Total corporate bonds	**91,891**	139,544
Bonds of banks		
Rated from BBB- to BBB+	**12,131**	12,081
Rated from BB- to BB+	**3,120**	–
Rated below B+	**–**	2,363
Not rated	**285**	186
Total bonds of banks	**15,536**	14,630
Investments in equity instruments		
Corporate shares	**339**	5,292
Total investments in equity instruments	**339**	5,292
Investment securities measured at FVOCI	**664,959**	692,722

The following table provides information on the credit quality of investment securities measured at amortised cost, and debt instruments measured at fair value through other comprehensive income as at 31 December 2023 and 31 December 2022.

	31 December 2023			
Debt securities at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Rated from BBB- to BBB+	**203,716**	**–**	**–**	**203,716**
Rated from BB- to BB+	**84,228**	**913**	**–**	**85,141**
	287,944	**913**	**–**	**288,857**
Allowance for ECL	**(154)**	**(8)**	**–**	**(162)**
Investment securities at amortised cost	**287,790**	**905**	**–**	**288,695**

	31 December 2022			
Debt securities at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Rated from BBB- to BBB+	207,982	–	–	207,982
Rated from BB- to BB+	84,414	932	–	85,346
Rated from B- to B+	–	4,711	–	4,711
	292,396	5,643	–	298,039
Allowance for ECL	(122)	(65)	–	(187)
Investment securities at amortised cost	292,274	5,578	–	297,852

	31 December 2023			
Investment securities at FVOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Rated from AA- to AA+	**13,610**	**–**	**–**	**13,610**
Rated from BBB- to BBB+	**622,920**	**–**	**–**	**622,920**
Rated from BB- to BB+	**8,961**	**16,817**	**–**	**25,778**
Rated below B+	**–**	**2,027**	**–**	**2,027**
Not rated	**–**	**285**	**–**	**285**
Investment securities at FVOCI	**645,491**	**19,129**	**–**	**664,620**

(millions of tenge)

15. Investment securities (continued)

	31 December 2022			
Investment securities at FVOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Rated from AA- to AA+	293	–	–	293
Rated from BBB- to BBB+	655,028	–	–	655,028
Rated from BB- to BB+	11,985	15,612	–	27,597
Rated below B+	–	4,326	–	4,326
Not rated	–	186	–	186
Investment securities at FVOCI	667,306	20,124	–	687,430

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

As at 31 December 2023, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan and Kazakhstan Sustainability Fund JSC, with a fair value of 164,168 million tenge, were pledged under the repurchase agreements entered into at the KASE *(Note 27)*.

As at 31 December 2022, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of 68,128 million tenge, were pledged under the repurchase agreements entered into at the KASE *(Note 27)*.

In 2018 and 2019, the Group acquired bonds of NAC Kazatomprom JSC, Sovereign Wealth Fund Samruk-Kazyna JSC and Kazakhstan Temir Zholy JSC, classified as investment securities at amortized cost. As at 31 December 2023, the total carrying amount of these bonds was 237,841 million tenge (31 December 2022: 241,073 million tenge).

The Group's debt securities issued held by SWF Samruk-Kazyna JSC *(Note 21)*, with a total nominal value of 220,000 million tenge, serve as collateral for liabilities to the Group on the above mentioned bonds.

(millions of tenge)

16. Property and equipment

The movements in property and equipment were as follows:

	Land	*Buildings*	*Computers*	*Motor vehicles*	*Construction in progress and assets to be installed*	*Other*	*Right-of-use assets*	*Total*
Cost								
Balance at 1 January 2022	2,642	44,292	5,727	492	1,220	31,236	2,842	88,451
Additions	–	–	421	2	172	1,696	1,438	3,729
Transfers	–	300	100	–	(716)	316	–	–
Disposals	–	(125)	(118)	–	(295)	(1,411)	(1,393)	(3,342)
Balance at 31 December 2022	2,642	44,467	6,130	494	381	31,837	2,887	88,838
Additions	–	**137**	**1,524**	**594**	**257**	**707**	**1,100**	**4,319**
Transfers	–	–	**89**	–	**(498)**	**409**	–	–
Disposals	–	**(184)**	**(221)**	–	**(30)**	**(1,145)**	**(936)**	**(2,516)**
Balance at 31 December 2023	**2,642**	**44,420**	**7,522**	**1,088**	**110**	**31,808**	**3,051**	**90,641**
Accumulated depreciation								
Balance at 1 January 2022	–	(5,199)	(3,237)	(389)	–	(15,913)	(1,076)	(25,814)
Depreciation charge for the year	–	(1,081)	(648)	(30)	–	(3,250)	(626)	(5,635)
Disposals	–	58	111	–	–	910	552	1,631
Balance at 31 December 2022	–	(6,222)	(3,774)	(419)	–	(18,253)	(1,150)	(29,818)
Depreciation charge for the year	–	**(1,085)**	**(771)**	**(81)**	–	**(3,281)**	**(705)**	**(5,923)**
Disposals	–	**61**	**222**	–	–	**1,151**	**331**	**1,765**
Balance at 31 December 2023	–	**(7,246)**	**(4,323)**	**(500)**	–	**(20,383)**	**(1,524)**	**(33,976)**
Carrying amounts								
At 1 January 2022	2,642	39,093	2,490	103	1,220	15,323	1,766	62,637
At 31 December 2022	2,642	38,245	2,356	75	381	13,584	1,737	59,020
At 31 December 2023	**2,642**	**37,174**	**3,199**	**588**	**110**	**11,425**	**1,527**	**56,665**

As at 31 December 2023, the cost and related accumulated depreciation of fully depreciated property and equipment amounted to 9,837 million tenge (31 December 2022: 8,394 million tenge).

(millions of tenge)

17. Intangible assets

The movements in intangible assets were as follows:

	Software	*Licences*	*Research and development*	*Total*
Balance at 1 January 2022	12,043	9,897	1,096	23,036
Additions	2,883	481	270	3,634
Transfers	1,139	186	(1,341)	(16)
Impairment loss	(123)	–	–	(123)
Disposal	(580)	–	–	(580)
Balance at 31 December 2022	15,362	10,564	25	25,951
Additions	**1,316**	**467**	**523**	**2,306**
Transfers	**–**	**17**	**(17)**	**–**
Disposals	**(4)**	**–**	**–**	**(4)**
Balance at 31 December 2023	**16,674**	**11,048**	**531**	**28,253**
Accumulated amortisation and impairment loss				
Balance at 1 January 2022	(4,637)	(4,328)	–	(8,965)
Amortisation for the year	(1,207)	(1,412)	–	(2,619)
Disposals	183	–	–	183
Balance at 31 December 2022	(5,661)	(5,740)	–	(11,401)
Amortisation for the year	**(2,118)**	**(930)**	**–**	**(3,048)**
Disposals	**63**	**–**	**–**	**63**
Balance at 31 December 2023	**(7,716)**	**(6,670)**	**–**	**(14,386)**
Carrying amounts				
At 1 January 2022	7,406	5,569	1,096	14,071
At 31 December 2022	9,701	4,824	25	14,550
At 31 December 2023	**8,958**	**4,378**	**531**	**13,867**

(millions of tenge)

18. Other assets and other liabilities

Other assets comprise:

	31 December 2023	*31 December 2022*
Accounts receivable for sale of pledged property	**7,788**	12,653
Receivables under government programmes for support of specific population segments	**1,470**	2,875
Accounts receivable on commission income	**1,348**	1,708
Other accounts receivable from banking activities	**2,368**	2,862
	12,974	20,098
Allowance for ECL	**(3,084)**	(2,869)
Other financial assets	**9,890**	17,229
Repossessed collateral	**19,864**	30,593
Prepayments and other accounts receivable	**6,014**	5,659
Taxes prepaid other than corporate income tax	**2,690**	2,078
Investment property	**1,572**	1,609
Inventories held for sale	**745**	1,236
Other inventories	**195**	776
Other	**2,048**	827
	33,128	42,778
Impairment allowance	**(17)**	(78)
Other non-financial assets	**33,111**	42,700
Total other assets	**43,001**	59,929

The Group took possession of collateral with an estimated value of 3,022 million tenge during 2023 (2022: 1,701 million tenge). Even though the Group is currently actively trying to sell these assets, most of them were not sold within a short period of time. Management still intends to sell the repossessed collateral.

Other liabilities comprise:

	31 December 2023	*31 December 2022*
Payables on payment system services	**10,572**	–
Deferred income from government economic support programmes	**7,402**	3,811
Accrued expenses for employee benefits	**6,561**	5,457
Payables on non-banking activities	**1,931**	2,065
Lease liabilities	**1,615**	1,770
Obligations to pay mandatory contributions to the KDIF	**276**	866
Allowance for ECL for credit related commitments *(Note 30)*	**1,092**	546
Other	**3,644**	1,259
Other financial liabilities	**33,093**	15,774
Taxes payable other than corporate income tax	**2,201**	2,628
Other	**772**	587
Other non-financial liabilities	**2,973**	3,215
Total other liabilities	**36,066**	18,989

(millions of tenge)

19. Current accounts and deposits from customers

Current accounts and deposits from customers comprise:

	31 December 2023	*31 December 2022*
Current accounts and demand deposits		
- Retail customers	**145,682**	138,821
- Corporate customers	**560,584**	555,155
Term deposits		
- Retail customers	**701,834**	570,528
- Corporate customers	**747,627**	663,616
Guarantee deposits		
- Retail customers	**34,721**	34,441
- Corporate customers	**70,575**	49,173
	2,261,023	2,011,734
Held as security against letters of credit and guarantees *(Note 30)*	**(452)**	(521)

Concentration of current accounts and deposits from customers

As at 31 December 2023, total amount of account balances of top 10 clients amounted to 277,877 million tenge or 12.29% of total current accounts and deposits from customers (31 December 2022: 356,755 million tenge or 17.73%).

As at 31 December 2023, the Group's outstanding balance of accounts and deposits from individuals and individual entrepreneurs amounted to 363,224 million tenge (31 December 2022: 287,838 million tenge) with limited KDIF insurance coverage on behalf of the Government of the Republic of Kazakhstan.

In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is legally obliged to repay the deposit upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate, depending on the terms specified in the agreement. The Bank is obligated to repay term and/or conditional deposits or a part thereof within seven calendar days from the date of receipt of the depositor's demand on repayment, and saving deposits – within thirty calendar days from the date of the depositor's demand.

20. Amounts due to banks and other credit institutions

Amounts due to banks and other credit institutions comprise:

	31 December 2023	*31 December 2022*
Loans and deposits from governmental organisations	**54,549**	53,035
Liabilities due to Kazakhstan Sustainability Fund JSC	**13,835**	13,716
	68,384	66,751

As at 31 December 2023, loans from government entities included loans received from Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC and Industrial Development Fund JSC in the amount of 41,064 million tenge, 7,705 million tenge and 5,748 million tenge, respectively (31 December 2022: Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC and Industrial Development Fund JSC in the amount of 34,485 million tenge, 13,321million tenge and 5,179 million tenge, respectively), within the framework of the state programme to support small and medium-sized businesses by the banking sector, as well as the state programme of concessional lending to individuals to purchase passenger vehicles of a domestic manufacturer. Loans are denominated in tenge, have nominal interest rates from 1.00% to 14.00% per annum and mature in 2024-2052. The loan received from Industrial Development Fund JSC in May 2022 in the amount of 15,000 million tenge was recognised at a market rate of 14.12% per annum.

During 2023, the fair value of car loans issued at a nominal rate of 4.00% per annum was recognised at fair value using market rates of 23.98%–25.00% per annum (2022: 22.67%-24.20% per annum). In 2023, the Group recognised a loss of 901 million tenge on loans provided at a below-market interest rate, and income from recognition of loans from Development Bank of Kazakhstan JSC and Industrial Development Fund JSC that offset the above loss in the amount of 1,752 million tenge in the consolidated statement of comprehensive income.

During 2023, the fair value of loans provided under the programme to support small and medium-sized businesses by the banking sector, with a nominal interest rate of 6.00% per annum, was recognised using the market rates of 20.50%–22.50% per annum. In 2023, the Group recognised a loss of 615 million tenge on loans provided at a below-market interest rate, and income from recognition of loans from Development Bank of Kazakhstan JSC that offset the above loss in the amount of 2,165 million tenge in the consolidated statement of comprehensive income.

(millions of tenge)

20. Amounts due to banks and other credit institutions (continued)

As at 31 December 2023, liabilities to Kazakhstan Sustainability Fund JSC include deposits in the amount of 11,265 million tenge (31 December 2022: 11,225 million tenge) placed as part of the governmental programme for refinancing of mortgage and housing loans to customers. In 2020, this programme was changed in terms of providing additional aid to mortgage borrowers belonging to the category of socially vulnerable segments of the population, as well as unilateral conversion of foreign currency mortgage loans into tenge. Deposits are denominated in tenge, have nominal interest rates from 0.10% to 2.99% per annum and mature in 2038-2050. At initial recognition, the fair value of deposits placed in 2023 was determined by the Group using a market rate of 13.53% per annum (in 2022: 13.53 % per annum). The fair value of mortgage loans recognised as a result of a significant modification was determined by the Group using market rates from 20.00% to 22.50% per annum (2022: from 19.72% to 20.52% per annum). In 2023, the Group recognised a loss on derecognition of loans to customers of 7,100 million tenge and income from initial recognition and derecognition of KSF deposits that offset the above loss in the amount of 2,313 million tenge (2022: loss on derecognition of loans to customers of 6,234 million tenge and income from initial recognition and derecognition of KSF deposits in the amount of 1,757 million tenge).

The Group had no defaults and other breaches of repayment schedules and the terms of raising funds from banks and other credit institutions, related to principal and interest on the principal amount outstanding, during the years ended 31 December 2023 and 31 December 2022.

21. Debt securities issued

Debt securities issued comprise:

	Maturity date	*Coupon rate*	*31 December 2023*	*31 December 2022*
Bonds in US dollars				
Bonds issued in 2022	2025	2.60%	**2,480**	13,040
Bonds issued in 2023	2025	4.00%	**11,416**	–
			13,896	13,040
Bonds in tenge				
Bonds issued in 2018	2024	4.00%	**202,762**	186,659
Bonds issued in 2015	2025	10.13%	**50,592**	49,774
			253,354	236,433
			267,250	249,473

On 8 August 2022, the Bank carried out the first bond issue on the AIFC Exchange (AIX) under the bond programme with a limit of up to 200,000 thousand US dollars; bonds are due on 8 August 2025 and have a rate of 2.60% per annum. The total amount of bonds issued and authorised for issue is 100,000 thousand US dollars. The nominal value of the bond is 100 thousand US dollars. On 8 August 2023, the Bank repurchased bonds for an aggregate nominal value of 25,500 thousand US dollars (equivalent to 11,382 million tenge). As at 31 December 2023, the total nominal value of outstanding bonds issued under this bond programme amounted to 5,400 thousand US dollars (equivalent to 2,455 million tenge). As at 31 December 2022, the total nominal value of outstanding bonds issued under this bond programme amounted to 27,900 thousand US dollars (equivalent to 12,908 million tenge).

In September 2023, the Bank launched a second bond issue on the AIFC Exchange (AIX) under the bond programme; bonds are due on 6 September 2025 and have a rate of 4.00 % per annum. The total amount of bonds issued and authorised for issue is 50,000 thousand US dollars. The nominal value of the bond is 100 thousand US dollars. As at 31 December 2023, the total nominal value of outstanding bonds issued under this bond programme amounted to 24,800 thousand US dollars (equivalent to 11,273 million tenge).

In September 2018, the Bank issued debt securities with a total nominal value of 220,000 million tenge, with a coupon rate of 4% per annum and maturity in 2024. The securities were acquired by Sovereign Wealth Fund Samruk-Kazyna JSC in exchange for a 220,000 million tenge deposit placed with the Bank on similar terms.

In July 2015, the Bank issued debt securities with a total nominal value of 49,959 million tenge, with a coupon rate of 10.13% per annum and maturity in 2025.

The Group had no defaults and other breaches of repayment schedules and the terms for issue of bonds, related to principal and interest on the principal amount outstanding, during years ended 31 December 2023 and 31 December 2022.

(millions of tenge)

22. Subordinated debt

As at 31 December 2023 and 31 December 2022, subordinated debt includes tenge-denominated subordinated debt securities issued, maturing in 2025-2031 and having a fixed coupon rate of 8% per annum. The coupon is paid every six months. During 2023, the Bank redeemed subordinated debt securities issued in the amount of 2,313 million tenge (2022: 3,675 million tenge) in accordance with the contractual terms.

The Group had no defaults and other breaches of repayment schedules and the terms for issue of subordinated debt, related to principal and interest on the principal amount outstanding, during years ended 31 December 2023 and 31 December 2022.

23. Share capital

The number of authorised, placed and outstanding ordinary shares and share capital as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	*31 December 2022*
Ordinary shares		
Number of authorised shares	**150,003,000,000**	150,003,000,000
Number of issued shares	**92,387,104,089**	92,387,104,089
Number of repurchased shares	**(1,934,434,197)**	(1,934,434,197)
Number of outstanding shares	**90,452,669,892**	90,452,669,892
Total share capital, millions of tenge	**329,350**	329,350

Movements in outstanding, placed and fully paid shares were as follows:

	Number of ordinary shares	*Nominal value of ordinary shares, millions of tenge*
As at 1 January 2023	**90,452,669,892**	**329,350**
Repurchase of shares	–	–
As at 31 December 2023	**90,452,669,892**	**329,350**
As at 1 January 2022	90,452,727,392	329,350
Repurchase of shares	(57,500)	–
As at 31 December 2022	90,452,669,892	329,350

In accordance with the resolution of the shareholders dated 2 May 2023, the Bank declared and paid dividends on ordinary shares for the year ended 31 December 2022, in the amount of 49,034 million tenge, at the rate of 0.5421 tenge per ordinary share. There were no dividends declared and paid in 2022.

Fair value reserve

This reserve records fair value changes on financial assets at FVOCI.

The movement in the fair value reserve is as follows:

	2023	*2022*
At 1 January	**(23,886)**	8,137
Net change in fair value of debt instruments at fair value through other comprehensive income	**18,791**	(33,202)
Change in loss allowance for expected credit losses on debt instruments at fair value through other comprehensive income	**120**	337
Amount reclassified to profit or loss as a result of derecognition of debt financial instruments at fair value through other comprehensive income	**32**	(311)
Income tax relating to components of other comprehensive income	**(298)**	665
(Losses)/gains on equity instruments at fair value through other comprehensive income	**(803)**	488
At 31 December	**(6,044)**	(23,886)

(millions of tenge)

24. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations.

	2023	*2022*
Net profit attributable to shareholders of the Bank	**116,437**	98,086
A weighted average number of ordinary shares for the year ended 31 December	**90,452,669,892**	90,452,724,871
Basic and diluted earnings per share, in tenge	**1.29**	1.08

As at 31 December 2023 and 31 December 2022, the Bank has no financial instruments diluting earnings per share.

25. Risk management

Introduction

Risk management is inherent in the bank activities and is 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 and operational risks.

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

Risk management structure

Board of Directors

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

Management Board

The Management Board is responsible for monitoring and implementing risk mitigation measures and making sure that the Group operates within established risk parameters. The Head of Risk Management Unit (Credit Risk Function, Strategic Risk Function and Collateral Function) is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Risk Committees

Credit risk is controlled by a system of credit committees. For improving the efficiency of decision-making process, the Group has established a hierarchy of credit committees depending on the type and amount of risk exposure. Market risks, liquidity risk, as well as credit risks in terms of counterparties and country risks are managed and controlled by the Asset and Liability Management Committee (hereinafter "ALMC"), both at the level of the portfolio as a whole and at the level of individual transactions. Operational risks, including information technology and information security risks, are monitored by the Operations Committee.

Credit risk function, Strategic risk function

Both external and internal risk factors are identified and managed throughout the Group. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. In addition to the standard analysis of risks to which the Group is exposed, the risk management monitors financial and non-financial risks by holding regular meetings with divisions of the first line of defence to obtain an expert judgement in certain areas of development of the Group's activities.

Bank Treasury

The Bank's Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects the expected loss likely to arise in normal circumstances based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Except for expected losses, the Group also runs worst case scenarios that may arise in the event that extreme events which are unlikely to occur do, in fact, occur.

(millions of tenge)

25. Risk management (continued)

Risk management structure (continued)

Risk measurement and reporting systems (continued)

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. Also, the Group monitors and measures the overall risk-bearing capacity about the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed to analyse, control and early identify risks. This information is presented and explained to the Management Board, the Risk Committees, and the head of each business division. The reporting contains information on the total amount of credit, market, operational risks, liquidity indicator and changes in the level of risks. On a monthly basis the Management Board and collegial bodies under the Management Board and on a quarterly basis the Board of Directors receive a detailed risk report, which contains all the information necessary to assess the Group's risks and make appropriate decisions.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Discussions are regularly held at meetings of the Management Board of the Bank, authorized collegial bodies and other employees of the Group on compliance with and maintenance of established limits, investments, liquidity, as well as changes in the level of risk.

Risk mitigation

As part of risk management, the Group uses a wide range of instruments to manage exposures arising from changes in foreign exchange rates, portfolio price risk, derivative financial instruments, credit risk, and exposures arising from forecast transactions.

The Group is not active in the stock and derivatives markets and actively uses collateral to mitigate its credit risk.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The asset quality assessment procedure allows the Group to assess the amount of potential losses on the risks to which it is exposed and to take the necessary measures if necessary.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The carrying amount of components of the consolidated statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instruments references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Notes 14 and 15.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Impairment assessment

The Group calculates ECL for insignificant assets on a collective basis and individually significant on the basis of several probability-weighted scenarios to estimate expected cash shortfalls, which are discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of default (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
Exposure at Default (EAD)	The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in (EAD) the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.
Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The allowance for ECL is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of a default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans issued as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12mECL.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL.
Stage 3:	Loans considered credit-impaired. The Group recognises an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at initial recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. Loss allowance for ECL is only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days and over 90 days (60 days and more for individual financial assets) past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower (corporate business)/counterparty bank indicating default or near-default;
- Suspension of the loan contractual interest accrual due to the deterioration of a financial condition of the borrower;
- Write-off of a portion and/or the entire outstanding amount of the borrower, which was caused by a significant increase in credit risk since a loan has been provided;
- Sale of loans at a significant discount;

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Definition of default and cure (continued)

- Availability of court decisions on declaring the borrower bankrupt in accordance with the legislation of the Republic of Kazakhstan (not applicable to the co-borrower);
- Blocking of the counterparty's correspondent account (by court order or otherwise);
- Withdrawal of rating assigned at the time of issuing a loan;
- Appeal of the counterparty bank to the court, with an application for declaring it bankrupt in accordance with the legislation of the country of the counterparty bank;
- Revocation/suspension of the licence of the counterparty bank;
- Decease of the borrower;
- If the borrower is the issuer of securities registered on the stock exchange, and such securities are undergoing or have gone through the procedure for cancelling the issue of securities;
- Debt restructuring due to deterioration of financial condition of the borrower for the last 12 months;
- Moving the borrower to the unit working with non-performing loans.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present at the reporting date subject to a reduction of the debt on this financial instrument as a result of the repayment of its portion, as well as in the case of restructuring, at least 12 months have passed since the restructuring. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The internal rating and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. For corporate business and small and medium-sized businesses borrowers, a single rating model is used. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from the national and international external rating agencies. PDs, incorporating forward-looking information and the IFRS 9 stage classification of the exposure, are assigned for each grade. This is repeated for each economic scenario as appropriate.

Treasury and interbank relationships

The Group's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. To assess such relationships, the Group's Strategic Risks Function uses publicly available information, such as external ratings of international rating agencies, on which the ECL calculations are based.

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a financial model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles;
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates;
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Corporate and small business lending (continued)

The Group's internal credit rating grades are as follows:

Internal rating grade	*Internal rating description*
AAA AA+ AA AA- A+ A A-	Minimum credit risk
BBB+ BBB BBB- BB+ BB	Low credit risk
BB- B+ B	Medium credit risk
B- CCC+ CCC CCC-	High credit risk
CC D (Default)	Default

Retail lending

Retail lending comprises secured and unsecured personal loans and credit cards. These products are assessed using an automated scoring system. Basic input data used in the models are the following: credit history, the ratio of the amount of the monthly loan payment to wages, as well as the ratio of the loan amount to the value of the acquired property in the case of mortgage lending and the value of collateral in case of other loans secured by collateral.

Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities. The Group does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. The interest rate used to discount the ECLs for credit cards is based on the original effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

Loss given default

In case of collateralized lending, the LGD indicator is taken into account, which provides for a discount on the sale of collateral (liquidity ratio) and the expected period of sale of the collateral.

The Group segments its retail lending products into homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Loss given default (continued)

Where appropriate, further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values including property prices for mortgages, payment status or other factors that are indicative of losses in the group.

LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. LGD levels for securities issuers of the Bank's own securities portfolio are assessed on the basis of external data of the international rating agency Moody's.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. Except for loans to individuals, the Group believes that the credit risk on a financial instrument has increased significantly from the moment of initial recognition if the borrower's rating decreased in comparison with the rating at initial recognition based on an analysis of the Bank's statistics confirming the significance of such a decrease in respect of credit risk.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, for example, deterioration of the Bank's communication with the borrower, which, in the Bank's opinion, may lead to difficulties in repaying the loan or granting a grace period of more than 1 month when the client applies. In certain cases, the Group may also consider that events explained in "Definition of default" section above are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The Group additionally uses the following criteria for determining whether there has been a significant increase in credit risk: a quantitative indicator based on movement in probability of default (PD) since initial recognition of a financial asset (for each financial asset risk group, a threshold of 200 % is set) and an absolute value of 12-month PD based on the Group's own supportable statistics.

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- Individually significant financial assets in the corporate business and small and medium-sized businesses portfolio of Stage 2 and Stage 3;
- The treasury and interbank financial assets (such as amounts due from banks, cash equivalents and debt investment securities at amortised cost and fair value through other comprehensive income);
- Individually significant purchased credit impaired financial assets.

Asset classes where the Group calculates ECL on a collective basis include:

- Individually significant and individually insignificant loans in the corporate business and small and medium-sized businesses portfolio of Stage 1;
- Individually insignificant loans in the portfolio of corporate business and small and medium-sized businesses of Stage 2 and 3;
- Mortgage loans;
- Consumer unsecured loans;
- Contingency loans;
- Car loans;
- Other loans to individuals;
- Purchased credit impaired financial assets managed on a collective basis.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Grouping financial assets measured on a collective basis (continued)

The Group groups these financial assets into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example internal grade, overdue bucket, product type, loan-to-value ratios, or borrower's industry.

Forward-looking information and multiple economic scenarios

As at 31 December 2023, the Group uses the following forward-looking information in its ECL calculation models as economic inputs:

- Price per a barrel of oil;
- Rate of inflation;
- GDP growth;
- Refinancing rate;
- USD/KZT rate;
- Real salary index;
- The NBRK's base rate.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. the NBRK and international credit institutions). Experts of the Bank's Strategic Risks Function determine the weights attributable to the multiple scenarios. A range of forecast values of key factors used by segments/subsegments depending on scenario weights in the ECL calculation as at 31 December 2023 are presented below:

Key drivers	*ECL scenario*	*Assigned probabilities, %*	*Forecast*
Price per a barrel of oil			
	Positive	44.1%	111.9
	Base case	26.5%	102.3
	Negative	29.4%	69.73
Rate of inflation,%			
	Positive	44.1%	7.5%
	Base case	26.5%	10.6%
	Negative	29.4%	14.2%
GDP growth,%			
	Positive	44.1%	6.6%
	Base case	26.5%	4.8%
	Negative	29.4%	2.9%
Refinancing rate			
	Positive	44.1%	12.0%
	Base case	26.5%	13.3%
	Negative	29.4%	17.4%
USD/KZT rate			
	Positive	44.1%	429.4
	Base case	26.5%	444.1
	Negative	29.4%	474.5
The NBRK's base rate			
	Positive	44.1%	10.4%
	Base case	26.5%	11.7%
	Negative	29.4%	16.0%

The amount of the allowance for ECL for loans to customers recognised in the consolidated statement of financial position as at 31 December 2023 was 90,263 million tenge (31 December 2022: 65,066 million tenge). More details are provided in *Note 14*.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The Group manages the credit quality of financial assets by analysing the number of days overdue the retail and SMB segments and on the basis of internal ratings - for corporate loans, for other financial instruments - based on ratings assigned by international rating agencies according to the table below. Credit quality analysis is presented in the respective notes.

External international rating agency's (Moody's) rating	*External international rating agency (S&P, Fitch) rating*	*Annual PD*
Aa1 to Aaa	AA+ to AAA	
Aa2	AA	
A1 to Aa3	A+ to AA-	**0.00-0.012%**
A3 to A2	A- to A	
Baa1	BBB+	
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	**0.12-0.62%**
Ba3 to Ba2	BB- to BB	
B3 to B1	B- to B+	
Caa2 to Caa1	CCC to CCC+	**0.88-9.10%**
Ca to Caa3	C to CCC-	**21.71-41.40%**
Default	D	**100.00%**

LGD levels for securities issuers of the Bank's own securities portfolio are assessed on the basis of external data of the international rating agency Moody's according to the following table:

Securities issuer sector	*LGD*
Government securities	**50.00%**
Securities of corporate sector including banks	**62.30%**
Banks	**80.00%**

Geographic information

As at 31 December 2023 and 31 December 2022, the Group's assets and liabilities were primarily concentrated in the Republic of Kazakhstan.

Market risk

Market risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other 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 objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in the ALCO. Market risk limits are approved by the ALCO based on recommendations of the Strategic Risk Function and subsequently agreed by the Board of Directors.

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

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

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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. As the majority of the financial instruments bear fixed interest rates the interest gap analysis is similar to the maturity analysis.

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit and equity to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis points symmetrical fall or 300 bp rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2023 and 31 December 2022 is as follows:

	2023	*2022*
	Effect on profit	***Effect on profit***
100 basis points parallel fall	**630**	**–**
300 basis points parallel rise	**(1,891)**	**–**

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and debt securities measured at FVOCI due to changes in the interest rates based on positions existing as at 31 December 2023 and 31 December 2022 and a simplified scenario of a 100 bp symmetrical fall or 300 bp rise in all yield curves is as follows:

	2023		*2022*	
	Effect on profit	***Impact on other comprehensive income***	***Effect on profit***	***Impact on other comprehensive income***
100 basis points parallel fall	**–**	**12,635**	–	13,058
300 basis points parallel rise	**–**	**(33,958)**	–	(39,157)

Currency risk

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

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Despite the fact that the Group hedges its exposure to currency risk, such transactions do not qualify as hedging relationships in accordance with IFRS.

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The following table shows financial assets and liabilities by foreign currencies:

31 December 2023	*Tenge*	*US Dollars*	*Euro*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	**585,888**	**69,456**	**38,791**	**9,907**	**704,042**
Amounts due from credit institutions	**9,709**	**91,717**	**4**	**–**	**101,430**
Securities at fair value through profit or loss	**2,345**	**671**	**–**	**–**	**3,016**
Loans to customers	**1,167,291**	**209,310**	**898**	**1**	**1,377,500**
Investment securities	**681,664**	**258,781**	**13,209**	**–**	**953,654**
Other financial assets	**9,726**	**147**	**13**	**4**	**9,890**
Total financial assets	**2,456,623**	**630,082**	**52,915**	**9,912**	**3,149,532**
Liabilities					
Current accounts and deposits of customers	**1,584,345**	**613,124**	**47,617**	**15,937**	**2,261,023**
Amounts due to banks and other credit institutions	**68,384**	**–**	**–**	**–**	**68,384**
Amounts payable under repurchase agreements	**145,555**	**17,968**	**–**	**–**	**163,523**
Debt securities issued	**253,354**	**13,896**	**–**	**–**	**267,250**
Subordinated debt	**14,389**	**–**	**–**	**–**	**14,389**
Other financial liabilities	**29,839**	**1,223**	**1,871**	**160**	**33,093**
Total financial liabilities	**2,095,866**	**646,211**	**49,488**	**16,097**	**2,807,662**
Net position	**360,757**	**(16,129)**	**3,427**	**(6,185)**	**341,870**
The effect of derivatives held for risk management	**(39,538)**	**37,650**	**(3,265)**	**5,075**	**(78)**
Net position adjusted for impact of derivative instruments held for the purpose of risk management	**321,219**	**21,521**	**162**	**(1,110)**	**341,792**

The following table shows financial assets and liabilities by foreign currencies:

31 December 2022	*Tenge*	*US Dollars*	*Euro*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	109,085	280,698	38,539	29,640	457,962
Amounts due from credit institutions	7,331	23,715	–	–	31,046
Securities at fair value through profit or loss	2,528	235	–	–	2,763
Loans to customers	985,158	187,150	915	319	1,173,542
Investment securities	707,568	259,111	23,895	–	990,574
Other financial assets	17,076	132	17	4	17,229
Total financial assets	1,828,746	751,041	63,366	29,963	2,673,116
Liabilities					
Current accounts and deposits of customers	1,245,470	682,480	62,556	21,228	2,011,734
Amounts due to banks and other credit institutions	66,751	–	–	–	66,751
Amounts payable under repurchase agreements	67,980	–	–	–	67,980
Debt securities issued	236,433	13,040	–	–	249,473
Subordinated debt	16,795	–	–	–	16,795
Other financial liabilities	15,011	333	427	3	15,774
Total financial liabilities	1,648,440	695,853	62,983	21,231	2,428,507
Net position	180,306	55,188	383	8,732	244,609
The effect of derivatives held for risk management	52,442	(54,741)	–	2,299	–
Net position adjusted for impact of derivative instruments held for the purpose of risk management	232,748	447	383	11,031	244,609

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. This analysis is on a before 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. The negative amount in the table reflects a potential net reduction in the profit or loss or equity, while a positive amount reflects a net potential increase.

	2023		*2022*	
Currency	***Increase in currency rate, %***	***Effect on profit before tax***	***Increase in currency rate, %***	***Effect on profit before tax***
US Dollar	**10.00**	**2,152**	21.00	94
Euro	**10.00**	**16**	17.99	69

	2023		*2022*	
Currency	***Decrease in currency rate, %***	***Effect on profit before tax***	***Decrease in currency rate, %***	***Effect on profit before tax***
US Dollar	**(10.00)**	**(2,152)**	(21.00)	(94)
Euro	**(10.00)**	**(16)**	(17.99)	(69)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting the 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 risk management. It is unusual for credit 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. Liquidity risk management policy is reviewed and approved by the Board of Directors.

The Group seeks to actively support a diversified and stable funding base comprising issued debt securities, long-term and short-term loans from other banks, deposits of the main corporate customers and individuals as well as diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. Liquidity risk management policy includes:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Managing the duration of the securities' portfolio;
- Maintaining debt financing plans;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Developing a financing plan in case of a liquidity crisis;
- Monitoring liquidity ratios against regulatory requirements.

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

The Bank Treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored by the Treasury and regular liquidity stress testing under a variety of scenarios covering both normal and more unfavourable market conditions is performed by the strategic risks function. Under normal market conditions, liquidity reports are provided to the Management Board and the ALMC on a monthly basis, and to the Board of Directors on a quarterly basis. Decisions on liquidity management are made by the ALMC as advised by the risk management and implemented by the Treasury.

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

The following tables show the undiscounted contractual cash flows on financial assets, liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment. For issued financial guarantee contracts, the Bank allocates the maximum amount of the guarantee to the earliest period in accordance with the expiration date of the guarantee, however, the amount of the guarantee can be claimed at any time.

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2023 is as follows:

31 December 2023	*On demand and less than 1 month*	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 year*	*Total*	*Carrying amount*
Non-derivative financial assets							
Cash and cash equivalents	**706,351**	**79**	**–**	**–**	**–**	**706,430**	**704,042**
Amounts due from credit institutions	**–**	**49,587**	**24,777**	**14,879**	**15,702**	**104,945**	**101,430**
Securities at fair value through profit or loss	**3,016**	**–**	**–**	**–**	**–**	**3,016**	**3,016**
Loans to customers	**90,879**	**120,289**	**655,277**	**1,676,878**	**229,813**	**2,773,136**	**1,377,500**
Investment securities	**124,185**	**20,668**	**362,601**	**473,467**	**149,075**	**1,129,996**	**953,654**
Other financial assets	**3,888**	**123**	**1,485**	**4,376**	**18**	**9,890**	**9,890**
Total non-derivative financial assets	**928,319**	**190,746**	**1,044,140**	**2,169,600**	**394,608**	**4,727,413**	**3,149,532**
Non-derivative financial liabilities							
Current accounts and deposits of customers	**(1,286,502)**	**(156,811)**	**(635,612)**	**(242,949)**	**(29,126)**	**(2,351,000)**	**(2,261,023)**
Amounts due to banks and other credit institutions	**(364)**	**(463)**	**(2,660)**	**(20,924)**	**(66,184)**	**(90,595)**	**(68,384)**
Amounts payable under repurchase agreements	**(161,798)**	**(2,186)**	**–**	**–**	**–**	**(163,984)**	**(163,523)**
Debt securities issued	**(2,530)**	**–**	**(211,710)**	**(67,745)**	**–**	**(281,985)**	**(267,250)**
Subordinated debt	**(26)**	**–**	**(1,111)**	**(13,696)**	**(3,922)**	**(18,755)**	**(14,389)**
Other financial liabilities	**(23,235)**	**(85)**	**(8,150)**	**(6)**	**(1,617)**	**(33,094)**	**(33,093)**
Total non-derivative financial liabilities	**(1,474,455)**	**(159,545)**	**(859,243)**	**(345,320)**	**(100,849)**	**(2,939,412)**	**(2,807,662)**
Net liquidity gap on financial assets and financial liabilities	**(546,136)**	**31,201**	**184,897**	**1,824,280**	**293,759**	**1,788,001**	**341,870**
Contingent liabilities	**(610,372)**	**–**	**–**	**–**	**–**	**(610,372)**	

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest income. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay. Accordingly, in the above table, deposits of individuals are presented in accordance with contractual terms with consideration of this assumption.

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

Management expects that the repayment of liabilities and disposal of assets may 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 on these financial assets and liabilities may differ from contractual terms.

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2022 is as follows:

31 December 2022	*On demand and less than 1 month*	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 year*	*Total*	*Carrying amount*
Non-derivative financial assets							
Cash and cash equivalents	342,465	116,437	–	–	–	458,902	457,962
Amounts due from credit institutions	–	–	–	14,460	16,586	31,046	31,046
Securities at fair value through profit or loss	2,528	–	235	–	–	2,763	2,763
Loans to customers	93,009	125,208	491,819	1,368,373	125,056	2,203,465	1,173,542
Investment securities	29,399	33,680	217,275	807,876	73,576	1,161,806	990,574
Other financial assets	4,522	136	595	11,921	55	17,229	17,229
Total non-derivative financial assets	471,923	275,461	709,924	2,202,630	215,273	3,875,211	2,673,116
Non-derivative financial liabilities							
Current accounts and deposits of customers	(1,259,520)	(118,159)	(520,829)	(133,343)	(11,496)	(2,043,347)	(2,011,734)
Amounts due to banks and other credit institutions	(397)	(494)	(3,002)	(17,504)	(71,383)	(92,780)	(66,751)
Amounts payable under repurchase agreements	(65,297)	(3,434)	–	–	–	(68,731)	(67,980)
Debt securities issued	(2,530)	–	(20,466)	(266,416)	–	(289,412)	(249,473)
Subordinated debt	(2,431)	–	(1,958)	(15,166)	(4,176)	(23,731)	(16,795)
Other financial liabilities	(9,246)	(58)	(4,696)	(3)	(1,771)	(15,774)	(15,774)
Total non-derivative financial liabilities	(1,339,421)	(122,145)	(550,951)	(432,432)	(88,826)	(2,533,775)	(2,428,507)
Net liquidity gap on financial assets and financial liabilities	(867,498)	153,316	158,973	1,770,198	126,447	1,341,436	244,609
Contingent liabilities	(288,498)	–	–	–	–	(288,498)	

(millions of tenge)

26. Maturity analysis of assets and liabilities

The following table shows the expected maturities of assets and liabilities as at 31 December 2023 and 31 December 2022:

31 December 2023	*Less than 1 month*	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Without maturity*	*Overdue*	*Total*
Assets								
Cash and cash equivalents	704,042	–	–	–	–	–	–	704,042
Amounts due from credit institutions	–	47,242	23,604	14,879	15,705	–	–	101,430
Securities at fair value through profit or loss	744	–	–	–	–	2,272	–	3,016
Loans to customers	70,227	81,257	480,644	674,409	58,270	–	12,693	1,377,500
Investment securities	640,091	10,431	250,205	38,280	14,647	–	–	953,654
Property and equipment	–	–	–	–	–	56,665	–	56,665
Intangible assets	–	–	–	–	–	13,867	–	13,867
Other assets	12,129	3	29,938	38	2	–	891	43,001
Total assets	1,427,233	138,933	784,391	727,606	88,624	72,804	13,584	3,253,175
Liabilities								
Current accounts and deposits of customers	(1,286,502)	(154,341)	(598,375)	(208,521)	(13,284)	–	–	(2,261,023)
Amounts due to banks and other credit institutions	(138)	(196)	(1,151)	(13,324)	(53,575)	–	–	(68,384)
Amounts payable under repurchase agreements	(161,336)	(2,187)	–	–	–	–	–	(163,523)
Debt securities issued	(2,151)	–	(202,930)	(62,169)	–	–	–	(267,250)
Subordinated debt	(25)	–	(159)	(11,042)	(3,163)	–	–	(14,389)
Deferred tax liabilities	–	–	–	(12,732)	–	–	–	(12,732)
Other liabilities	(23,233)	(85)	(11,126)	(6)	(1,612)	–	(4)	(36,066)
Total liabilities	(1,473,385)	(156,809)	(813,741)	(307,794)	(71,634)	–	(4)	(2,823,367)
Net position	(46,152)	(17,876)	(29,350)	419,812	16,990	72,804	13,580	429,808
Net accumulated position	(46,152)	(64,028)	(93,378)	326,434	343,424	416,228	429,808	

(millions of tenge)

26. Maturity analysis of assets and liabilities (continued)

31 December 2022	*Less than 1 month*	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*No maturity*	*Overdue*	*Total*
Assets								
Cash and cash equivalents	342,169	115,793	–	–	–	–	–	457,962
Amounts due from financial institutions	–	–	–	14,460	16,586	–	–	31,046
Securities at fair value through profit or loss	256	–	235	–	–	2,272	–	2,763
Loans to customers	68,528	97,625	366,857	581,950	40,386	–	18,196	1,173,542
Investment securities	673,593	10,523	16,023	276,246	14,189	–	–	990,574
Property and equipment	–	–	–	–	–	59,020	–	59,020
Intangible assets	–	–	–	–	–	14,550	–	14,550
Other assets	7,751	136	38,940	11,921	55	–	1,126	59,929
Total assets	1,092,297	224,077	422,055	884,577	71,216	75,842	19,322	2,789,386
Liabilities								
Current accounts and deposits of customers	(1,258,918)	(116,573)	(504,926)	(122,713)	(8,604)	–	–	(2,011,734)
Amounts due to banks and other credit institutions	(142)	(196)	(1,526)	(9,434)	(55,453)	–	–	(66,751)
Amounts payable under repurchase agreements	(64,678)	(3,302)	–	–	–	–	–	(67,980)
Debt securities issued	(2,151)	–	(499)	(246,823)	–	–	–	(249,473)
Subordinated debt	(2,431)	–	(159)	(11,042)	(3,163)	–	–	(16,795)
Deferred tax liabilities	–	–	–	(13,904)	–	–	–	(13,904)
Other liabilities	(9,258)	(58)	(7,873)	(29)	(1,771)	–	–	(18,989)
Total liabilities	(1,337,578)	(120,129)	(514,983)	(403,945)	(68,991)	–	–	(2,445,626)
Net position	(245,281)	103,948	(92,928)	480,632	2,225	75,842	19,322	343,760
Net accumulated position	(245,281)	(141,333)	(234,261)	246,371	248,596	324,438	343,760	

(millions of tenge)

27. Offsetting of financial instruments

Disclosures in the tables below include information on financial assets and financial liabilities, which:

- 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 financial instruments include derivative financial assets, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below, unless they are offset in the consolidated statement of financial position.

The Group receives and provides collateral in the form of cash and marketable securities in respect of the repurchase and reverse repurchase agreements.

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned before 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.

As at 31 December 2023, the Group has payables under repurchase agreements in the amount of 163,523 million tenge, which are collateralised by investment securities with a total fair value of 164,168 million tenge (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC) (*Note 15*).

As at 31 December 2022, the Group has payables under repurchase agreements in the amount of 67,980 million tenge, which are collateralised by investment securities with a total fair value of 68,128 million tenge (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan) (*Note 15*).

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2023.

31 December 2023	*Gross amount of recognised financial assets/ (liabilities)*	*Gross amount of recognised financial liabilities offset in the consolidated statement of financial position*	*Net amount of financial assets/ (liabilities) presented in the consolidated statement of financial position*	*Related amounts not offset in the consolidated statement of financial position* *Financial instruments*	*Net amount*
Derivative financial instruments	**157,164**	**(157,090)**	**74**	**–**	**74**
Receivables under reverse repurchase agreements (*Note 12*)	**169,171**	**–**	**169,171**	**(168,970)**	**201**
Payables under repurchase agreements (*Note 15*)	**(163,523)**	**–**	**(163,523)**	**164,168**	**645**
	162,812	**(157,090)**	**5,722**	**(4,802)**	**920**

(millions of tenge)

27. Offsetting of financial instruments (continued)

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

31 December 2022	*Gross amount of recognised financial assets/ (liabilities)*	*Gross amount of recognised financial liabilities offset in the consolidated statement of financial position*	*Net amount of financial assets/ (liabilities) presented in the consolidated statement of financial position*	*Related amounts not offset in the consolidated statement of financial position* *Financial instruments*	*Net amount*
Derivative financial instruments	65,209	(64,994)	215	–	215
Receivables under reverse repurchase agreements (*Note 12*)	48,062	–	48,062	(48,027)	35
Payables under repurchase agreements (*Note 15*)	(67,980)	–	(67,980)	68,128	148
	45,291	(64,994)	(19,703)	20,101	398

28. Changes in liabilities arising from financing activities

	Debt securities issued	*Subordinated deb*	*Total liabilities arising from financing activities*
Carrying amount as at 31 December 2021	253,120	20,503	273,623
Proceeds from issue	13,295	–	13,295
Redemption	(34,306)	(3,675)	(37,981)
Accrual of interest	15,407	1,457	16,864
Repayment of interest	(15,467)	(1,490)	(16,957)
Foreign exchange differences	2,449	–	2,449
Unwinding of discount	14,975	–	14,975
Carrying amount as at 31 December 2022	249,473	16,795	266,268
Proceeds from issue	**12,862**	**–**	**12,862**
Repurchase	**(11,382)**	**–**	**(11,382)**
Redemption	**–**	**(2,313)**	**(2,313)**
Accrual of interest	**14,235**	**1,136**	**15,371**
Repayment of interest	**(14,199)**	**(1,229)**	**(15,428)**
Foreign exchange differences	**(661)**	**–**	**(661)**
Unwinding of discount	**16,922**	**–**	**16,922**
Carrying amount as at 31 December 2023	**267,250**	**14,389**	**281,639**

The Group classifies interest paid as cash flows from operating activities.

29. Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the NBRK in supervising the Bank.

As at 31 December 2023 and 31 December 2022 the Bank had complied in full with all its externally imposed capital requirements.

(millions of tenge)

29. Capital management (continued)

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The NBRK sets and monitors capital requirements for the Bank.

In accordance with the requirements set by the NBRK and effective from 1 July 2021, banks have to maintain:

- A ratio of core capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k1) of not less than 7.5%;
- A ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1-2) of not less than 8.5%;
- A ratio of own capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k2) of not less than 10%.

Investments for the purposes of calculation of the above ratios represent investments into share capital (participation in the charter capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of tier 1 and tier 2 capital of the Bank.

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 31 December 2023 and 31 December 2022:

	31 December 2023	*31 December 2022*
Tier 1 capital	**406,750**	315,091
Tier 2 capital	**8,145**	10,354
Total regulatory capital	**414,895**	325,445
Total risk-weighted statutory assets, contingent liabilities, operational and market risk	**1,953,598**	1,609,161
k1	**20.8%**	19.6%
k1-2 ratio	**20.8%**	19.6%
k2	**21.2%**	20.2%

30. Commitments and contingencies

Political and economic environment

Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The management of the Bank believes that it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

Credit related commitments

The Group has contingent liabilities to provide credit resources. These credit related contingencies take the form of approved loan and credit card limits and overdraft facilities.

The Group provides bank guarantees and issues letters of credit to ensure that their customers' obligations to third parties are met. These agreements have fixed limits and generally extend for a period of up to five years.

In providing financial guarantees, credit related contingencies and letters of credit, the Group applies the same risk management policies and procedures used when issuing loans to customers.

(millions of tenge)

30. Commitments and contingencies (continued)

Credit related commitments (continued)

The contractual amounts of credit related commitments are set out in the following table by category.

	31 December 2023	*31 December 2022*
Undrawn loan commitments	**503,298**	217,758
Guarantees issued	**105,329**	69,375
Letters of credit	**1,745**	1,365
	610,372	288,498
Less: amounts due to customers held as security against letters of credit and guarantees (*Note* 19)	**(452)**	(521)
Less: allowance for expected credit losses	**(1,092)**	(546)
	608,828	287,431

As at 31 December 2022 and 31 December 2023 financial guarantees are categorised as Stage 1, not past due.

The loan commitment agreements stipulate the right of the Group to unilaterally withdraw from the agreement should any conditions unfavourable to the Group arise, including deterioration of the borrower's financial condition, change of the refinance rate, inflation, exchange rates and other conditions.

The total outstanding contractual amount of commitments on issuance of loans, letters of credit and guarantees does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Legal proceedings

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 of the results of future operations of the Group.

Management is unaware of any significant actual, pending or threatened claims against the Group.

Contingent tax liabilities

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 a number of authorities, which have the authority to impose severe fines, penalties and interest charges. The adequacy of tax assessment in the reporting period may be reviewed during the next five calendar years. However, under certain circumstances a tax year may remain open for a longer period of time.

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

31. Related party transactions

Remuneration of members of the Board of Directors and the Management Board

Total remuneration to 11 members of the Management Board and Board of Directors (2022: 11 members) included in general and administrative expenses for 2023 and 2022 is as follows:

	2023	*2022*
Members of the Board of Directors and the Management Board of the Group	**4,215**	5,870
	4,215	5,870

These amounts include cash benefits in respect of the members of the Board of Directors and the Management Board and related taxes as well as non-current portion of 1,130 million tenge and, respectively, current portion of 3,085 million tenge (2022: non-current portion of 825 million tenge, current portion of 5,045 million tenge).

As at 31 December 2023, the total amount of the Bank's liabilities to pay remuneration to members of the Board of Directors and the Management Board amounted to 3,752 million tenge (31 December 2022: 3,221 million tenge).

(millions of tenge)

31. Related party transactions (continued)

Remuneration of members of the Board of Directors and the Management Board (continued)

These amounts include long-term remunerations to the members of the Board of Directors and the Management Board and related taxes of 288 million tenge (31 December 2022: 450 million tenge) recognised in accordance with the NBRK Resolution No.74 dated 24 February 2012 and payable over a period of at least three years, subject to the established conditions.

Related party transactions

Other related parties include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the related average effective interest rates as at 31 December 2023 and related profit or loss amounts of transactions for 2023 with related parties are as follows:

	2023						
	Shareholders		*Entities under common control*		*Other related parties*		*Total*
	In million tenge	*Average effective interest rate, (%)*	*In million tenge*	*Average effective interest rate, (%)*	*In million tenge*	*Average effective interest rate, (%)*	*In million tenge*
Assets							
Loans to customers	**–**	**–**	**–**	**–**	**14,870**	**13.92**	**14,870**
Other assets	**–**	**–**	**83**	**–**	**93**	**–**	**176**
Liabilities							
Current accounts and deposits of customers	**5,792**	**1**	**48,588**	**8**	**17,173**	**6**	**71,553**
Other liabilities	**–**	**–**	**69**	**–**	**86**	**–**	**155**
Credit related commitments	**–**	**–**	**–**	**–**	**27,950**	**–**	**27,950**
Guarantees issued	**–**	**–**	**–**	**–**	**7,688**	**–**	**7,688**

	2023			
	Shareholders	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	**–**	**–**	**1,343**	**1,343**
Interest expense	**(97)**	**(1,660)**	**(1,550)**	**(3,307)**
Fee and commission income	**7**	**54**	**100**	**161**
Fee and commission expense	**–**	**(194)**	**–**	**(194)**
General and administrative expenses, less remuneration to KMP	**–**	**(6,835)**	**(578)**	**(7,413)**
Other income	**–**	**–**	**476**	**476**
Other expenses	**–**	**(34)**	**(319)**	**(353)**

(millions of tenge)

31. Related party transactions (continued)

Related party transactions (continued)

The outstanding balances and the related average effective rates as at 31 December 2022 and related profit or loss on transactions with related parties for 2022 are as follows:

	2022						
	Shareholders		Entities under common control		Other related parties		Total
	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge
Assets							
Loans to customers	–	–	–	–	26,969	6.56	26,969
Other assets	–	–	181	–	47	–	228
Liabilities							
Current accounts and deposits of customers	19,498	1.00	39,401	3.9	27,134	3.49	86,033
Other liabilities	–	–	75	–	55	–	130
Credit related commitments	–	–	–	–	6,868	–	6,868
Guarantees issued	–	–	–	–	177	–	177
Guarantees accepted	–	–	–	–	5,000	–	5,000

	2022			
	Shareholders	Entities under common control	Other related parties	Total
Income/(expenses)				
Interest income	–	–	1,941	1,941
Interest expense	(68)	(950)	(459)	(1,477)
Fee and commission income	1	29	40	70
Fee and commission expense	–	(168)	–	(168)
General and administrative expenses, less remuneration to KMP	–	(874)	(453)	(1,327)
Other income	–	367	442	809
Other expenses	–	(258)	(458)	(716)

32. Segment analysis

The Group has five reporting segments and business lines (“Other” segment is indicated separately with description of transactions, which are not related to activities of business lines). These segments/business lines offer a variety of products and services in the financial/banking area. The following is a brief description of transactions of each segment.

- Corporate business (CB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large entities and individual entrepreneurs);
- Small and medium businesses (SMB) - extension of loans, deposit sourcing, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities (LE) and individual entrepreneurs (IE);
- Retail banking (RB) - extension of loans, deposit sourcing, settlement and cash services, exchange transactions and other transactions with retail clients (individuals);
- Investing activities – responsible for financing the Group’s operations (repo operations, raising funds from banks and credit institutions, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and foreign currency transactions;
- Other – other transactions with debtors/creditors on non-core activities, fixed assets, amounts on transit accounts and other transactions that are not related to segments/business lines (CB, SMB, RB, Investing activities).

(millions of tenge)

32. Segment analysis (continued)

Performance of each reportable segment is presented below. Performance results of segment/business line are evaluated on the basis of derived profit, which includes the effective management of a portfolio of borrowed and placed funds. Profit from segment/business line is used to measure performance. Pricing is performed on the basis of borrowing/placement rates approved by the authorised body of the Bank.

31 December 2023	*CB*	*SMB*	*RB*	*Investing activities*	*Other*	*Total*
Assets						
Cash and cash equivalents	302	19,345	45,985	540,041	98,369	704,042
Amounts due from credit institutions	3,588	3,238	337	91,734	2,533	101,430
Securities at fair value through profit or loss	–	–	–	3,016	–	3,016
Loans to customers	433,257	416,983	510,484	–	16,776	1,377,500
Investment securities	–	–	–	953,654	–	953,654
Property and equipment	–	–	–	–	56,665	56,665
Intangible assets	–	–	–	–	13,867	13,867
Other assets	66	461	959	81	41,434	43,001
Total assets	437,213	440,027	557,765	1,588,526	229,644	3,253,175
Liabilities						
Current accounts and deposits of customers	691,613	683,011	886,366	–	33	2,261,023
Amounts due to banks and other credit institutions	11,452	32,229	13,432	55	11,216	68,384
Amounts payable under repurchase agreements	–	–	–	163,523	–	163,523
Debt securities issued	–	–	14,480	202,762	50,008	267,250
Subordinated debt	–	–	–	–	14,389	14,389
Deferred tax liabilities	–	–	–	–	12,732	12,732
Other liabilities	15	220	10,344	9	25,478	36,066
Total liabilities	703,080	715,460	924,622	366,349	113,856	2,823,367
Equity						
Share capital	–	–	–	–	332,815	332,815
Additional paid-in capital	–	–	–	–	23,651	23,651
Treasury shares	–	–	–	–	(3,465)	(3,465)
Fair value reserve	–	–	–	–	(6,044)	(6,044)
Accumulated losses	–	–	–	–	82,851	82,851
Total equity attributable to shareholders of the Bank	–	–	–	–	429,808	429,808

(millions of tenge)

32. Segment analysis (continued)

Information on the main reporting segments for 2023 is presented as follows:

	2023						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Elimination***	***Total***
Interest income	**45,882**	**63,898**	**132,023**	**123,284**	**9,019**	**–**	**374,106**
Transfer income	**69,046**	**63,970**	**75,759**	**42,877**	**16,522**	**(268,174)**	**–**
Interest expense	**(53,643)**	**(27,215)**	**(52,170)**	**(39,017)**	**(8,713)**	**–**	**(180,758)**
Transfer expense	**(33,273)**	**(40,841)**	**(53,427)**	**(123,799)**	**(1,468)**	**252,808**	**–**
Net interest income	**28,012**	**59,812**	**102,185**	**3,345**	**15,360**	**(15,366)**	**193,348**
Fee and commission income	**2,489**	**20,472**	**13,144**	**36**	**165**	**–**	**36,306**
Fee and commission expense	**(1,019)**	**(5,799)**	**(6,079)**	**(219)**	**(18)**	**–**	**(13,134)**
Net gains from financial instruments at fair value through profit or loss	**–**	**–**	**–**	**(958)**	**–**	**–**	**(958)**
Net gains on derecognition of investment securities at fair value through other comprehensive income	**–**	**–**	**–**	**(32)**	**–**	**–**	**(32)**
Net loss on derecognition of financial assets measured at amortised cost	**–**	**–**	**(2,582)**	**–**	**(2,205)**	**–**	**(4,787)**
Net gains from foreign currencies	**8,051**	**16,102**	**4,570**	**2,441**	**745**	**–**	**31,909**
Other income	**1,360**	**2,326**	**1,646**	**86**	**3,331**	**–**	**8,749**
Non-interest income	**10,881**	**33,101**	**10,699**	**1,354**	**2,018**	**–**	**58,053**
Credit loss expenses	**(381)**	**1,128**	**(43,458)**	**(188)**	**(6,826)**	**–**	**(49,725)**
General and administrative expenses	**(5,211)**	**(20,974)**	**(35,324)**	**(1,994)**	**(15,603)**	**–**	**(79,106)**
Other expenses	**139**	**(7)**	**(2,343)**	**(2,071)**	**(1,827)**	**–**	**(6,109)**
Non-interest expenses	**(5,453)**	**(19,853)**	**(81,125)**	**(4,253)**	**(24,256)**	**–**	**(134,940)**
Other transfer income and expenditure	**428**	**(2,616)**	**(797)**	**5,504**	**(17,885)**	**15,366**	**–**
Profit/(loss) before corporate income tax expense	**33,868**	**70,444**	**30,962**	**5,950**	**(24,763)**	**–**	**116,461**
Corporate income tax expenses	**(6)**	**(12)**	**(5)**	**(1)**	**–**	**–**	**(24)**
Profit/(loss) for the year	**33,862**	**70,432**	**30,957**	**5,949**	**(24,763)**	**–**	**116,437**

(millions of tenge)

32. Segment analysis (continued)

31 December 2022	*CB*	*SMB*	*RB*	*Investing activities*	*Other*	*Total*
Assets						
Cash and cash equivalents	13,382	11,732	15,317	209,662	207,869	457,962
Amounts due from credit institutions	3,134	3,865	293	23,754	–	31,046
Securities at fair value through profit or loss	–	–	–	2,763	–	2,763
Loans to customers	382,300	344,295	428,375	–	18,572	1,173,542
Investment securities	–	–	–	990,574	–	990,574
Property and equipment	–	–	–	–	59,020	59,020
Intangible assets	–	–	–	–	14,550	14,550
Other assets	85	177	102	–	59,565	59,929
Total assets	398,901	360,069	444,087	1,226,753	359,576	2,789,386
Liabilities						
Current accounts and deposits of customers	680,679	582,487	748,472	–	96	2,011,734
Amounts due to banks and other credit institutions	10,518	34,310	10,692	37	11,194	66,751
Amounts payable under repurchase agreements	–	–	–	67,980	–	67,980
Debt securities issued	–	–	13,040	186,660	49,773	249,473
Subordinated debt	–	–	–	–	16,795	16,795
Deferred tax liabilities	–	–	–	–	13,904	13,904
Other liabilities	24	90	1,531	8	17,336	18,989
Total liabilities	691,221	616,887	773,735	254,685	109,098	2,445,626
Equity						
Share capital	–	–	–	–	332,815	332,815
Additional paid-in capital	–	–	–	–	23,651	23,651
Treasury shares	–	–	–	–	(3,465)	(3,465)
Fair value reserve	–	–	–	–	(23,886)	(23,886)
Accumulated losses	–	–	–	–	14,645	14,645
Total equity attributable to shareholders of the Bank	–	–	–	–	343,760	343,760

(millions of tenge)

32. Segment analysis (continued)

Information on the main reporting segments for 2022 may be presented as follows

	2022						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Elimination***	***Total***
Interest income	25,608	43,350	92,556	93,720	5,507	–	260,741
Transfer income	55,604	43,475	44,413	40,240	17,383	(201,115)	–
Interest expense	(39,311)	(16,916)	(29,488)	(36,404)	(9,989)	–	(132,108)
Transfer expense	(18,813)	(29,470)	(39,622)	(103,739)	(2,262)	193,906	–
Net interest income	23,088	40,439	67,859	(6,183)	10,639	(7,209)	128,633
Fee and commission income	2,660	20,101	13,266	56	127	–	36,210
Fee and commission expense	(1,310)	(5,707)	(4,964)	(261)	–	–	(12,242)
Net loss on financial instruments at fair value through profit or loss	–	–	–	2,011	–	–	2,011
Net gains on derecognition of investment securities at fair value through other comprehensive income	–	–	–	311	–	–	311
Net loss on derecognition of financial assets measured at amortised cost	–	–	(4,334)	–	(143)	–	(4,477)
Net gains from foreign currencies	12,318	21,364	6,170	9,597	413	–	49,862
Other income	142	480	641	89	2,392	–	3,744
Non-interest income	13,810	36,238	10,779	11,803	2,789	–	75,419
Credit loss expenses	(1,380)	(11,033)	(21,799)	(302)	(3,136)	–	(37,650)
General and administrative expenses	(3,864)	(17,098)	(30,835)	(1,346)	(9,062)	–	(62,205)
Other expenses	(300)	(239)	(3,692)	(99)	(1,154)	–	(5,484)
Non-interest expenses	(5,544)	(28,370)	(56,326)	(1,747)	(13,352)	–	(105,339)
Other transfer income and expenditure	(3,279)	(2,928)	(3,554)	15,239	(12,687)	7,209	–
Profit/(loss) before corporate income tax expense	28,075	45,379	18,758	19,112	(12,611)	–	98,713
Corporate income tax expense	(162)	(254)	(104)	(107)	–	–	(627)
Profit/(loss) for the year	27,913	45,125	18,654	19,005	(12,611)	–	98,086

(millions of tenge)

33. Fair value of financial instruments

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2023:

	31 December 2023				
	Assets and liabilities measured at fair value	*Assets and liabilities whose fair value is disclosed*	*Total carrying amount*	*Fair value*	*Unrecognised gain/(loss)*
Cash and cash equivalents	–	704,042	704,042	704,042	–
Amounts due from credit institutions	–	101,430	101,430	101,430	–
Securities at fair value through profit or loss	3,016	–	3,016	3,016	–
Loans to customers	–	1,377,500	1,377,500	1,375,552	(1,948)
Investment securities measured at FVOCI	664,959	–	664,959	664,959	–
Investment securities measured at amortised cost	–	288,695	288,695	278,038	(10,657)
Other financial assets	–	9,890	9,890	9,890	–
	667,975	2,481,557	3,149,532	3,136,927	(12,606)
Current accounts and deposits of customers	–	2,261,023	2,261,023	2,259,438	1,585
Amounts due to banks and other credit institutions	–	68,384	68,384	59,799	8,585
Amounts payable under repurchase agreements	–	163,523	163,523	163,523	–
Debt securities issued	–	267,250	267,250	254,558	12,692
Subordinated debt	–	14,389	14,389	11,260	3,129
Other financial liabilities	–	33,093	33,093	33,093	–
	–	2,807,662	2,807,662	2,781,671	25,991
					13,385

(millions of tenge)

33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

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

	31 December 2022				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair value***	***Unrecognised gain/(loss)***
Cash and cash equivalents	–	457,962	457,962	457,962	–
Amounts due from credit institutions	–	31,046	31,046	31,046	–
Securities at fair value through profit or loss	2,763	–	2,763	2,763	–
Loans to customers	–	1,173,542	1,173,542	1,157,819	(15,723)
Investment securities measured at FVOCI	692,722	–	692,722	692,722	–
Investment securities measured at amortised cost	–	297,852	297,852	280,291	(17,561)
Other financial assets	–	17,229	17,229	17,229	–
	695,485	1,977,631	2,673,116	2,639,832	(33,284)
Current accounts and deposits of customers	–	2,011,734	2,011,734	2,008,655	3,079
Amounts due to banks and other credit institutions	–	66,751	66,751	56,752	9,999
Amounts payable under repurchase agreements	–	67,980	67,980	67,980	–
Debt securities issued	–	249,473	249,473	227,519	21,954
Subordinated debt	–	16,795	16,795	13,124	3,671
Other financial liabilities	–	15,774	15,774	15,774	–
	–	2,428,507	2,428,507	2,389,804	38,703
					5,419

The estimate of fair value is intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

The fair value of financial assets and financial liabilities that are traded in active markets is based on quoted market quotes or dealers' prices. The Group determines fair value of all other financial instruments using various valuation techniques.

The purpose of valuation techniques is to achieve a method of fair value measurement that reflects the price of a transaction on an organised market for the sale of an asset or transfer a liability between market participants at the measurement date.

Financial assets and liabilities in the above table are carried at amortised cost, except for securities at fair value through profit or loss with carrying amount of 3,016 million tenge (31 December 2022: 2,763 million tenge) and investment securities measured at FVOCI with carrying amount of 664,959 million tenge (31 December 2022: 692,722 million tenge).

Valuation techniques include net present value valuation models and discounting of cash flows, comparison with similar instruments with known market quotations, as well as other valuation models. Assumptions and inputs used in valuation techniques include risk-free and base interest rates, credit spreads and other adjustments used in estimating discount rates, shares and bonds quotations, and expected price movements and their comparison. Valuation techniques focused on determining the fair value, which reflects the value of a financial instrument as at the reporting date that would have been determined by independent market participants.

(millions of tenge)

33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

The Group uses widely recognised valuation techniques for determining the fair value of standard and more simple financial instruments, such as interest rate and currency swaps, and such techniques use only observable market data and do not require management judgements or estimates. Observable quotations and model inputs are usually available in the market for publicly traded debt and equity securities, derivatives traded on the stock exchange, as well as simple off-market financial derivatives, such as interest rate swaps.

The Group uses its own valuation models for more sophisticated instruments. 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. Certain loans and securities for which there is no active market can be an example of instruments the estimation of which is based on the use of unobservable inputs.

Assets for which fair value approximates to 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 to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities accounted for at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions, deposits of banks and other credit institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

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

- The discount rate in the range from 7.32% to 20.76% per annum was used to discount the future cash flows from USD- and tenge-denominated loans to corporate customers (31 December 2022: 4.97% to 19.53% per annum);
- The discount rate in the range from 3.95% to 30.88% per annum was used to calculate the future cash flows from USD- and tenge-denominated loans to individuals (31 December 2022: 32.87% per annum);
- The discount rate in the range from 4.95% to 15.28% was used to calculate the future cash flows from securities measured at amortised cost, denominated in USD and tenge (31 December 2022: 4.18% to 15.48%);
- the fair value of current accounts and deposits of customers approximates their fair value given the depositors' rights to withdraw their funds prior to maturity in accordance with the laws of the Republic of Kazakhstan (Note 19);
- The discount rate in the range from 2.67% to 20.61% was used to calculate the future cash flows from amounts due from credit institutions, deposits of banks and other credit institutions (31 December 2022: 2.50% to 17.18%).

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table analyses financial instruments carried at fair value as at 31 December 2023, by fair value hierarchy, into which the fair value measurement is categorised.

	Note	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Securities at fair value through profit or loss		**671**	**73**	**2,272**	**3,016**
Investment securities measured at FVOCI	15	**472,351**	**192,608**	**–**	**664,959**
		473,022	**192,681**	**2,272**	**667,975**

(millions of tenge)

33. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments carried at fair value as at 31 December 2022, by fair value hierarchy, into which the fair value measurement is categorised. The amounts are based on amounts carried in the consolidated statement of financial position.

	Note	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Securities at fair value through profit or loss		235	256	2,272	2,763
Investment securities measured at FVOCI	15	554,864	137,858	–	692,722
		555,099	138,114	2,272	695,485

As at 31 December 2023, KSF debt securities as well as bonds of the Ministry of Finance of the Republic of Kazakhstan measured at FVOCI in the amount of 59,662 million tenge and 104,137 million tenge, respectively, are classified in Level 2 of the fair value hierarchy (as at 31 December 2022: KSF debt securities of 109,985 million tenge). These investment securities are considered for regulatory purposes as high-quality liquid assets, but are classified in Level 2 due to insufficient amount of transactions with these securities in an active market.

As at 31 December 2023, fair value of trading securities measured at fair value through profit or loss classified in Level 3 has been valued using the Free Cash flow method. The valuation model takes into account cash flows discounted at weighted average cost of capital.

The following table shows the reconciliation for 2023 with respect to fair value estimates assigned to Level 3 of the fair value hierarchy:

	Securities at fair value through profit or loss
At 1 January 2023	**2,272**
Net gain on financial instruments at fair value through profit or loss	–
At 31 December 2023	**2,272**

The following table shows the reconciliation for 2022 with respect to fair value estimates assigned to Level 3 of the fair value hierarchy:

	Securities at fair value through profit or loss
At 1 January 2022	1,452
Net gain on financial instruments at fair value through profit or loss	820
At 31 December 2022	2,272

The following table analyses financial instruments not measured at fair value as at 31 December 2023, by fair value hierarchy, into which the fair value measurement is categorised:

	Level 1	*Level 2*	*Level 3*	*Total fair value*	*Total carrying amount*
Assets					
Cash and cash equivalents	–	**704,042**	–	**704,042**	**704,042**
Amounts due from credit institutions	–	**101,430**	–	**101,430**	**101,430**
Loans to customers	–	**1,319,908**	**55,644**	**1,375,552**	**1,377,500**
Investment securities measured at amortised cost	**29,349**	**19,762**	**228,927**	**278,038**	**288,695**
Other financial assets	–	**9,890**	–	**9,890**	**9,890**
Liabilities					
Current accounts and deposits of customers	–	**2,259,438**	–	**2,259,438**	**2,261,023**
Amounts due to banks and other credit institutions	–	**59,799**	–	**59,799**	**68,384**
Amounts payable under repurchase agreements	–	**163,523**	–	**163,523**	**163,523**
Debt securities issued	–	**254,558**	–	**254,558**	**267,250**
Subordinated debt	–	**11,260**	–	**11,260**	**14,389**
Other financial liabilities	–	**33,093**	–	**33,093**	**33,093**

(millions of tenge)

33. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

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

	Level 1	*Level 2*	*Level 3*	*Total fair value*	*Total carrying amount*
Assets					
Cash and cash equivalents	–	457,962	–	457,962	457,962
Amounts due from credit institutions	–	31,046	–	31,046	31,046
Loans to customers	–	1,066,707	91,112	1,157,819	1,173,542
Investment securities measured at amortised cost	34,501	19,051	226,739	280,291	297,852
Other financial assets	–	17,229	–	17,229	17,229
Liabilities					
Current accounts and deposits of customers	–	2,008,655	–	2,008,655	2,011,734
Amounts due to banks and other financial institutions	–	56,752	–	56,752	66,751
Amounts payable under repurchase agreements	–	67,980	–	67,980	67,980
Debt securities issued	–	227,519	–	227,519	249,473
Subordinated debt	–	13,124	–	13,124	16,795
Other financial liabilities	–	15,774	–	15,774	15,774

**Some of the amounts presented in this table do not match the amounts in the consolidated financial statement for 2022 due to changes in the Management approach to calculation of fair values in 2023.