ForteBank Joint Stock Company

Consolidated financial statements

For the year ended 31 December 2022
with independent auditor's report

CONTENT

Building a better working world

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of ForteBank Joint Stock Company and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How the matter was addressed in the audit
Allowance for expected credit losses of loans to customers	
Estimation of allowance for expected credit losses on loans to customers in accordance with IFRS 9 is a key area of the Group's management judgment. Identification of factors of significant increase in credit risk since initial recognition, including identification of changes in default risk during the remaining term of a financial instrument, as well as determination of probability of default and loss given default rates, requires significant use of professional judgment, assumptions and analysis of various historical, current and forward-looking information. The use of different models and assumptions may significantly affect the amount of allowance for expected credit losses on loans to customers. Due to the materiality of loans to customers of the Group as at 31 December 2022, as well as the significant use of professional judgment, the estimation of the allowance for expected credit losses was a key audit matter. Information on expected credit losses on loans to customers is presented in Note 4 *Significant accounting judgments and estimates*, Note 8 *Credit loss expense*, Note 15 *Loans to customers* and Note 25 *Risk management* to the consolidated financial statements.	Our audit procedures included analyzing the methodology for estimating the allowance for expected credit losses on the loan portfolio. We also performed analysis and testing controls over the process of identification of factors of significant increase in credit risk on loans to customers since initial recognition and events of default, including the term of overdue debt and changes in internal credit ratings. We performed, on a sample basis, testing of input data and analysis of the assumptions used by the Group in estimation of allowance for expected credit losses, including historical information on debt servicing, borrower's financial and non-financial information, expected recoveries in the events of default from sale of collateral held. We also performed analysis of the forward-looking information, including macroeconomic forecasts and scenario weights, used by the Group in its expected credit loss model. We made recalculations on the allowance for expected credit losses. We have analyzed information on the allowance for expected credit losses on loans to customers disclosed in the Notes to the consolidated financial statements.

Assessment of loans received from financial institutions	
We consider this issue to be a key audit matter due to the substantial amounts recognized and use of judgment to determine the fair values of liabilities at initial recognition by the Group's management. **Information on loans received from financial institutions is presented in Note 15 Loans to customers and Note 20 Amounts due to banks and other financial institutions to the consolidated financial statements.**	Our audit procedures included the analysis of the valuation methodology, the model and testing of inputs used by the Group to determine the fair values of loans received at initial recognition. We engaged valuation specialists for assessment of key inputs used in the estimation, such as risk-free interest rate and credit spread, and compared them with the observable market data. We have reviewed information on loans received from financial institutions disclosed in the Notes to the consolidated financial statements.

Other information included in The Group's 2022 Annual Report

Other information consists of the information included in The Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 auditor's 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 auditor's 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 Board of Directors 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 the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the Board of Directors, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Olga Khegay.

Ernst & Young LLP

Olga Khegay
Auditor

Auditor qualification certificate
No. МФ-0000286 dated 25 September 2015

Rustamzhan Sattarov
General Director
Ernst and Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 ,No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on July 15, 2005

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13 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

(millions of tenge)

	Notes	*2022*	*2021*
Interest income calculated using effective interest rate	5	**258,780**	191,897
Other interest income	5	**1,961**	1,147
Interest expense	5	**(132,108)**	(97,109)
Net interest income		**128,633**	95,935
Fee and commission income	6	**36,210**	37,293
Fee and commission expense	6	**(12,242)**	(14,809)
Net gains/(losses) from financial instruments at fair value through profit or loss		**2,011**	(1,154)
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		**311**	(195)
Net (losses)/gains on derecognition of financial assets measured at amortized cost	20	**(4,477)**	4,079
Net gains from foreign currencies	7	**49,862**	11,025
Other income	10	**3,744**	4,123
Non-interest income		**75,419**	40,362
Credit loss expense	8	**(37,650)**	(9,883)
General and administrative expenses	9	**(62,205)**	(51,282)
Other expenses	10	**(5,484)**	(8,029)
Non-interest expense		**(105,339)**	(69,194)
Profit before corporate income tax expense		**98,713**	67,103
Corporate income tax expense	11	**(627)**	(3,043)
Profit for the year		**98,086**	64,060
Attributable to:			
- shareholders of the Bank		**98,086**	64,060
- non-controlling interests		**–**	–
		98,086	64,060

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Note	*2022*	*2021*
Other comprehensive income			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods			
Net change in the fair value of debt instruments at fair value through other comprehensive income		**(32,714)**	(320)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	8	**337**	(1,081)
Reclassification of cumulative (loss)/ gain on disposal of debt instruments at fair value through other comprehensive income to profit or loss		**(311)**	195
Income tax relating to components of other comprehensive income	11	**665**	136
Other comprehensive loss for the year, net of tax		**(32,023)**	(1,070)
Total comprehensive income for the year		**66,063**	62,990
Attributable to:			
- shareholders of the Bank		**66,063**	62,990
- non-controlling interests		**–**	–
		66,063	62,990
Basic and diluted earnings per common share (in tenge)	24	**1.08**	0.72

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

Bekzhan Pirmatov
Chairman of the Management Board

13 March 2023

Zaure Albossinova
Chief Accountant -
Managing Director

The accompanying notes on pages 7 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(millions of tenge)

	Note	***31 December 2022***	***31 December 2021***
Assets			
Cash and cash equivalents	12	**457,962**	432,948
Amounts due from credit institutions	13	**31,046**	46,990
Securities at fair value through profit or loss	14	**2,763**	2,970
Loans to customers	15	**1,173,542**	808,948
Investment securities	16	**990,574**	985,109
Property and equipment	17	**59,020**	62,637
Intangible assets		**14,550**	14,071
Other assets	18	**59,929**	72,116
Total assets		**2,789,386**	2,425,789
Liabilities			
Current accounts and deposits of customers	19	**2,011,734**	1,733,759
Amounts due to banks and other credit institutions	20	**66,751**	85,189
Amounts payable under repurchase agreements	27	**67,980**	25,064
Debt securities issued	21	**249,473**	253,120
Subordinated debt	22	**16,795**	20,503
Deferred tax liabilities	11	**13,904**	13,987
Other liabilities	18	**18,989**	16,470
Total liabilities		**2,445,626**	2,148,092
Equity			
Share capital	23	**332,815**	332,815
Additional paid-in capital	23	**23,651**	23,651
Treasury shares	23	**(3,465)**	(3,465)
Fair value reserve	23	**(23,886)**	8,137
Retained earnings/(accumulated losses)		**14,645**	(83,441)
Total equity		**343,760**	277,697
Total equity and liabilities		**2,789,386**	2,425,789

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(millions of tenge)

	Note	*2022*	*2021*
Cash flows from operating activities			
Interest received	5	**250,762**	171,680
Interest paid	5	**(114,817)**	(82,472)
Fee and commission received		**35,945**	38,402
Fee and commission paid		**(12,256)**	(14,809)
Realized gains less losses from financial instruments at fair value through profit or loss		**1,190**	(1,177)
Realized gains less losses from foreign currencies		**48,077**	12,921
General and administrative expenses paid		**(51,542)**	(45,320)
Other operating expenses paid		**(2,376)**	(1,413)
Net decrease/(increase) in operating assets			
Amounts due from credit institutions		**19,359**	27,667
Securities at fair value through profit or loss		**1,015**	4,181
Loans to customers		**(410,160)**	(74,289)
Other assets		**10,030**	17,459
Net increase /(decrease) in operating liabilities			
Current accounts and deposits of customers		**256,464**	330,796
Amounts due to banks and other credit institutions		**(7,834)**	(30,849)
Amounts payable under repurchase agreements		**42,789**	3,362
Other liabilities		**65**	2,081
Net cash from operating activities before income tax		**66,711**	358,220
Corporate income tax paid		**(44)**	(24)
Net cash flow from operating activities		**66,667**	358,196
Cash flows from investing activities			
Purchase of investment securities at fair value through other comprehensive income		**(233,141)**	(708,814)
Proceeds from sale of investment securities at fair value through other comprehensive income		**37,668**	11,990
Redemption of investment securities at fair value through other comprehensive income		**180,304**	522,972
Purchase of investment securities at amortised cost		**(6,830)**	(66,781)
Redemption of investment securities at amortized cost		**7,548**	52,271
Purchase of property and equipment and intangible assets		**(7,363)**	(5,603)
Proceeds from sale of property and equipment and intangible assets		**71**	3
Net cash used in investing activities		**(21,743)**	(193,962)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	*2022*	*2021*
Cash flows from financing activities			
Sale of previously repurchased shares	23	**–**	4,337
Repayment of subordinated debt	28	**(3,675)**	–
Dividends paid to shareholders of the Bank	23	**–**	(52,961)
Issue of debt securities	28	**13,295**	4
Repurchase of debt securities issued	28	**–**	(1,088)
Redemption of debt securities issued	28	**(34,306)**	–
Payment of lease liabilities		**(969)**	(995)
Net cash used in financing activities		**(25,655)**	(50,703)
Effect of exchange rates changes on cash and cash equivalents		**5,754**	7,785
Effect of expected credit losses on cash and cash equivalents		**(9)**	–
Net change in cash and cash equivalents		**25,014**	121,316
Cash and cash equivalents, beginning		**432,948**	311,632
Cash and cash equivalents, ending	12	**457,962**	432,948
Non-monetary transactions			
Repossession of collateral on loans to customers	15	**1,701**	4,385

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2022

(millions of tenge)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Fair value reserve*	*Accumulated losses*	*Total equity*
At 1 January 2021	332,815	21,109	(5,260)	9,207	(94,540)	263,331
Profit for the year	–	–	–	–	64,060	64,060
Other comprehensive loss for the year	–	–	–	(1,070)	–	(1,070)
Total comprehensive income for the year	–	–	–	(1,070)	64,060	62,990
Transactions with owners recorded directly in equity						
Sale of previously repurchased shares (*Note 23*)	–	2,542	1,795	–	–	4,337
Dividends declared (*Note 23*)	–	–	–	–	(52,961)	(52,961)
As at 31 December 2021	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**
As at 31 December 2022	**332,815**	**23,651**	**(3,465)**	**(23,886)**	**14,645**	**343,760**

(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, Dostyk Str. 8/1. 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 2022, 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 2021: London Stock Exchange, 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 2022 and 2021, 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 (31 December 2021 - up to 15 million tenge).

As at 31 December 2022 and 2021, the Group includes the following subsidiaries:

			Ownership, %	
Name	***Country of incorporation***	***Principal activities***	***31 December 2022***	***31 December 2021***
ForteLeasing JSC	Republic of Kazakhstan	Leasing opearions	**100.00**	100.00
OUSA Alliance LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.00**	100.00
OUSA-F LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**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 activities	**100.00**	100.00

2. Basis of preparation

Shareholders

As at 31 December 2021, Mr. B. Zh. Utemuratov was the beneficial owner of 84,32% of the outstanding common shares of the Bank (31 December 2021: 89.32%) and was the ultimate controlling shareholder of the Group.

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter, the "IFRS").

(millions of tenge)

2. Basis of preparation (continued)

Basis of 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 and measured at fair value through other comprehensive income carried at fair value.

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

Functional and presentation currency of consolidated financial statements

The functional currency of the financial statements of Bank and its subsidiaries is 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.

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.

Effect of COVID-19

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. In recent months, the COVID-19 pandemic has shown considerable signs of easing as, on the whole, travel bans have been lifted, lockdowns ended and quarantine measures eased. Many governments have also ended or announced curtailment of measures to provide financial and non-financial assistance to affected entities. Nevertheless, COVID-19 may continue to affect companies and economies, and entities may still be dealing with lost revenue, disrupted supply chains and loss of jobs.

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 Bank 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 2022, inflation in Kazakhstan was 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, as well as a significant depreciation of Tenge against the US dollar and Euro.

On 6 December 2022, the Monetary Policy Committee of the National Bank of Kazakhstan (hereinafter, the "NBRK") made an extraordinary decision to raise the base rate to 16.75% per annum with an interest band of +/-1%.

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

Current inflationary pressures, macroeconomic and geopolitical uncertainty, including the impacts of the conflict in Ukraine, and the residual impacts of the COVID-19 pandemic affect the assumptions and estimation uncertainty associated with the measurement of assets and liabilities.

(millions of tenge)

3. Summary of 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 existing standards and intrpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise specified). The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments had no impact on the financial statements of the Group as there were no onerous contracts within the scope of these amendment that arose during the period.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

(millions of tenge)

3. Summary of accounting policies (continued)

New standards, interpretations and amendments thereof (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

Basis of consolidation

Subsidiaries, which are those entities which are 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.

(millions of tenge)

3. Summary of accounting policies (continued)

Basis of consolidation (continued)

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

The principal or the most advantageous market must be accessible to 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 economic best 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.

In the event of assets and liabilities recognized in the financial statements on a regular basis, the Group determines the fact of transfer between levels of hierarchy sources by analysing the classification once again (based on initial data of the lowest level that are significant for fair value evaluation in whole) at the end of each reporting period.

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 are 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 instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- FVOCI;
- FVPL.

(millions of tenge)

3. Summary of accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Measurement categories of financial assets and liabilities (continued)

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, 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 FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Due from credit institutions, loans to customers, investment securities at amortised cost

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

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

The details of these conditions are outlined below.

Business model assessment

The Group 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 on an instrument-by-instrument basis, 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 are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's 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.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of 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 judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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 FVPL.

(millions of tenge)

3. Summary of accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Debt instruments 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, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet 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 other comprehensive income. 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.

The expected credit losses (ECL) for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.

Equity instruments at FVOCI

Sometimes, upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such 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, such gains are recorded 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 undrawn loan commitments

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

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

Undrawn loan 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 liabilities are in the scope of the ECL requirements.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the allowance for ECL and the amount initially recognised less, when appropriate, the cumulative amount of income.

Performance guarantees

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

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 Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2022.

(millions of tenge)

3. Summary of accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amount due from the National Bank of the Republic of Kazakhstan and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Receivables under repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") 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 within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. 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 not recorded in the consolidated statement of financial position, unless these are sold to third parties. In this case the purchase and sale transaction is recorded within gains less losses from trading securities at fair value through profit or loss in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments, including forwards, swaps and options on currency markets and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are recorded in the consolidated statement of comprehensive income as net gain/(loss) from transactions with financial instruments at fair value through profit or loss or net gain/(loss) from foreign currencies (dealing), depending on the nature of the financial instrument.

Derivatives embedded in liabilities and non-financial host contacts are treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the consolidated statement of comprehensive income.

Financial assets are classified based on the business model and SPPI assessments.

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 credit institutions, current accounts and deposits of 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 profit or loss when the borrowings are derecognised as well as through the amortisation process.

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

Lease

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(millions of tenge)

3. Summary of accounting policies (continued)

Lease (continued)

i. Group as lessee (continued)

Right-of-use assets

The Group recognizes the right-of-use assets at the commencement date of the lease (that is, the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments, which will be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of vehicles and equipment (i.e. contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option). The Group also applies the low value assets lease recognition exemption to contracts of lease of office equipment whose value is considered to be low. Lease payments on short-term leases and lease of assets of low value are recognised as lease expense on a straight-line basis over the lease term.

ii. Operating - Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

iii. Finance – Group as lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Offsetting of financial instruments

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.

(millions of tenge)

3. Summary of accounting policies (continued)

Offsetting of financial instruments (continued)

This is not generally the case with 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.

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. 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.

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 that is presented within other income in the consolidated statement of comprehensive income, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Group also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 12-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

Derecognition of financial assets and liabilities

Financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The 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. In this case the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(millions of tenge)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated allowance for ECL, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent reversals are charged to credit loss expenses. A write-off results in a 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 the related expense when recognized in the consolidated financial statements.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

A benefit from a loan provided by the government at a below market rate of interest are treated as a government grant. The loan is recognized and measured in accordance with IFRS 9 *Financial Instruments*. The benefit from using a below market rate of interest is measured as the difference between the original carrying amount of the loan determined in accordance with IFRS 9, and the proceeds received.

Property and equipment

Property and equipment are carried at historical cost less day-to-day maintenance costs and accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

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

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group. Land, construction-in-progress and assets to be installed are not depreciated. The estimated useful lives are as follows:

	Years
Buildings	10-100
Computer hardware	5-7
Vehicles	5-7
Other	2-25

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in general and administrative expenses, unless they qualify for capitalization.

(millions of tenge)

3. Summary of accounting policies (continued)

Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are 1 to 8 years.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated asset's selling price in the ordinary course of business of the Group, less the estimated costs to sell. Collateral received for repayment of loans to customers, which is reflected in the Group's balance sheet at the reporting date, is carried at the lower of cost and net realizable value.

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State pension system of Kazakhstan, which requires withholdings by the employer calculated as a percentage from current gross salary payments. Such expense is charged in the period the related salaries are earned, and are accounted in "General and administrative expenses" in the consolidated statement of comprehensive income. The Group contributes social tax to the budget of the Republic of Kazakhstan for its employees. The Group has no post-retirement benefits.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingent assets and liabilities

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

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 recognised 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 recognised as a liability and deducted from equity at the reporting date only if they are approved 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.

(millions of tenge)

3. Summary of accounting policies (continued)

Taxes

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

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

Deferred tax assets and deferred tax liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and deferred tax liabilities are not recognized in respect of the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

Income and expense recognition

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 revenue and expense

The Group calculates interest income on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired financial assets. EIR 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 options) 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.

Interest income on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest income" in the consolidated statement of comprehensive income.

Fee and commission income

The Group earns fee and 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.

(millions of tenge)

3. Summary of accounting policies (continued)

Income and expense recognition (continued)

Fee and commission income (continued)

Commission income from providing transaction services

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 programs

The Group offers a number customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. 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

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

Segment reporting

An operating segment is a component of a Group that is engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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 2022 the official exchange rate used for translation of monetary balances on foreign currency accounts was KZT 462.65 for 1 US Dollar (31 December 2021: KZT 431.84 for USD 1).

Standards issued but not yet effective

New standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards, amendments and interpretations if applicable, when they become effective.

(millions of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans − e.g. a loan with waiver on death − have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group has completed the assessment of the impacts of adopting IFRS 17 and, also taking into consideration the scope exclusions for certain banking products, such as credit cards, in IFRS 17.7(h), it has concluded that it does not expect any material impact on its financial statements from the adoption of the new standard in 2023.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification;
- Disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

(millions of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements going forward.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

In September 2022, the Board issued *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller- lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

The amendment applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16.

The amendment is not expected to have a material impact on the Group’s financial statements.

4. Significant accounting judgments and estimates

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 judgements 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 inputs to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

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.

(millions of tenge)

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Expected credit losses from 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 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 (hereinafter, the "LTECL") 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, 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.

Determining the lease term of contracts with renewal options

The Group defines the lease term as a lease period not prematurely terminated, together with the periods for which the renewal option is provided, if it is reasonably certain that it will be exercised, or the periods for which the termination option is provided, if it is reasonably certain that it will not be exercised.

The Group has the option, under some of its leases to lease the assets for additional term of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

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 nonexistent 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 2022 and 2021 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:

	2022	*2021*
Interest income calculated using effective interest rate		
Loans to customers	**163,800**	117,444
Debt securities at FVOCI	**60,937**	46,596
Investment securities measured at amortized cost	**17,882**	19,054
Amounts due from credit institutions and cash equivalents	**8,634**	6,145
Amounts receivable under reverse repurchase agreements	**6,825**	2,658
Other financial assets	**702**	–
	258,780	191,897
Other interest income		
Securities at fair value through profit or loss	**–**	3
Finance lease receivables	**1,961**	1,144
	260,741	193,044
Interest expense		
Current accounts and deposits of customers	**(81,700)**	(56,347)
Debt securities issued	**(30,382)**	(29,699)
Amounts due to banks and other credit institutions	**(5,219)**	(6,974)
Subordinated debt	**(1,456)**	(1,616)
Amounts payable under repurchase agreements	**(13,351)**	(2,473)
	(132,108)	(97,109)
Net interest income	**128,633**	95,935

Interest income calculated using the effective interest rate for 2022 includes income in the amount of 8,675 million tenge representing the unwinding of discount on loans to customers (for 2021: 8,798 million tenge).

Expenses for mandatory contributions to KDIF are included in interest expense on current accounts and deposits from customers.

Interest received is as follows:

	2022	*2021*
Interest received		
Loans to customers	**158,501**	108,659
Debt securities at FVOCI	**54,959**	34,113
Investment securities measured at amortized cost	**19,882**	18,810
Amounts due from credit institutions and cash equivalents	**8,634**	6,145
Amounts receivable under reverse repurchase agreements	**6,825**	2,658
Finance leases	**1,961**	1,140
Securities at fair value through profit or loss	**–**	155
	250,762	171,680

Interest paid comprise:

	2022	*2021*
Interest paid		
Current accounts and deposits of customers	**(80,874)**	(56,639)
Debt securities issued	**(15,467)**	(16,502)
Amounts payable under repurchase agreements	**(13,224)**	(2,441)
Amounts due to banks and other credit institutions	**(3,762)**	(5,274)
Subordinated debt	**(1,490)**	(1,616)
	(114,817)	(82,472)

(millions of tenge)

6. Net fee and commission income

Fee and commission income is as follows:

	2022	*2021*
Card operations	**16,574**	21,312
Settlement operations	**9,482**	7,704
Cash operations	**5,963**	4,469
Commissions on guarantees and letters of credits	**2,436**	2,247
Foreign currency transactions and transactions with securities	**299**	307
Other	**1,456**	1,254
	36,210	37,293

Fee and commission expense is as follows:

	2022	*2021*
Maintenance of card accounts	**(9,605)**	(12,888)
Maintenance of nostro accounts	**(769)**	(473)
Settlement operations	**(488)**	(333)
Customer accounts services by financial agents	**(137)**	(172)
Foreign currency operations and transactions with securities	**(104)**	(135)
Other	**(1,139)**	(808)
	(12,242)	(14,809)

Revenue from contracts with customers recognized in the consolidated statement of comprehensive income for the years ended 31 December 2022 and 2021 primarily represents fee and commission income of 36,210 million tenge and 37,293 million tenge, respectively.

As at 31 December 2022 and 2021, the Group recognized contract assets related to contracts with customers in the amount of 1,708 million tenge and 1,443 million tenge in the consolidated statement of financial position within other assets, respectively.

The Group usually collects fees and commissions in advance of completion of the underlying transaction or shortly thereafter (for contracts where performance obligation is satisfied point in time, such as settlement transactions).

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

7. Net gain from foreign currencies

Net gains from foreign currencies is presented as follows:

	2022	*2021*
Dealing, net	**48,077**	12,921
Translation differences, net	**1,785**	(1,896)
	49,862	11,025

(millions of tenge)

8. Credit loss expense

Credit loss expenses comprised the following for 2022 and 2021:

	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	**(8,306)**	**(17,987)**	**(7,579)**	**(2,825)**	**(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 loan commitments	**49**	**–**	**(143)**	**–**	**(94)**
	(8,387)	**(18,208)**	**(8,230)**	**(2,825)**	**(37,650)**

	2021				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Amounts due from credit institutions	92	–	–	–	**92**
Loans to customers	2,151	(6,749)	(3,683)	(3,733)	**(12,014)**
Investment securities measured at amortized cost	73	596	–	–	**669**
Investment securities measured at FVOCI	228	853	–	–	**1,081**
Other financial assets	–	–	(195)	–	**(195)**
Financial guarantees, letters of credit and undrawn loan commitments	9	96	379	–	**484**
	2,553	**(5,204)**	**(3,499)**	**(3,733)**	**(9,883)**

9. General and administrative expenses

General and administrative expenses comprise:

	2022	*2021*
Salary and related taxes	**(38,807)**	(29,399)
Depreciation and amortization	**(8,254)**	(8,070)
Repair and maintenance	**(3,686)**	(3,761)
Taxes other than corporate income tax	**(2,979)**	(2,770)
Advertising and marketing	**(1,812)**	(1,786)
Maintenance of buildings	**(1,658)**	(1,578)
Charity and sponsorship	**(937)**	(613)
Security	**(841)**	(836)
Telecommunication and information services	**(677)**	(681)
Encashment	**(485)**	(422)
Transportation services	**(474)**	(421)
Other professional services	**(418)**	(352)
Lease	**(306)**	(364)
Business trips	**(231)**	(156)
Other	**(640)**	(73)
	(62,205)	(51,282)

General administrative expenses comprise:

	2022	*2021*
Sales and marketing	**(30,258)**	(24,279)
Technologies and development of new products	**(11,916)**	(9,172)
Other	**(20,031)**	(17,831)
	(62,205)	(51,282)

(millions of tenge)

10. Other income and expenses

Other income and expense comprise:

	2022	*2021*
Other income		
Income from operating lease	**1,202**	1,257
Net income from sale of repossessed collateral	**430**	1,187
Net income from government support programs of the economy	**369**	–
Other	**1,743**	1,679
	3,744	4,123
Other expenses		
SMS notification expenses	**(938)**	(988)
Other expenses from non-banking activities	**(851)**	(954)
Loss from change in net realizable value of repossessed collateral	**–**	(1,439)
Net loss from modification of loans to customers not resulting in derecognition	**–**	(207)
Other	**(3,695)**	(4,441)
	(5,484)	(8,029)

11. Taxation

Corporate income tax expenses comprise the following:

	2022	*2021*
Current corporate income tax charge	**(45)**	(91)
Deferred corporate income tax charge – origination and reversal of temporary differences	**(582)**	(2,952)
Corporate income tax expense	**(627)**	(3,043)

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 2022 and 2021 was 20%.

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

	2022	*2021*
Profit before corporate income tax expense	**98,713**	67,103
Statutory corporate income tax rate	**20%**	20%
Theoretical corporate income tax expense at the statutory rate	**(19,743)**	(13,421)
Non-taxable income on state securities and securities officially listed at KASE	**15,795**	13,067
Adjustment of corporate income tax expense for prior years	**(176)**	183
Non-deductible credit loss expense	**64**	2,566
Change in tax losses carried forward and unrecognized deferred tax assets	**2,626**	(3,900)
Other	**807**	(1,538)
Corporate income tax expense	**(627)**	(3,043)

(millions of tenge)

11. Taxation (continued)

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

	2020	*Origination and reversal of temporary differences within profit or loss*	*Origination and reversal of temporary differences within other comprehen-sive income*	*2021*	*Origination and reversal of temporary differences within profit or loss*	*Origination and reversal of temporary differences within other comprehen-sive income*	*2022*
Tax losses carried forward	12,867	(233)	–	12,634	**(9,467)**	**–**	**3,167**
Loans to customers	4,101	(756)	–	3,345	**2,634**	**–**	**5,979**
Investment securities measured at FVOCI	(290)	–	136	(154)	**–**	**665**	**511**
Investment securities measured at amortized cost	(2,652)	3	–	(2,649)	**(897)**	**–**	**(3,546)**
Debt securities issued	(12,845)	2,641	–	(10,204)	**2,995**	**–**	**(7,209)**
Amounts due to banks and other credit institutions	(14,216)	(2,513)	–	(16,729)	**358**	**–**	**(16,371)**
Property and equipment and intangible assets	4,558	1,485	–	6,043	**1,905**	**–**	**7,948**
Other	1,494	321	–	1,815	**(736)**	**–**	**1,079**
Deferred tax assets/(liabilities)	(6,983)	948	136	(5,899)	**(3,208)**	**665**	**(8,442)**
Unrecognised deferred tax assets	(4,188)	(3,900)	–	(8,088)	**2,626**	**–**	**(5,462)**
Deferred tax liabilities, net	(11,171)	(2,952)	136	(13,987)	**(582)**	**665**	**(13,904)**

12. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2022	*31 December 2021*
Cash on hand	**45,793**	68,721
Cash on current accounts with the NBRK rated at BBB-	**95,199**	44,867
Cash on current accounts with other banks:		
- rated from A- to A+	**69,860**	65,991
- rated from BBB- to BBB+	**27,026**	7,128
- rated from BB- to BB+	–	1,728
- rated below B+	**175**	521
- not rated	**10,257**	15
Time deposits with the NBRK rated at BBB- with up to 90 days	**161,600**	99,332
Reverse repurchase agreements up to 90 days (*Note 27*)	**48,062**	144,646
Cash and cash equivalents before allowance for ECL	**457,972**	432,949
Allowance for ECL	**(10)**	(1)
Cash and cash equivalents	**457,962**	432,948

The 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 2021, all balances of cash equivalents are allocated to Stage 1 for the purposes of measuring the ECL. During 2022, funds in the accounts of three entities registered in the Russian Federation were transferred from Stage 1 to Stage 2. As at 31 December 2022, the total amount of these funds in Stage 2 was 9,844 million tenge.

As at 31 December 2022, 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 (EABR) and notes of the NBRK, the total fair value of which as at 31 December 2022 is 48,027 million tenge (31 December 2021: bonds of the Ministry of Finance of the Republic of Kazakhstan, KSF, Eurasian Development Bank (EABR), shares of Halyk Savings Bank of Kazakhstan JSC and notes of the NBRK with a total fair value of 145,653 million tenge).

(millions of tenge)

12. Cash and cash equivalents (continued)

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 2022, combined minimum reserve requirements of the Bank amount to 41,731 million tenge (31 December 2021: 34,544 million tenge).

Concentration of cash and cash equivalents

As at 31 December 2022, the Group has an account with one bank whose balances exceed 10% of total cash and cash equivalents (31 December 2021: two banks). The total balance on the account with the above counterparty as at 31 December 2022 amounts to 256,799 million tenge (31 December 2021: 188,359 million tenge).

13. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2022	*31 December 2021*
Current accounts with the NBRK rated at BBB- restricted in use	**7,292**	4,796
Deposits with other banks:		
- not rated	**647**	614
Contingent deposits and deposits pledged as a collateral:		
- rated at AAA	**–**	25,794
- rated from AA- to AA+	**11,027**	5,489
- rated from A- to A+	**–**	328
- rated from BBB- to BBB+	**116**	108
- not rated	**12,816**	10,571
Amounts due from credit institutions before allowance for ECL	**31,898**	47,700
Allowance for ECL	**(852)**	(710)
Amounts due from credit institutions	**31,046**	46,990

The 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 program of lending businesses. As of 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 favor of the Bank to support entrepreneurship and provide preferential loans to individuals for the purchase of domestically produced passenger vehicles.

As at 31 December 2022 and 31 December 2021, all balances of amounts due from credit institutions are allocated to Stage 1 for ECL measurement purposes.

As at 31 December 2022 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 14,513 million tenge (as at 31 December 2021: 7,361 million tenge).

In accordance with the loan agreements between the Bank and European Bank of Reconstruction and Development (hereinafter, the "EBRD"), during 2020 the Bank placed deposits with EBRD totalling 66 million US dollars for a period until 2023 as security against the Bank's liabilities to EBRD. As at 31 December 2021, the carrying amount of deposits with the EBRD was 25,794 million tenge (*Note 20*). The liabilities to the EBRD were repaid early on 26 August 2022.

Concentration of amounts due from credit institutions

As at 31 December 2022 and 2021, the Group has amounts due from four credit institutions which individual balances exceed 10% of total due from credit institutions. As at 31 December 2022, the total amount of such balances is 31,059 million tenge (31 December 2021: 44,693 million tenge).

(millions of tenge)

14. Securities at fair value through profit or loss

Securities at fair value through profit or loss comprise:

	31 December 2022	*31 December 2021*
Government bonds		
Bonds of foreign countries rated at AA+	**235**	–
Total government bonds	**235**	–
Equity instruments	**2,528**	2,970
Securities at fair value through profit or loss	**2,763**	2,970

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

15. Loans to customers

Loans to customers comprise:

	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**
Mortgage loans	**14,022**	**255**	**3,118**	**7,603**	**24,998**
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**
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**

	31 December 2021				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Individually significant loans	270,021	17,934	16,130	301	304,386
Total individually significant loans	270,021	17,934	16,130	301	304,386
Individually insignificant loans					
Corporate loans	152,614	1,301	27,746	546	182,207
Mortgage loans	16,592	206	4,827	9,464	31,089
Consumer loans	212,655	3,038	11,856	–	227,549
Car loans	4,367	3	392	–	4,762
Credit cards	3,805	99	557	–	4,461
Other loans secured by collateral	51,183	1,726	22,913	16,863	92,685
Total individually insignificant loans	441,216	6,373	68,291	26,873	542,753
Loans to customers before allowance for ECL	711,237	24,307	84,421	27,174	847,139
Allowance for ECL	(12,651)	(2,404)	(21,751)	(1,385)	(38,191)
Loans to customers	698,586	21,903	62,670	25,789	808,948

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans

Information on the quality of individually significant loans at 31 December 2022 is presented in the table below:

	Loans before allowance for ECL	*Allowance for ECL*	*Loans before allowance for ECL*	*Allowance for ECL to gross loans before allowance for ECL, (%)*
Individually significant loans				
Stage 1				
- not overdue	**489,947**	**(4,125)**	**485,822**	**0.84**
	489,947	**(4,125)**	**485,822**	**0.84**
Stage 2 and Stage 3				
- not overdue	**21,951**	**(465)**	**21,486**	**2.12**
- overdue for less than 90 days	**–**	**–**	**–**	**0.00**
- overdue for 90 days to 360 days	**–**	**–**	**–**	**0.00**
- overdue for more than 360 days	**941**	**(568)**	**373**	**60.36**
Stage 2 and Stage 3	**22,892**	**(1,033)**	**21,859**	**4.51**
POCI	**328**	**(85)**	**243**	**25.91**
Total individually significant loans	**513,167**	**(5,243)**	**507,924**	**1.02**

Information on the quality of individually significant loans at 31 December 2021 is presented in the table below:

	Loans before allowance for ECL	*Allowance for ECL*	*Loans before allowance for ECL*	*Allowance for ECL to gross loans before allowance for ECL, (%)*
Individually significant loans				
Stage 1	270,021	(2,335)	267,686	0.86
Stage 2 and Stage 3				
- not overdue	31,715	(516)	31,199	1.63
- overdue for less than 90 days	643	(420)	223	65.32
- overdue for 90 days to 360 days	–	–	–	0.00
- overdue for more than 360 days	1,706	(559)	1,147	32.77
Stage 2 and Stage 3	34,064	(1,495)	32,569	4.39
POCI	301	–	301	0.00
Total individually significant loans	304,386	(3,830)	300,556	1.26

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL

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

	2022				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	**270,021**	**17,934**	**16,130**	**301**	**304,386**
New assets originated or purchased	**613,212**	**–**	**1,231**	**–**	**614,443**
Assets derecognised or repaid (excluding write-offs)	**(320,713)**	**(4,465)**	**(6,748)**	**(427)**	**(332,353)**
Transfers to Stage 1	**5,098**	**(5,098)**	**–**	**–**	**–**
Transfers to Stage 2	**(7,990)**	**12,845**	**(4,855)**	**–**	**–**
Transfers to Stage 3	**(663)**	**(14,462)**	**15,125**	**–**	**–**
Transfer between loan categories based on significance	**(70,514)**	**(1,393)**	**(2,490)**	**–**	**(74,397)**
Net change in accrued interest	**944**	**(311)**	**(557)**	**454**	**530**
Unwinding of discount	**–**	**–**	**45**	**–**	**45**
Recoveries	**–**	**–**	**–**	**–**	**–**
Write-off	**–**	**–**	**(77)**	**–**	**(77)**
Foreign exchange adjustments	**552**	**21**	**17**	**–**	**590**
At 31 December	**489,947**	**5,071**	**17,821**	**328**	**513,167**

	2022				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January	**(2,335)**	**(36)**	**(1,459)**	**–**	**(3,830)**
New assets originated or purchased	**(6,871)**	**–**	**(33)**	**–**	**(6,904)**
Assets derecognised or repaid (excluding write-offs)	**481**	**24**	**136**	**–**	**641**
Transfers to Stage 1	**(24)**	**24**	**–**	**–**	**–**
Transfers to Stage 2	**1**	**(51)**	**50**	**–**	**–**
Transfers to Stage 3	**–**	**15**	**(15)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**4,766**	**(338)**	**331**	**(85)**	**4,674**
Transfer between loan categories based on significance	**6**	**–**	**348**	**–**	**354**
Unwinding of discount	**–**	**–**	**(45)**	**–**	**(45)**
Recoveries	**–**	**–**	**–**	**–**	**–**
Write-off	**–**	**–**	**77**	**–**	**77**
Foreign exchange adjustments	**(149)**	**(9)**	**(52)**	**–**	**(210)**
As at 31 December	**(4,125)**	**(371)**	**(662)**	**(85)**	**(5,243)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans (continued)

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

Analysis of movements in gross carrying amount and related ECL for individually significant loans for 2021 is as follows:

	2021				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	183,974	7,117	58,536	–	249,627
New assets originated or purchased	330,880	–	14,851	301	346,032
Assets derecognised or repaid (excluding write-offs)	(246,552)	(5,937)	(28,613)	(12)	(281,114)
Transfers to Stage 1	4,252	–	(4,252)	–	–
Transfers to Stage 2	(2,151)	24,474	(22,323)	–	–
Transfers to Stage 3	(5,235)	(8,107)	13,342	–	–
Transfer between loan categories based on significance	2,911	(83)	(985)	–	1,843
Net change in accrued interest	253	359	(2,133)	–	(1,521)
Unwinding of discount	–	–	688	–	688
Recoveries	–	–	381	–	381
Write-off	–	–	(13,451)	–	(13,451)
Foreign exchange adjustments	1,689	111	89	12	1,901
As at 31 December	270,021	17,934	16,130	301	304,386

	2021				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January	(3,336)	(12)	(14,466)	–	(17,814)
New assets originated or purchased	(5,484)	–	(635)	–	(6,119)
Assets derecognised or repaid (excluding write-offs)	3,302	11	4,830	–	8,143
Transfers to Stage 1	(5)	–	5	–	–
Transfers to Stage 2	–	(26)	26	–	–
Transfers to Stage 3	25	8	(33)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	3,166	(17)	(3,254)	–	(105)
Transfer between loan categories based on significance	(3)	–	(68)	–	(71)
Unwinding of discount	–	–	(688)	–	(688)
Recoveries	–	–	(381)	–	(381)
Write-off	–	–	13,451	–	13,451
Foreign exchange adjustments	–	–	(246)	–	(246)
As at 31 December	(2,335)	(36)	(1,459)	–	(3,830)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans

The following table provides information on the credit quality of individually insignificant loans collectively assessed for impairment as at 31 December 2022:

	31 December 2022			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans before allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Individually insignificant corporate loans				
Undue	**218,420**	**(9,951)**	**208,469**	**4.56**
Overdue for less than 30 days	**2,285**	**(91)**	**2,194**	**3.98**
Overdue for 30 to 89 days	**1,196**	**(97)**	**1,099**	**8.11**
Overdue for 90 to 179 days	**2,278**	**(524)**	**1,754**	**23.00**
Overdue for 180 to 360 days	**1,231**	**(217)**	**1,014**	**17.63**
Overdue more than 360 days	**8,797**	**(2,859)**	**5,938**	**32.50**
POCI	**968**	**(5)**	**963**	**0.52**
Total individually insignificant corporate loans	**235,175**	**(13,744)**	**221,431**	**5,84**
Mortgage loans				
Undue	**14,230**	**(38)**	**14,192**	**0.27**
Overdue for less than 30 days	**323**	**(8)**	**315**	**2.48**
Overdue for 30 to 89 days	**78**	**(2)**	**76**	**2.56**
Overdue for 90 to 179 days	**88**	**(3)**	**85**	**3.41**
Overdue for 180 to 360 days	**84**	**(5)**	**79**	**5.95**
Overdue more than 360 days	**2,592**	**(502)**	**2,090**	**19.37**
POCI	**7,603**	**(524)**	**7,079**	**6.89**
Total mortgage loans	**24,998**	**(1,082)**	**23,916**	**4.33**
Consumer loans				
Undue	**335,399**	**(8,818)**	**326,581**	**2.63**
Overdue for less than 30 days	**9,031**	**(2,237)**	**6,794**	**24.77**
Overdue for 30 to 89 days	**6,936**	**(3,982)**	**2,954**	**57.41**
Overdue for 90 to 179 days	**6,555**	**(5,116)**	**1,439**	**78.05**
Overdue for 180 to 360 days	**7,936**	**(6,377)**	**1,559**	**80.36**
Overdue more than 360 days	**12,992**	**(11,031)**	**1,961**	**84.91**
Total consumer loans	**378,849**	**(37,561)**	**341,288**	**9.91**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2022			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans before allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Car loans				
Undue	**12,921**	**(1)**	**12,920**	**0.01**
Overdue for less than 30 days	**47**	**–**	**47**	**0.00**
Overdue for 30 to 89 days	**16**	**–**	**16**	**0.00**
Overdue for 90 to 179 days	**2**	**–**	**2**	**0.00**
Overdue for 180 to 360 days	**1**	**–**	**1**	**0.00**
Overdue more than 360 days	**398**	**(143)**	**255**	**35.93**
Total car loans	**13,385**	**(144)**	**13,241**	**1.08**
Credit cards				
Undue	**3,231**	**(368)**	**2,863**	**11.39**
Overdue for less than 30 days	**123**	**(44)**	**79**	**35.77**
Overdue for 30 to 89 days	**118**	**(99)**	**19**	**83.90**
Overdue for 90 to 179 days	**120**	**(99)**	**21**	**82.50**
Overdue for 180 to 360 days	**201**	**(165)**	**36**	**82.09**
Overdue more than 360 days	**489**	**(401)**	**88**	**82.00**
Total credit cards	**4,282**	**(1,176)**	**3,106**	**27.46**
Other loans secured by collateral				
Undue	**35,206**	**(319)**	**34,887**	**0.91**
Overdue for less than 30 days	**1,768**	**(58)**	**1,710**	**3.28**
Overdue for 30 to 89 days	**811**	**(47)**	**764**	**5.80**
Overdue for 90 to 179 days	**615**	**(128)**	**487**	**20.81**
Overdue for 180 to 360 days	**1,004**	**(216)**	**788**	**21.51**
Overdue more than 360 days	**14,812**	**(4,115)**	**10,697**	**27.78**
POCI	**14,536**	**(1,233)**	**13,303**	**8.48**
Total other loans secured by collateral	**68,752**	**(6,116)**	**62,636**	**8.90**
Total individually insignificant loans	**725,441**	**(59,823)**	**665,618**	**8.25**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

The following table provides information on the credit quality of individually insignificant loans collectively assessed for impairment as at 31 December 2021:

	31 December 2021			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans before allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Individually insignificant corporate loans				
Undue	160,060	(2,836)	157,224	1.77
Overdue for less than 30 days	1,842	(4)	1,838	0.22
Overdue for 30 to 89 days	557	(4)	553	0.72
Overdue for 90 to 179 days	988	(15)	973	1.52
Overdue for 180 to 360 days	2,849	(109)	2,740	3.83
Overdue more than 360 days	15,365	(4,544)	10,821	29.57
POCI	546	(117)	429	21.43
Total individually insignificant corporate loans	182,207	(7,629)	174,578	4.19
Mortgage loans				
Undue	16,296	(77)	16,219	0.47
Overdue for less than 30 days	557	(1)	556	0.18
Overdue for 30 to 89 days	257	(9)	248	3.50
Overdue for 90 to 179 days	210	(9)	201	4.29
Overdue for 180 to 360 days	143	(7)	136	4.90
Overdue more than 360 days	4,162	(1,408)	2,754	33.83
POCI	9,464	(575)	8,889	6.08
Total mortgage loans	31,089	(2,086)	29,003	6.71
Consumer loans				
Undue	208,510	(6,596)	201,914	3.16
Overdue for less than 30 days	4,689	(1,056)	3,633	22.52
Overdue for 30 to 89 days	3,113	(2,252)	861	72.34
Overdue for 90 to 179 days	3,042	(2,428)	614	79.82
Overdue for 180 to 360 days	5,644	(4,583)	1,061	81.20
Overdue more than 360 days	2,551	(1,979)	572	77.58
Total consumer loans	227,549	(18,894)	208,655	8.30

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2021			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans before allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Car loans				
Undue	4,347	–	4,347	0.00
Overdue for less than 30 days	11	–	11	0.00
Overdue for 30 to 89 days	13	–	13	0.00
Overdue for 90 to 179 days	2	–	2	0.00
Overdue for 180 to 360 days	1	(1)	–	100.00
Overdue more than 360 days	388	(46)	342	11.86
Total car loans	4,762	(47)	4,715	0.99
Credit cards				
Undue	3,580	(606)	2,974	16.93
Overdue for less than 30 days	240	(83)	157	34.58
Overdue for 30 to 89 days	93	(81)	12	87.10
Overdue for 90 to 179 days	101	(101)	–	100.00
Overdue for 180 to 360 days	191	(159)	32	83.25
Overdue more than 360 days	256	(212)	44	82.81
Total credit cards	4,461	(1,242)	3,219	27.84
Other loans secured by collateral				
Undue	49,254	(68)	49,186	0.14
Overdue for less than 30 days	3,234	(4)	3,230	0.12
Overdue for 30 to 89 days	2,215	(19)	2,196	0.86
Overdue for 90 to 179 days	891	(20)	871	2.24
Overdue for 180 to 360 days	2,850	(132)	2,718	4.63
Overdue more than 360 days	17,378	(3,527)	13,851	20.30
POCI	16,863	(693)	16,170	4.11
Total other loans secured by collateral	92,685	(4,463)	88,222	4.82
Total individually insignificant loans	542,753	(34,361)	508,392	6.33

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

Analysis of movements in gross carrying amount and related ECL for individually insignificant corporate loans for 2022 is as follows:

Individually insignificant corporate loans	*2022* *Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	**152,614**	**1,301**	**27,746**	**546**	**182,207**
New assets originated or purchased	**330,610**	**–**	**1,950**	**1,089**	**333,649**
Assets derecognised or repaid (excluding write-offs)	**(337,032)**	**(3,879)**	**(10,582)**	**(45)**	**(351,538)**
Transfers to Stage 1	**7,296**	**(2,506)**	**(4,790)**	**–**	**–**
Transfers to Stage 2	**(9,612)**	**11,761**	**(2,149)**	**–**	**–**
Transfers to Stage 3	**(4,023)**	**(2,329)**	**6,352**	**–**	**–**
Transfer between loan categories based on significance	**70,514**	**1,393**	**2,490**	**–**	**74,397**
Net change in accrued interest	**317**	**77**	**(441)**	**(260)**	**(307)**
Unwinding of discount	**–**	**–**	**686**	**–**	**686**
Recoveries	**–**	**–**	**3,223**	**3**	**3,226**
Write-off	**–**	**–**	**(8,300)**	**(365)**	**(8,665)**
Forex exchange adjustments	**1,326**	**24**	**170**	**–**	**1,520**
As at 31 December	**212,010**	**5,842**	**16,355**	**968**	**235,175**

Individually insignificant corporate loans	*2022* *Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January	**(2,602)**	**(10)**	**(4,900)**	**(117)**	**(7,629)**
New assets originated or purchased	**(10,037)**	**–**	**(430)**	**–**	**(10,467)**
Assets derecognised or repaid (excluding write-offs)	**10,232**	**68**	**3,225**	**3**	**13,528**
Transfers to Stage 1	**(171)**	**74**	**97**	**–**	**–**
Transfers to Stage 2	**51**	**(315)**	**264**	**–**	**–**
Transfers to Stage 3	**72**	**160**	**(232)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**(6,753)**	**(138)**	**(6,356)**	**(253)**	**(13,500)**
Transfer between loan categories based on significance	**(6)**	**–**	**(348)**	**–**	**(354)**
Unwinding of discount	**–**	**–**	**(686)**	**–**	**(686)**
Recoveries	**–**	**–**	**(3,223)**	**(3)**	**(3,226)**
Write-off	**–**	**–**	**8,300**	**365**	**8,665**
Forex exchange adjustments	**(44)**	**–**	**(31)**	**–**	**(75)**
As at 31 December	**(9,258)**	**(161)**	**(4,320)**	**(5)**	**(13,744)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

Analysis of movements in gross carrying amount and related ECL for individually insignificant corporate loans for 2021 is as follows:

Individually insignificant corporate loans	***2021***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	122,538	1,620	38,055	1,366	163,579
New assets originated or purchased	226,738	–	852	24	227,614
Assets derecognised or repaid (excluding write-offs)	(192,698)	(756)	(9,168)	(193)	(202,815)
Transfers to Stage 1	5,946	(894)	(5,052)	–	–
Transfers to Stage 2	(2,754)	3,055	(301)	–	–
Transfers to Stage 3	(4,076)	(1,797)	5,873	–	–
Transfer between loan categories based on significance	(2,911)	83	985	–	(1,843)
Net change in accrued interest	(494)	(13)	(816)	5	(1,318)
Unwinding of discount	–	–	1,083	–	1,083
Adjustment of the gross value of POCI assets	–	–	–	50	50
Recoveries	–	–	3,583	–	3,583
Write-off	–	–	(7,398)	(717)	(8,115)
Forex exchange adjustments	325	3	50	11	389
As at 31 December	152,614	1,301	27,746	546	182,207

Individually insignificant corporate loans	***2021***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(602)	(140)	(8,662)	(543)	(9,947)
New assets originated or purchased	(976)	–	(59)	–	(1,035)
Assets derecognised or repaid (excluding write-offs)	2,117	35	1,852	–	4,004
Transfers to Stage 1	(95)	2	93	–	–
Transfers to Stage 2	19	(19)	–	–	–
Transfers to Stage 3	17	195	(212)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(3,085)	(83)	(577)	(241)	(3,986)
Transfer between loan categories based on significance	3	–	68	–	71
Unwinding of discount	–	–	(1,083)	–	(1,083)
Adjustment of the gross value of POCI assets	–	–	–	(50)	(50)
Recoveries	–	–	(3,583)	–	(3,583)
Write-off	–	–	7,398	717	8,115
Forex exchange adjustments	–	–	(135)	–	(135)
As at 31 December	(2,602)	(10)	(4,900)	(117)	(7,629)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

	2022				
Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	**16,592**	**206**	**4,827**	**9,464**	**31,089**
New assets originated or purchased	**2,620**	**–**	**19**	**259**	**2,898**
Assets derecognised or repaid (excluding write-offs)	**(4,811)**	**(96)**	**(1,512)**	**(1,266)**	**(7,685)**
Transfers to Stage 1	**2,624**	**(2,534)**	**(90)**	**–**	**–**
Transfers to Stage 2	**(2,666)**	**3,124**	**(458)**	**–**	**–**
Transfers to Stage 3	**(321)**	**(445)**	**766**	**–**	**–**
Net change in accrued interest	**(94)**	**(2)**	**119**	**144**	**167**
Unwinding of discount	**–**	**–**	**86**	**–**	**86**
Recoveries	**–**	**–**	**1,512**	**120**	**1,632**
Write-off	**–**	**–**	**(2,168)**	**(1,118)**	**(3,286)**
Forex exchange adjustments	**78**	**2**	**17**	**–**	**97**
As at 31 December	**14,022**	**255**	**3,118**	**7,603**	**24,998**

	2022				
Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January	**(36)**	**(6)**	**(1,469)**	**(575)**	**(2,086)**
New assets originated or purchased	**(5)**	**–**	**(5)**	**–**	**(10)**
Assets derecognised or repaid (excluding write-offs)	**9**	**2**	**1,512**	**120**	**1,643**
Transfers to Stage 1	**(21)**	**21**	**–**	**–**	**–**
Transfers to Stage 2	**18**	**(39)**	**21**	**–**	**–**
Transfers to Stage 3	**–**	**8**	**(8)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**14**	**12**	**(1,150)**	**(1,067)**	**(2,191)**
Unwinding of discount	**–**	**–**	**(86)**	**–**	**(86)**
Recoveries	**–**	**–**	**(1,512)**	**(120)**	**(1,632)**
Write-off	**–**	**–**	**2,168**	**1,118**	**3,286**
Forex exchange adjustments	**–**	**–**	**(6)**	**–**	**(6)**
As at 31 December	**(21)**	**(2)**	**(535)**	**(524)**	**(1,082)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2021 is as follows:

	2021				
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	27,662	416	16,555	10,730	55,363
New assets originated or purchased	2,666	–	17	1,512	4,195
Assets derecognised or repaid (excluding write-offs)	(12,832)	(142)	(2,310)	(2,601)	(17,885)
Transfers to Stage 1	1,212	(513)	(699)	–	–
Transfers to Stage 2	(681)	752	(71)	–	–
Transfers to Stage 3	(1,155)	(285)	1,440	–	–
Net change in accrued interest	(306)	(22)	(229)	314	(243)
Unwinding of discount	–	–	1,317	–	1,317
Adjustment of the gross value of POCI assets	–	–	–	2,541	2,541
Recoveries	–	–	1,360	–	1,360
Write-off	–	–	(12,560)	(3,047)	(15,607)
Forex exchange adjustments	26	–	7	15	48
As at 31 December	16,592	206	4,827	9,464	31,089

	2021				
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(27)	(2)	(10,744)	523	(10,250)
New assets originated or purchased	(19)	–	(11)	–	(30)
Assets derecognised or repaid (excluding write-offs)	20	2	1,100	–	1,122
Transfers to Stage 1	(50)	4	46	–	–
Transfers to Stage 2	1	(7)	6	–	–
Transfers to Stage 3	1	4	(5)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	38	(7)	(1,694)	(1,604)	(3,267)
Unwinding of discount	–	–	(1,317)	–	(1,317)
Adjustment of the gross value of POCI assets	–	–	–	(2,541)	(2,541)
Recoveries	–	–	(1,360)	–	(1,360)
Write-off	–	–	12,560	3,047	15,607
Forex exchange adjustments	–	–	(50)	–	(50)
As at 31 December	(36)	(6)	(1,469)	(575)	(2,086)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

	2022				
Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	**212,655**	**3,038**	**11,856**	**–**	**227,549**
New assets originated or purchased	**314,509**	**–**	**–**	**–**	**314,509**
Assets derecognised or repaid (excluding write-offs)	**(162,823)**	**(856)**	**(1,175)**	**–**	**(164,854)**
Transfers to Stage 1	**27,379**	**(26,752)**	**(627)**	**–**	**–**
Transfers to Stage 2	**(57,305)**	**59,768**	**(2,463)**	**–**	**–**
Transfers to Stage 3	**(1,741)**	**(19,261)**	**21,002**	**–**	**–**
Net change in accrued interest	**1,341**	**141**	**100**	**–**	**1,582**
Unwinding of discount	**–**	**–**	**3,646**	**–**	**3,646**
Recoveries	**–**	**–**	**114**	**–**	**114**
Write-off	**–**	**–**	**(3,698)**	**–**	**(3,698)**
Forex exchange adjustments	**1**	**–**	**–**	**–**	**1**
As at 31 December	**334,016**	**16,078**	**28,755**	**–**	**378,849**

	2022				
Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January	**(6,993)**	**(2,251)**	**(9,650)**	**–**	**(18,894)**
New assets originated or purchased	**(8,961)**	**–**	**–**	**–**	**(8,961)**
Assets derecognised or repaid (excluding write-offs)	**4,640**	**478**	**959**	**–**	**6,077**
Transfers to Stage 1	**(8,538)**	**8,147**	**391**	**–**	**–**
Transfers to Stage 2	**7,598**	**(9,714)**	**2,116**	**–**	**–**
Transfers to Stage 3	**168**	**14,895**	**(15,063)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**4,036**	**(17,569)**	**(2,188)**	**–**	**(15,721)**
Unwinding of discount	**–**	**–**	**(3,646)**	**–**	**(3,646)**
Recoveries	**–**	**–**	**(114)**	**–**	**(114)**
Write-off	**–**	**–**	**3,698**	**–**	**3,698**
Forex exchange adjustments	**–**	**–**	**–**	**–**	**–**
As at 31 December	**(8,050)**	**(6,014)**	**(23,497)**	**–**	**(37,561)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2021 is as follows:

	2021				
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	176,203	4,051	21,352	1	201,607
New assets originated or purchased	162,487	–	151	–	162,638
Assets derecognised or repaid (excluding write-offs)	(115,706)	(687)	(7,682)	(1)	(124,076)
Transfers to Stage 1	5,588	(3,255)	(2,333)	–	–
Transfers to Stage 2	(11,096)	11,372	(276)	–	–
Transfers to Stage 3	(4,666)	(8,370)	13,036	–	–
Net change in accrued interest	(155)	(73)	(303)	–	(531)
Unwinding of discount	–	–	3,228	–	3,228
Recoveries	–	–	2,413	–	2,413
Write-off	–	–	(17,730)	–	(17,730)
Forex exchange adjustments	–	–	–	–	–
As at 31 December	212,655	3,038	11,856	–	227,549

	2021				
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(7,329)	(2,867)	(17,648)	–	(27,844)
New assets originated or purchased	(4,918)	–	(30)	–	(4,948)
Assets derecognised or repaid (excluding write-offs)	4,309	497	6,300	–	11,106
Transfers to Stage 1	(4,694)	2,425	2,269	–	–
Transfers to Stage 2	1,123	(1,381)	258	–	–
Transfers to Stage 3	1,048	5,960	(7,008)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	3,468	(6,885)	(5,880)	–	(9,297)
Unwinding of discount	–	–	(3,228)	–	(3,228)
Recoveries	–	–	(2,413)	–	(2,413)
Write-off	–	–	17,730	–	17,730
Forex exchange adjustments	–	–	–	–	–
As at 31 December	(6,993)	(2,251)	(9,650)	–	(18,894)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

	2022				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**4,367**	**3**	**392**	**–**	**4,762**
New assets originated or purchased	**17,350**	**–**	**10**	**–**	**17,360**
Assets derecognised or repaid (excluding write-offs)	**(8,795)**	**(10)**	**(334)**	**–**	**(9,139)**
Transfers to Stage 1	**223**	**(211)**	**(12)**	**–**	**–**
Transfers to Stage 2	**(228)**	**253**	**(25)**	**–**	**–**
Transfers to Stage 3	**(33)**	**(13)**	**46**	**–**	**–**
Net change in accrued interest	**27**	**–**	**79**	**–**	**106**
Unwinding of discount	**–**	**–**	**14**	**–**	**14**
Recoveries	**–**	**–**	**334**	**–**	**334**
Write-off	**–**	**–**	**(103)**	**–**	**(103)**
Forex exchange adjustments	**47**	**–**	**4**	**–**	**51**
As at 31 December	**12,958**	**22**	**405**	**–**	**13,385**

	2022				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**–**	**–**	**(47)**	**–**	**(47)**
New assets originated or purchased	**(1)**	**–**	**(2)**	**–**	**(3)**
Assets derecognised or repaid (excluding write-offs)	**–**	**–**	**334**	**–**	**334**
Transfers to Stage 1	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**–**	**–**	**(181)**	**–**	**(181)**
Unwinding of discount	**–**	**–**	**(14)**	**–**	**(14)**
Recoveries	**–**	**–**	**(334)**	**–**	**(334)**
Write-off	**–**	**–**	**103**	**–**	**103**
Forex exchange adjustments	**–**	**–**	**(2)**	**–**	**(2)**
As at 31 December	**(1)**	**–**	**(143)**	**–**	**(144)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

Analysis of movements in gross carrying amount and related ECL for car loans for 2021 is as follows:

	2021				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	4,657	5	485	–	5,147
New assets originated or purchased	1,291	–	–	–	1,291
Assets derecognised or repaid (excluding write-offs)	(1,585)	–	(117)	–	(1,702)
Transfers to Stage 1	1	–	(1)	–	–
Transfers to Stage 2	(3)	3	–	–	–
Transfers to Stage 3	–	(5)	5	–	–
Net change in accrued interest	(1)	–	(4)	–	(5)
Unwinding of discount	–	–	11	–	11
Recoveries	–	–	180	–	180
Write-off	–	–	(168)	–	(168)
Forex exchange adjustments	7	–	1	–	8
As at 31 December	4,367	3	392	–	4,762

	2021				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(1)	–	(131)	–	(132)
New assets originated or purchased	(1)	–	–	–	(1)
Assets derecognised or repaid (excluding write-offs)	–	–	23	–	23
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	2	–	84	–	86
Unwinding of discount	–	–	(11)	–	(11)
Recoveries	–	–	(180)	–	(180)
Write-off	–	–	168	–	168
Forex exchange adjustments	–	–	–	–	–
As at 31 December	–	–	(47)	–	(47)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

Analysis of movements in gross carrying amount and related ECL for credit cards for 2022 is as follows:

	2022				
Credit cards	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	**3,805**	**99**	**557**	**–**	**4,461**
New assets originated or purchased	**23,187**	**–**	**102**	**–**	**23,289**
Assets derecognised or repaid (excluding write-offs)	**(22,959)**	**(174)**	**(243)**	**–**	**(23,376)**
Transfers to Stage 1	**725**	**(635)**	**(90)**	**–**	**–**
Transfers to Stage 2	**(1,415)**	**1,500**	**(85)**	**–**	**–**
Transfers to Stage 3	**(121)**	**(519)**	**640**	**–**	**–**
Net change in accrued interest	**(18)**	**2**	**–**	**–**	**(16)**
Unwinding of discount	**–**	**–**	**22**	**–**	**22**
Recoveries	**–**	**–**	**5**	**–**	**5**
Write-off	**–**	**–**	**(83)**	**–**	**(83)**
Forex exchange adjustments	**(16)**	**(1)**	**(3)**	**–**	**(20)**
As at 31 December	**3,188**	**272**	**822**	**–**	**4,282**

	2022				
Credit cards	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January	**(647)**	**(90)**	**(505)**	**–**	**(1,242)**
New assets originated or purchased	**(3,226)**	**–**	**(88)**	**–**	**(3,314)**
Assets derecognised or repaid (excluding write-offs)	**3,195**	**130**	**209**	**–**	**3,534**
Transfers to Stage 1	**(367)**	**298**	**69**	**–**	**–**
Transfers to Stage 2	**351**	**(463)**	**112**	**–**	**–**
Transfers to Stage 3	**19**	**459**	**(478)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**339**	**(489)**	**(39)**	**–**	**(189)**
Unwinding of discount	**–**	**–**	**(22)**	**–**	**(22)**
Recoveries	**–**	**–**	**(5)**	**–**	**(5)**
Write-off	**–**	**–**	**83**	**–**	**83**
Forex exchange adjustments	**(9)**	**(2)**	**(10)**	**–**	**(21)**
As at 31 December	**(345)**	**(157)**	**(674)**	**–**	**(1,176)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

Analysis of movements in gross carrying amount and related ECL for credit cards for 2021 is as follows:

	2021				
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	4,224	124	1,131	–	5,479
New assets originated or purchased	26,537	–	164	–	26,701
Assets derecognised or repaid (excluding write-offs)	(26,381)	(221)	(315)	–	(26,917)
Transfers to Stage 1	223	(139)	(84)	–	–
Transfers to Stage 2	(595)	604	(9)	–	–
Transfers to Stage 3	(193)	(268)	461	–	–
Net change in accrued interest	(11)	(1)	–	–	(12)
Unwinding of discount	–	–	75	–	75
Recoveries	–	–	44	–	44
Write-off	–	–	(910)	–	(910)
Forex exchange adjustments	1	–	–	–	1
As at 31 December	3,805	99	557	–	4,461

	2021				
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(523)	(114)	(737)	–	(1,374)
New assets originated or purchased	(3,899)	–	–	–	(3,899)
Assets derecognised or repaid (excluding write-offs)	3,876	202	245	–	4,323
Transfers to Stage 1	(193)	127	66	–	–
Transfers to Stage 2	87	(94)	7	–	–
Transfers to Stage 3	28	245	(273)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(23)	(490)	(628)	–	(1,141)
Unwinding of discount	–	–	(75)	–	(75)
Recoveries	–	–	(44)	–	(44)
Write-off	–	–	910	–	910
Forex exchange adjustments	–	34	24	–	58
As at 31 December	(647)	(90)	(505)	–	(1,242)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

			2022		
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**51,183**	**1,726**	**22,913**	**16,863**	**92,685**
New assets originated or purchased	**7,166**	**–**	**69**	**668**	**7,903**
Assets derecognised or repaid (excluding write-offs)	**(20,550)**	**(939)**	**(3,665)**	**(2,340)**	**(27,494)**
Transfers to Stage 1	**8,381**	**(7,292)**	**(1,089)**	**–**	**–**
Transfers to Stage 2	**(8,729)**	**12,579**	**(3,850)**	**–**	**–**
Transfers to Stage 3	**(1,405)**	**(4,657)**	**6,062**	**–**	**–**
Net change in accrued interest	**(535)**	**(45)**	**(238)**	**348**	**(470)**
Unwinding of discount	**–**	**–**	**430**	**–**	**430**
Recoveries	**–**	**–**	**3,665**	**319**	**3,984**
Write-off	**–**	**–**	**(7,148)**	**(1,322)**	**(8,470)**
Forex exchange adjustments	**125**	**3**	**56**	**–**	**184**
As at 31 December	**35,636**	**1,375**	**17,205**	**14,536**	**68,752**

			2022		
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(38)**	**(11)**	**(3,721)**	**(693)**	**(4,463)**
New assets originated or purchased	**(27)**	**–**	**(15)**	**–**	**(42)**
Assets derecognised or repaid (excluding write-offs)	**76**	**36**	**3,665**	**319**	**4,096**
Transfers to Stage 1	**(185)**	**177**	**8**	**–**	**–**
Transfers to Stage 2	**143**	**(241)**	**98**	**–**	**–**
Transfers to Stage 3	**3**	**146**	**(149)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**(213)**	**(203)**	**(7,463)**	**(1,862)**	**(9,741)**
Unwinding of discount	**–**	**–**	**(430)**	**–**	**(430)**
Recoveries	**–**	**–**	**(3,665)**	**(319)**	**(3,984)**
Write-off	**–**	**–**	**7,148**	**1,322**	**8,470**
Forex exchange adjustments	**–**	**–**	**(22)**	**–**	**(22)**
As at 31 December	**(241)**	**(96)**	**(4,546)**	**(1,233)**	**(6,116)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2021 is as follows:

			2021		
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	83,713	1,954	48,121	18,437	152,225
New assets originated or purchased	9,698	–	–	2,569	12,267
Assets derecognised or repaid (excluding write-offs)	(40,877)	(1,096)	(5,588)	(4,203)	(51,764)
Transfers to Stage 1	7,417	(3,058)	(4,359)	–	–
Transfers to Stage 2	(5,459)	6,786	(1,327)	–	–
Transfers to Stage 3	(2,456)	(2,842)	5,298	–	–
Net change in accrued interest	(896)	(18)	(1,202)	488	(1,628)
Unwinding of discount	–	–	2,405	–	2,405
Adjustment of the gross value of POCI assets	–	–	–	3,100	3,100
Recoveries	–	–	814	–	814
Write-off	–	–	(21,265)	(3,546)	(24,811)
Forex exchange adjustments	43	–	16	18	77
As at 31 December	51,183	1,726	22,913	16,863	92,685

			2021		
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(123)	(17)	(16,533)	749	(15,924)
New assets originated or purchased	(34)	–	–	–	(34)
Assets derecognised or repaid (excluding write-offs)	45	9	1,414	–	1,468
Transfers to Stage 1	(203)	93	110	–	–
Transfers to Stage 2	26	(128)	102	–	–
Transfers to Stage 3	4	55	(59)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	247	(23)	(6,763)	(1,888)	(8,427)
Unwinding of discount	–	–	(2,405)	–	(2,405)
Adjustment of the gross value of POCI assets	–	–	–	(3,100)	(3,100)
Recoveries	–	–	(814)	–	(814)
Write-off	–	–	21,265	3,546	24,811
Forex exchange adjustments	–	–	(38)	–	(38)
As at 31 December	(38)	(11)	(3,721)	(693)	(4,463)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

In 2022, the Bank has revised key macroeconomic factors used in ECL calculations. As a result of the amendments, the allowance for ECL was reduced by the Group in the amount of 1,125 million tenge.

In 2021 and 2022 the Group modified contractual terms and performed loan forgiveness for socially vulnerable groups of population within the state program 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 6,234 million tenge (for 2021: 10,004 million tenge).

As part of this government program, 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 1,757 million tenge (2021: 14,083 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".

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.

Below is information on loans issued to customers who were granted with a delay in repayment of principal and interest during 2020-2021 due to the consequences of the COVID-19 pandemic as at 31 December 2022 and 31 December 2021.

	31 December 2022				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Individually significant loans	**2,622**	**2,691**	**14,169**	**–**	**19,482**
Individually insignificant corporate loans	**12,341**	**885**	**3,210**	**207**	**16,643**
Mortgage loans	**2,348**	**48**	**349**	**1,238**	**3,983**
Consumer loans	**5,547**	**591**	**3,740**	**–**	**9,878**
Car loans	**20**	**–**	**–**	**–**	**20**
Credit cards	**1**	**1**	**18**	**–**	**20**
Other loans secured by collateral	**10,450**	**406**	**2,870**	**1,974**	**15,700**
Loans to customers before allowance for ECL	**33,329**	**4,622**	**24,356**	**3,419**	**65,726**

(millions of tenge)

15. Loans to customers (continued)

Modified and renegotiated loans (continued)

	31 December 2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Individually significant loans	10,419	14,910	9,852	–	35,181
Individually insignificant corporate loans	17,705	672	8,378	–	26,755
Mortgage loans	3,415	118	357	1,673	5,563
Consumer loans	12,884	535	3,266	–	16,685
Car loans	47	–	–	–	47
Credit cards	45	3	17	–	65
Other loans secured by collateral	17,291	851	3,746	2,568	24,456
Loans to customers before allowance for ECL	61,806	17,089	25,616	4,241	108,752

As at 31 December 2022, the share of non-past due Phase 3 loans and POCI issued to customers who were granted with a delay in payment due to the COVID-19 pandemic is 62.58% (31 December 2021: 62.35%).

Changes to models used for ECL measurement

In 2022, the Group made the following changes to the model for ECL calculations:

- Revision of segmentation (sub-segmentation) of loans to customers by product used in measuring the allowance for ECL. As a result of the amendment, the allowance for ECL was increased by 280 million tenge;
- Application of an updated approach to assessing the level of loss given default (LGD) on loans issued to customers in the corporate business segment, SME and certain retail business sub-segments. As a result of the updated approach, the allowance for ECL was increased by 10,902 million tenge. The approach to estimating the loss given default (LGD) 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;
- Application of an additional criterion of a significant increase in credit risk - the probability of default (PD) during the life of the financial asset exceeds its value at initial recognition by at least 200%, as well as the threshold value of the absolute twelve-month probability of default, determined on the basis of its own confirmed statistics, exceeds 20%;
- Application of the recovery period to credit-impaired assets and assets with an indication of a significant increase in credit risk.

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.

(millions of tenge)

15. Loans to customers (continued)

Collateral and other credit enhancements (continued)

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 2022, loans net of allowance for ECL overdue over 90 days amount to 39,472 million tenge (as at 31 December 2021: 51,889 million tenge). As at 31 December 2022, the total fair value of collateral securing such loans, limited to the gross value of the respective loans, amounted to 42,860 million tenge (31 December 2021: 52,587 million tenge).

Collateral withdrawn

In 2022, the Group received property classified within other assets with a carrying amount of 1,701 million tenge (2021: 4,385 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 2022, the Group had a concentration of loans represented by 315,382 million tenge due from the ten largest independent borrowers or 25.45% of gross loan portfolio (31 December 2021: 164,689 million tenge or 19.44% of gross loan portfolio). Allowance for ECL on these loans is 2,690 million tenge (31 December 2021: 1,282 million tenge).

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 2022	*31 December 2021*
Loans to retail customers	**490,266**	360,546
Metallurgy	**191,137**	77,119
Wholesale trading	**94,764**	67,003
Transport	**78,601**	19,533
Financial services	**67,794**	34,182
Services provided by small and medium businesses	**67,489**	59,947
Retail services	**56,416**	45,792
Real estate activities	**48,528**	47,998
Food industry	**35,681**	28,457
Construction	**27,319**	23,497
Agriculture	**9,587**	9,565
Post and communication services	**8,254**	16,662
Textile production	**7,609**	8,368
Manufacturing	**6,593**	5,545
Metal products manufacturing	**3,801**	2,587
Chemical industry	**678**	2,454
Machine-building	**155**	264
Production of crude oil and natural gas	**–**	2,884
Other	**43,936**	34,736
	1,238,608	847,139
Allowance for ECL	**(65,066)**	(38,191)
	1,173,542	808,948

(millions of tenge)

15. Loans to customers (continued)

Finance lease receivables

As at 31 December 2022 and 31 December 2021 loans to customers include finance lease receivables of 12,240 million tenge and 7,997 million tenge, respectively.

	31 December 2022	*31 December 2021*
Minimum lease payments receivable	**15,425**	10,723
Unearned finance income	**(2,833)**	(2,312)
Net minimum lease payments receivable	**12,592**	8,411
Less: allowance for ECL	**(352)**	(414)
Net investment in finance leases	**12,240**	7,997
Current portion of minimum lease payments	**8,769**	2,794
Current portion of unearned finance income	**(1,100)**	(307)
Current portion of net minimum lease payments receivable	**7,669**	2,487
Non-current portion of minimum lease payments	**6,656**	7,929
Non-current portion of unearned finance income	**(1,733)**	(2,005)
Non-current portion of net minimum lease payments receivable	**4,923**	5,924
Net minimum lease payments receivable	**12,592**	8,411

The analysis of finance lease receivables at 31 December 2022 and 31 December 2021, is as follows:

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**

As at 31 December 2021	*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	2,794	4,179	3,420	278	52	10,723
Unearned finance income	(307)	(869)	(1,009)	(104)	(23)	(2,312)
Net minimum lease payments receivable	2,487	3,310	2,411	174	29	8,411

(millions of tenge)

16. Investment securities

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

	31 December 2022	*31 December 2021*
Debt securities at amortized cost		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**30,044**	21,523
Bonds of foreign countries rated at BB- to BB+	**932**	870
Total government bonds	**30,976**	22,393
Corporate bonds		
Rated from BBB- to BBB+	**177,938**	177,244
Rated from BB- to BB+	**84,414**	83,965
Total corporate bonds	**262,352**	261,209
Bonds of banks		
Rated from BBB- to BBB+	**–**	1,643
Rated from BB- to BB+	**–**	–
Rated from B- to B+	**4,711**	5,310
Total bonds of banks	**4,711**	6,953
Investment securities measured at amortised cost before allowance for ECL	**298,039**	290,555
Allowance for ECL	**(187)**	(274)
Investment securities measured at amortized cost	**297,852**	290,281
Debt securities at FVOCI		
Government bonds		
Treasury bills of the United States of America rated AAA	**293**	–
Bonds of the NBRK rated BBB-	**497**	49,202
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**532,466**	507,422
Total government bonds	**533,256**	556,624
Corporate bonds		
Rated from BBB- to BBB+	**125,596**	111,770
Rated from BB- to BB+	**17,180**	5,765
Rated from B- to B+	**1,963**	–
Total corporate bonds	**144,739**	117,535
Bonds of banks		
Rated from BBB- to BBB+	**12,081**	17,271
Rated from BB- to BB+	**–**	303
Rated below B+	**2,363**	3,095
Not rated	**186**	–
Total bonds of banks	**14,630**	20,669
Investments in equity instruments		
Corporate shares	**97**	–
Total investments in equity instruments	**97**	–
Investment securities measured at FVOCI	**692,722**	694,828

(millions of tenge)

16. Investment securities (continued)

The 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 2022, 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 68,128 million tenge, were pledged under the repurchase agreements entered into at the KASE (*Note 27*).

As at 31 December 2021, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of 25,062 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 2022, the total carrying amount of these bonds was 241,073 million tenge (31 December 2021: 236,849 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)

17. 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								
At 1 January 2021	2,642	44,229	5,245	453	1,227	30,702	2,888	87,386
Additions	–	112	495	39	712	1,655	683	3,696
Transfers	–	–	60	–	(719)	659	–	–
Disposals	–	(49)	(73)	–	–	(1,780)	(729)	(2,631)
As at 31 December 2021	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)**
As at 31 December 2022	**2,642**	**44,467**	**6,130**	**494**	**381**	**31,837**	**2,887**	**88,838**
Accumulated depreciation								
At 1 January 2021	–	(4,150)	(2,516)	(338)	–	(13,641)	(927)	(21,572)
Depreciation charge for the year	–	(1,071)	(759)	(51)	–	(4,021)	(568)	(6,470)
Disposals	–	22	38	–	–	1,749	419	2,228
As at 31 December 2021	–	(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**
As at 31 December 2022	**–**	**(6,222)**	**(3,774)**	**(419)**	**–**	**(18,253)**	**(1,150)**	**(29,818)**
Carrying amount								
At 1 January 2021	2,642	40,079	2,729	115	1,227	17,061	1,961	65,814
As at 31 December 2021	2,642	39,093	2,490	103	1,220	15,323	1,766	62,637
As at 31 December 2022	**2,642**	**38,245**	**2,356**	**75**	**381**	**13,584**	**1,737**	**59,020**

As at 31 December 2022, the cost and related accumulated depreciation of fully depreciated property and equipment amounted to 8,394 million tenge (31 December 2021: 7,792 million tenge).

(millions of tenge)

18. Other assets and other liabilities

Other assets comprise:

	31 December 2022	*31 December 2021*
Accounts receivable for sale of pledged property	**12,653**	16,322
Receivables under government programs for support of specific population segments	**2,875**	2,516
Accounts receivable on commission income	**1,708**	1,443
Other accounts receivable from bank activities	**2,862**	5,732
	20,098	26,013
Allowance for ECL	**(2,869)**	(3,087)
Other financial assets	**17,229**	22,926
Repossessed collateral	**30,593**	36,246
Trade and other receivables	**5,659**	4,911
Prepaid taxes other than corporate income tax	**2,078**	2,181
Investment property	**1,609**	2,469
Inventories held for sale	**1,236**	1,761
Inventories	**776**	786
Other	**827**	922
	42,778	49,276
Impairment allowance	**(78)**	(86)
Other non-financial assets	**42,700**	49,190
Total other assets	**59,929**	72,116

The Group took possession of collateral with an estimated value of 1,701 million tenge during 2022 (2021: 4,385 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 2022	*31 December 2021*
Accrued expenses for employee benefits	**5,457**	5,902
Deferred income from government economic support programs	**3,811**	1,351
Payables on non-banking activities	**2,065**	2,188
Lease liabilities	**1,770**	1,941
Obligations to pay mandatory contributions to the KDIF	**866**	366
Allowance for ECL for credit related commitments (*Note 30*)	**546**	658
Other	**1,259**	1,191
Other financial liabilities	**15,774**	13,597
Taxes payable other than corporate income tax	**2,628**	2,078
Other	**587**	795
Other non-financial liabilities	**3,215**	2,873
Total other liabilities	**18,989**	16,470

(millions of tenge)

19. Current accounts and deposits of customers

Current accounts and deposits of customers comprise:

	31 December 2022	*31 December 2021*
Current accounts and demand deposits		
- Retail customers	**138,821**	91,195
- Corporate customers	**555,155**	439,278
Term deposits		
- Retail customers	**570,528**	478,679
- Corporate customers	**663,616**	661,904
Guarantee deposits		
- Retail customers	**34,441**	17,462
- Corporate customers	**49,173**	45,241
	2,011,734	1,733,759
Held as security against letters of credit and guarantees (*Note 30*)	**(521)**	(2,416)

Concentration of current accounts and deposits of customers

As at 31 December 2022, total amount of account balances of top 10 clients amounted to 356,755 million tenge or 17.73% of total current accounts and deposits of customers (31 December 2021: 386,317 million tenge or 22.28%).

As at 31 December 2022, the Group's outstanding balance of accounts and deposits of individuals and individual entrepreneurs amounted to 287,838 million tenge (31 December 2021: 243,073 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 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.

20. Amounts due to banks and other credit institutions

Amounts due to banks and other credit institutions comprise:

	31 December 2022	*31 December 2021*
Loans and deposits from governmental organizations	**53,035**	48,110
Liabilities due to Kazakhstan Sustainability Fund JSC	**13,716**	14,280
Loans from other credit institutions	**–**	22,706
Current accounts and deposits of banks	**–**	93
	66,751	85,189

As at 31 December 2022, 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 34,485 million tenge, 13,321 million tenge and 5,179 million tenge, respectively (31 December 2021: Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC in the amount of 34,960 million tenge and 13,079 million tenge, respectively), within the framework of the state program to support small and medium-sized businesses by the banking sector, as well as the state program 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 9.00% per annum and mature in 2023-2052. The loan received from Industrial Development Fund JSC in May 2022 in the amount of 15,000 million tenge was recognized at a market rate of 14.12% per annum. During 2022, the fair value of car loans issued at a nominal rate of 4.00% per annum was recognized at fair value using market rates of 22.67%-24.20% per annum. In 2022, the Group recognized net income from the car lending program in the amount of 275 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 2022, liabilities to Kazakhstan Sustainability Fund JSC include deposits in the amount of 11,225 million tenge (31 December 2021: 11,734 million tenge) as part of the governmental program for refinancing of mortgage and housing loans to customers. In 2020, this program 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. The fair value of deposits attracted in 2022 at initial recognition was determined by the Group using a market rate of 13.53% per annum (in 2021: 14.07% to 14.40% per annum). The fair value of mortgage loans recognized as a result of a significant modification was determined by the Group using market rates from 19.72% to 20.52% per annum (2021: from 18.07% to 18.40% per annum). In 2022, the Group recognized a net loss on derecognition of loans to customers net of income from initial recognition and derecognition of KSF deposits in the amount of 4,477 million tenge (for 2021: income from initial recognition of KSF deposit net of loss on derecognition of loans to customers in the amount of 4,079 million tenge) in the consolidated statement of comprehensive income.

As at 31 December 2021, loans from other credit institutions included loans in the amount of 22,706 million tenge received from European Bank for Reconstruction and Development (EBRD) as part of the program for supporting of investments in micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans were denominated in Tenge, had interest rates of 14.65% per annum and mature in 2023. On 26 August 2022, the Group repaid loans prior to maturity. As at 31 December 2021, a deposit in the amount of 25,794 million tenge placed by the Group with the EBRD acts as collateral for these liabilities.

21. Debt securities issued

Debt securities issued comprise:

	Maturity date	*Coupon rate*	*31 December 2022*	*31 December 2021*
Bonds in US dollars				
Bonds issued in 2022	2025	2.60%	**13,040**	–
Bonds issued in 2019	2022	3.00%	**–**	16,171
Eurobonds issued in 2010	2022	14.00%	**–**	15,497
			13,040	31,668
Bonds in tenge				
Bonds issued in 2018	2024	4.00%	**186,659**	172,406
Bonds issued in 2015	2025	10.13%	**49,774**	49,046
			236,433	221,452
			249,473	253,120

On 8 August 2022, the Bank carried out the first bond issue on the AIFC Exchange (AIX) under the bond program with a limit of up to 200,000 thousand US dollars due on 8 August 2025 and a rate of 2.60% per annum. The total amount of bonds issued is 100,000 thousand US dollars. The nominal value of the bond is 100 thousand US dollars. As at 31 December 2022, the total nominal value of outstanding bonds issued under this bond program amounted to 27,900 thousand US dollars (equivalent in tenge - 12,908 million tenge).

In June 2022, the Bank redeemed Eurobonds issued in 2010 with a total nominal value of 35,880 thousand US dollars (Tenge equivalent at the maturity date of 16,687 million tenge) with a coupon rate of 14% per annum.

In August 2022, the Bank redeemed bonds issued in 2019 with a total nominal value of 37,000 thousand US dollars (Tenge equivalent at the maturity date of 17,619 million tenge) with a coupon rate of 3% per annum.

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 220,000 million tenge deposit placed with the Bank on similar terms (*Note 16*).

(millions of tenge)

22. Subordinated debt

As at 31 December 2022 and 2021, subordinated debt includes tenge denominated subordinated debt securities issued maturing in 2025-2031 and a fixed coupon rate of 8% per annum. The coupon is paid every six months. During 2022, the Bank redeemed subordinated debt securities issued in the amount of 3,675 million tenge in accordance with the contractual terms.

23. Share capital

The number of authorised, placed and outstanding ordinary shares and share capital as at 31 December 2022 and 2021 are as follows:

	31 December 2022	*31 December 2021*
Common 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)**	(1,934,376,697)
Number of outstanding shares	**90,452,669,892**	90,452,727,392
Total share capital, millions of tenge	**329,350**	329,350

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

	Quantity of common shares	*Nominal value of common shares, in million tenge*
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**
At 1 January 2021	88,995,268,392	327,555
Sale of previously repurchased shares	1,457,459,000	1,795
As at 31 December 2021	90,452,727,392	329,350

In December 2021, the Bank sold previously redeemed GDRs, the underlying asset of which were 1,457,459,000 common shares of the Bank representing in total 1.58% of the total issued common shares of the Bank. The total value of the transaction is 4,337 million tenge.

Subject to the decision of shareholders dated 29 March 2021, the Bank declared and paid dividends on common shares for the year ended 31 December 2020, in the amount of 52,961 million tenge. There were no dividends declared 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:

	2022	*2021*
At 1 January	**8,137**	9,207
Net change in fair value of debt instruments at fair value through other comprehensive income	**(32,714)**	(320)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	**337**	(1,081)
Reclassification of cumulative (loss)/gain on disposal of debt instruments at fair value through other comprehensive income to profit or loss	**(311)**	195
Income tax relating to components of other comprehensive income	**665**	136
At 31 December	**(23,886)**	8,137

(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.

	2022	***2021***
Net profit attributable to shareholders of the Bank	**98,086**	64,060
The average weighted number of common shares for the year ended 31 December	**90,452,724,871**	89,111,066,504
Basic and diluted earnings per share, tenge	**1.08**	0.72

As at 31 December 2022 and 2021, the Bank did not have any 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 monitor continuously risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and emerging best practice.

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 its risk management policies and procedures as well as approving significantly large exposures.

Management Board

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the 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 defense to obtain an expert judgement in certain areas of development of the Group's activities.

(millions of tenge)

25. Risk management (continued)

Risk management structure (continued)

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.

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. In addition the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early 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.

(millions of tenge)

25. Risk management (continued)

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 instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in *Note 15*.

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 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.
The Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a 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 represent 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.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Impairment assessment (continued)

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 default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12m ECL.

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 recognizes 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 original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are 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;
- 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 license of the counterparty bank;
- Dease 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 canceling 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.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

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.

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.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

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 LGD rate takes into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its retail lending products into smaller 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.

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.

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);
- Purchased credit impaired financial assets.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Grouping financial assets measured on a collective basis (continued)

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

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

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 2022, 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;
- Number of new COVID-19 infections per a month.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Forward-looking information and multiple economic scenarios (continued)

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. 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 2022 are presented below:

Key drivers	*ECL scenario*	*Assigned probabilities, %*	*Forecast*
Price per a barrel of oil			
	Positive	**16%**	**98.11**
	Base case	**68%**	**86.90**
	Negative	**16%**	**77.25**
Rate of inflation, %			
	Positive	**16%**	**9.00%**
	Base case	**68%**	**12.00%**
	Negative	**16%**	**15.00%**
GDP growth, %			
	Positive	**16%**	**3.56%**
	Base case	**68%**	**3.50%**
	Negative	**16%**	**3.44%**
Refinancing rate			
	Positive	**16%**	**15.00%**
	Base case	**68%**	**16.90%**
	Negative	**16%**	**18.90%**
USD/KZT rate			
	Positive	**16%**	**481.02**
	Base case	**68%**	**520.13**
	Negative	**16%**	**562.10**
Real salary index			
	Positive	**16%**	**100.63**
	Base case	**68%**	**98.53**
	Negative	**16%**	**96.46**
Number of new COVID-19 infections per a month			
	Positive	**16%**	**3**
	Base case	**68%**	**4**
	Negative	**16%**	**5**

The amount of the allowance for ECL for loans to customers recognized in the consolidated statement of financial position as at 31 December 2022 was 65,066 million tenge (31 December 2021: 38,191 million tenge). More details are provided in *Note 15*.

(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 analyzing the number of days overdue for the retail and SME 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	***International external rating agency (Fitch) rating***	***Annual PD***
Aa1 to Aaa	AA+ to AAA	
Aa2	AA	
A1 to Aa3	A+ to AA-	**0.00-0.07%**
A3 to A2	A- to A	
Baa1	BBB+	
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	**0.05-0.50%**
Ba3 to Ba2	BB- to BB	
B3 to B1	B- to B+	
Caa2 to Caa1	CCC to CCC+	**0.81-10.40%**
Ca to Caa3	C to CCC-	**23.69-44.00%**
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	**47.00%**
Securities of corporate sector including banks	**61.98%**

Geographic information

As at 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 fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks comprise 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 marker exchange rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the ALCO. Market risk limits are approved by the ALMC 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 financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the Management Board and Board of Directors.

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments 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 2022 and 2021 is as follows:

	2022	*2021*
	Effect on profit	***Effect on profit***
100 basis points parallel decrease	**–**	225.9
300 basis points parallel increase	**–**	(677.7)

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 2022 and 2021 and a simplified scenario of a 100 bp symmetrical fall or 300 bp rise in all yield curves is as follows:

	2022		*2021*	
	Effect on profit	***Impact on other comprehen-sive income***	***Effect on profit***	***Impact on other comprehen-sive income***
100 basis points parallel decrease	**–**	**13,058**	–	13,294
300 basis points parallel increase	**–**	**(39,157)**	–	(37,426)

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

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.

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**
Unsettled foreign exchange transactions	**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 following table shows financial assets and liabilities by foreign currencies:

31 December 2021	*Tenge*	*US Dollars*	*Euro*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	196,019	218,141	11,802	6,986	432,948
Amounts due from credit institutions	4,829	42,161	–	–	46,990
Securities at fair value through profit or loss	1,452	1,485	33	–	2,970
Loans to customers	719,098	89,678	7	165	808,948
Investment securities	734,754	227,356	22,999	–	985,109
Other financial assets	22,516	400	7	3	22,926
Total financial assets	1,678,668	579,221	34,848	7,154	2,299,891
Liabilities					
Current accounts and deposits of customers	1,141,440	547,304	32,499	12,516	1,733,759
Amounts due to banks and other credit institutions	85,100	89	–	–	85,189
Amounts payable under repurchase agreements	25,064	–	–	–	25,064
Debt securities issued	221,452	31,668	–	–	253,120
Subordinated debt	20,503	–	–	–	20,503
Other financial liabilities	12,924	286	380	7	13,597
Total financial liabilities	1,506,483	579,347	32,879	12,523	2,131,232
Net position	172,185	(126)	1,969	(5,369)	168,659
Unsettled foreign exchange transactions	1,127	(5,152)	(1,565)	5,590	–
Net position adjusted for impact of derivative instruments held for the purpose of risk management	173,312	(5,278)	404	221	168,659

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 net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. Negative amounts in the table reflect a potential net reduction in income or equity, while a positive amount reflects a net potential increase.

	2022		*2021*	
Currency	*Increase in currency rate, %*	*Effect on profit before tax*	*Increase in currency rate, %*	*Effect on profit before tax*
US dollar	**21.00**	**94**	13.00	(686)
Euro	**17.99**	**69**	13.00	53

	2022		*2021*	
Currency	*Decrease in currency rate, %*	*Effect on profit before tax*	*Decrease in currency rate, %*	*Effect on profit before tax*
US dollar	**(21.00)**	**(94)**	(10.00)	528
Euro	**(17.99)**	**(69)**	(10.00)	(40)

(millions of tenge)

25. Risk management (continued)

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.

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 unfavorable 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 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 years*	*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	313	–	235	–	2,215	2,763	2,763
Loans to customers	93,008	125,208	491,819	1,368,373	125,056	2,203,464	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	469,707	275,461	709,924	2,202,630	217,488	3,875,210	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	(869,714)	153,316	158,973	1,770,198	128,662	1,341,435	244,609
Contingent liabilities	(9,930)	(10,401)	(16,428)	(31,874)	(2,107)	(70,740)	

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 2021 is as follows:

31 December 2021	*On demand and less than 1 month*	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*	*Carrying amount*
Non-derivative financial assets							
Cash and cash equivalents	433,206	–	–	–	–	433,206	432,948
Amounts due from credit institutions	–	–	–	31,304	15,686	46,990	46,990
Securities at fair value through profit or loss	102	–	–	–	2,868	2,970	2,970
Loans to customers	79,003	70,008	290,787	965,354	177,764	1,582,916	808,948
Investment securities	49,216	40,148	165,137	869,915	68,694	1,193,110	985,109
Other financial assets	1,133	11	5,958	15,453	371	22,926	22,926
Total non-derivative financial assets	562,660	110,167	461,882	1,882,026	265,383	3,282,118	2,299,891
Non-derivative financial liabilities							
Current accounts and deposits of customers	(1,030,317)	(151,819)	(356,355)	(210,102)	(14,379)	(1,762,972)	(1,733,759)
Amounts due to banks and other credit institutions	(179)	(916)	(3,931)	(38,477)	(75,447)	(118,950)	(85,189)
Amounts payable under repurchase agreements	(25,180)	–	–	–	–	(25,180)	(25,064)
Debt securities issued	(2,530)	–	(40,746)	(242,917)	–	(286,193)	(253,120)
Subordinated debt	(119)	–	(7,360)	(9,683)	(10,300)	(27,462)	(20,503)
Other financial liabilities	(8,518)	(38)	(2,945)	(1)	(2,095)	(13,597)	(13,597)
Total non-derivative financial liabilities	(1,066,843)	(152,773)	(411,337)	(501,180)	(102,221)	(2,234,354)	(2,131,232)
Net liquidity gap on financial assets and financial liabilities	(504,183)	(42,606)	50,545	1,380,846	163,162	1,047,764	168,659
Contingent liabilities	(6,259)	(8,587)	(10,400)	(34,524)	(390)	(60,160)	

(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 2022 and 2021:

31 December 2022	*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	**342,169**	**115,793**	**–**	**–**	**–**	**–**	**–**	**457,962**
Amounts due from credit institutions	**–**	**–**	**–**	**14,460**	**16,586**	**–**	**–**	**31,046**
Securities at fair value through profit or loss	**313**	**–**	**235**	**–**	**–**	**2,215**	**–**	**2,763**
Loans to customers	**68,528**	**97,625**	**366,857**	**581,950**	**40,386**	**–**	**18,196**	**1,173,542**
Investment securities	**28,215**	**32,224**	**183,756**	**703,785**	**42,594**	**–**	**–**	**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	**446,976**	**245,778**	**589,788**	**1,312,116**	**99,621**	**75,785**	**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	**(890,602)**	**125,649**	**74,805**	**908,171**	**30,630**	**75,785**	**19,322**	**343,760**
Net accumulated position	**(890,602)**	**(764,953)**	**(690,148)**	**218,023**	**248,653**	**324,438**	**343,760**	

(millions of tenge)

26. Maturity analysis of assets and liabilities (continued)

31 December 2021	*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	432,948	–	–	–	–	–	–	432,948
Amounts due from credit institutions	–	–	–	31,304	15,686	–	–	46,990
Securities at fair value through profit or loss	102	–	–	–	1,518	1,350	–	2,970
Loans to customers	38,954	53,134	206,315	419,216	55,712	–	35,617	808,948
Investment securities	47,971	38,692	133,660	714,306	50,480	–	–	985,109
Property and equipment	–	–	–	–	–	62,637	–	62,637
Intangible assets	–	–	–	–	–	14,071	–	14,071
Other assets	973	8	62,368	2,975	1,173	3,664	955	72,116
Total assets	520,948	91,834	402,343	1,167,801	124,569	81,722	36,572	2,425,789
Liabilities								
Current accounts and deposits of customers	(1,027,399)	(147,516)	(345,974)	(199,494)	(13,376)	–	–	(1,733,759)
Amounts due to banks and other credit institutions	(149)	(443)	(1,382)	(30,861)	(52,354)	–	–	(85,189)
Amounts payable under repurchase agreements	(25,064)	–	–	–	–	–	–	(25,064)
Debt securities issued	(2,151)	–	(32,035)	(218,934)	–	–	–	(253,120)
Subordinated debt	(119)	–	(6,180)	(5,396)	(8,808)	–	–	(20,503)
Deferred tax liabilities	–	–	–	(13,987)	–	–	–	(13,987)
Other liabilities	(8,548)	(38)	(5,765)	(1)	(2,095)	–	(23)	(16,470)
Total liabilities	(1,063,430)	(147,997)	(391,336)	(468,673)	(76,633)	–	(23)	(2,148,092)
Net position	(542,482)	(56,163)	11,007	699,128	47,936	81,722	36,549	277,697
Net accumulated position	(542,482)	(598,645)	(587,638)	111,490	159,426	241,148	277,697	

(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 2022, the Group has payables under repurchase agreements in the amount of 67,980 million tenge, which are collateralized 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, Kazakhstan Sustainability Fund JSC) (*Note 16*).

As at 31 December 2021, the Group has payables under repurchase agreements in the amount of 25,064 million tenge, which are collateralized by investment securities with a total fair value of 25,062 million tenge (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan) (*Note 16*).

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

				Related amounts not offset in the consolidated statement of financial position	
31 December 2022	***Gross amount of recognized 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***	***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**
Payable under repurchase agreements (*Note 16*)	**(67,980)**	**–**	**(67,980)**	**68,128**	**148**
	45,291	**(64,994)**	**(19,703)**	**20,101**	**398**

(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 2021.

31 December 2021	*Gross amount of recognized 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	25,768	(26,279)	(511)	–	(511)
Receivables under reverse repurchase agreements (*Note 12*)	144,646	–	144,646	(145,653)	(1,007)
Payable under repurchase agreements (*Note 16*)	(25,064)	–	(25,064)	25,062	(2)
	145,350	(26,279)	119,071	(120,591)	(1,520)

28. Changes in liabilities arising from financing activities

	Debt securities issued	*Subordinated debt*	*Total liabilities arising from financing activities*
Carrying amount as at 31 December 2020	240,202	20,503	260,705
Proceeds from issue	4	–	4
Repurchase	(1,088)	–	(1,088)
Accrual of interest	16,494	1,616	18,110
Repayment of interest	(16,502)	(1,616)	(18,118)
Foreign exchange differences	805	–	805
Unwinding of discount	13,205	–	13,205
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**	**1,456**	**16,863**
Repayment of interest	**(15,467)**	**(1,489)**	**(16,956)**
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**

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 2022 and 2021 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 maximize 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 2022 and 2021:

	31 December 2022	*31 December 2021*
Tier 1 capital	**315,091**	252,085
Tier 2 capital	**10,354**	12,885
Total regulatory capital	**325,445**	264,970
Risk-weighted statutory assets, contingent liabilities, operational and market risk	**1,609,161**	1,089,944
Ratio k1	**19.6%**	23.1%
Ratio k1-2	**19.6%**	23.1%
Ratio k2	**20.2%**	24.3%

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.

(millions of tenge)

30. Commitments and contingencies (continued)

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.

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

	31 December 2022	*31 December 2021*
Undrawn loan commitments	**217,758**	132,972
Guarantees issued	**69,375**	57,325
Letters of credit	**1,365**	2,835
	288,498	193,132
Less: amounts due to customers held as security against letters of credit and guarantees (*Note 19*)	**(521)**	(2,416)
Less: allowance for expected credit losses	**(546)**	(658)
	287,431	190,058

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.

(millions of tenge)

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 (2021: 13 members) included in general and administrative expenses for 2022 and 2021 is as follows:

	2022	*2021*
Members of the Board of Directors and the Management Board of the Group	**5,870**	4,502
	5,870	4,502

These amounts include cash benefits in respect of the members of the Board of Directors and the Management Board and related taxes.

As at 31 December 2022, the total amount of the Group's liabilities to pay remuneration to members of the Board of Directors and the Management Board amounted to 3,221 million tenge (31 December 2021: 1,800 million tenge) and, in accordance with the NBRK Resolution No. 74 dated 24 February 2012, is 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 2022 and related profit or loss amounts of transactions for 2022 with related parties 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	–	–	–	–	**4,690**	**5.22**	**4,690**
Other assets	–	–	**181**	–	**1**	–	**182**
Liabilities							
Current accounts and deposits of customers	**19,498**	**1.00**	**39,401**	**3.90**	**9,483**	**3.29**	**68,382**
Other liabilities	–	–	**75**	–	–	–	**75**
Contingent liabilities	–	–	–	–	**111**	–	**111**
Guarantees issued	–	–	–	–	**79**	–	**79**

(millions of tenge)

31. Related party transactions (continued)

Related party transactions (continued)

	2022 Shareholders	Entities under common control	Other related parties	Total
Income/(expenses)				
Interest income	**–**	**–**	**252**	**252**
Interest expense	**(68)**	**(950)**	**(165)**	**(1,183)**
Fee and commission income	**1**	**29**	**10**	**40**
Fee and commission expense	**–**	**(168)**	**–**	**(168)**
General and administrative expenses	**–**	**(874)**	**(56)**	**(930)**
Other income	**–**	**367**	**–**	**367**
Other expenses	**–**	**(258)**	**–**	**(258)**

The outstanding balances and the related average effective rates as at 31 December 2021 and related profit or loss on transactions with related parties for 2021 are as follows:

	2021						
	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	–	–	–	–	4,395	5.53	4,395
Other assets	–	–	126	–	3	–	129
Liabilities							
Current accounts and deposits of customers	23,316	1.00	44,905	2.51	8,389	1.42	76,610
Other liabilities	–	–	186	–	–	–	186
Contingent liabilities	–	–	–	–	71	–	71
Guarantees issued	–	–	–	–	73	–	73

	2021 Shareholders	Entities under common control	Other related parties	Total
Income/(expenses)				
Interest income	–	–	239	239
Interest expense	(330)	(692)	(105)	(1,127)
Fee and commission income	–	23	6	29
General and administrative expenses	–	(731)	(35)	(766)
Other expenses	–	(725)	–	(725)

(millions of tenge)

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).

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 authorized body of the Bank.

31 December 2022	*CB*	*SMB*	*RB*	*Investing activities*	*Other*	*Total*
Assets						
Cash and cash equivalents	**80,130**	**70,252**	**91,717**	**209,665**	**6,198**	**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	**465,649**	**418,589**	**520,487**	**1,226,756**	**157,905**	**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**	**7,915**	**37**	**13,971**	**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**	**770,958**	**254,685**	**111,875**	**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)**
Retained earnings	**–**	**–**	**–**	**–**	**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 is presented as follows:

	2022						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Elimi-nation***	***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 expenses	**(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 gains from financial instruments at fair value through profit or loss	**–**	**–**	**–**	**2,011**	**–**	**–**	**2,011**
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	**–**	**–**	**–**	**311**	**–**	**–**	**311**
Net losses on derecognition of financial assets measured at amortized 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 expense	**(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 expense	**(5,544)**	**(28,370)**	**(56,326)**	**(1,747)**	**(13,352)**	**–**	**(105,339)**
Other transfer income and expenditures	**(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 expenses	**(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)

32. Segment analysis (continued)

31 December 2021	*CB*	*SMB*	*RB*	*Investing activities*	*Other*	*Total*
Assets						
Cash and cash equivalents	66,481	49,460	67,451	243,234	6,322	432,948
Amounts due from credit institutions	794	3,609	394	42,193	–	46,990
Securities at fair value through profit or loss	–	–	–	2,970	–	2,970
Loans to customers	188,752	270,656	310,168	–	39,372	808,948
Investment securities	–	–	–	985,109	–	985,109
Property and equipment	–	–	–	–	62,637	62,637
Intangible assets	–	–	–	–	14,071	14,071
Other assets	47	261	2,183	–	69,625	72,116
Total assets	256,074	323,986	380,196	1,273,506	192,027	2,425,789
Liabilities						
Current accounts and deposits of customers	699,189	440,566	594,003	–	1	1,733,759
Amounts due to banks and other credit institutions	10,569	57,441	8,608	99	8,472	85,189
Amounts payable under repurchase agreements	–	–	–	25,064	–	25,064
Debt securities issued	–	–	16,170	172,406	64,544	253,120
Subordinated debt	–	–	–	–	20,503	20,503
Deferred tax liabilities	–	–	–	–	13,987	13,987
Other liabilities	25	62	2,331	37	14,015	16,470
Total liabilities	709,783	498,069	621,112	197,606	121,522	2,148,092
Equity						
Share capital	–	–	–	–	332,815	332,815
Additional paid-in capital	–	–	–	–	23,651	23,651
Treasury shares	–	–	–	–	(3,465)	(3,465)
Fair value reserve	–	–	–	–	8,137	8,137
Accumulated losses	–	–	–	–	(83,441)	(83,441)
Total equity attributable to shareholders of the Bank	–	–	–	–	277,697	277,697

(millions of tenge)

32. Segment analysis (continued)

Information on the main reporting segments for 2021 may be presented as follows:

	2021						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Elimi-nation***	***Total***
Interest income	14,856	31,746	66,556	74,015	5,871	–	193,044
Transfer income	35,433	26,178	30,039	23,508	8,443	(123,601)	–
Interest expense	(26,783)	(13,066)	(22,699)	(24,592)	(9,969)	–	(97,109)
Transfer expenses	(10,548)	(19,822)	(30,770)	(76,210)	(3,891)	141,241	–
Net interest income	12,958	25,036	43,126	(3,279)	454	17,640	95,935
Fee and commission income	2,492	19,783	14,980	17	21	–	37,293
Fee and commission expense	(1,296)	(9,007)	(4,241)	(222)	(43)	–	(14,809)
Net losses from financial instruments at fair value through profit or loss	–	–	–	(1,154)	–	–	(1,154)
Net losses on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	(195)	–	–	(195)
Net (losses)/gains on derecognition of financial assets measured at amortized cost	–	–	(2,910)	–	6,989	–	4,079
Net gain/(losses) from foreign currencies	3,663	5,547	2,710	(2,083)	1,188	–	11,025
Other income	(158)	644	221	3	3,413	–	4,123
Non-interest income	4,701	16,967	10,760	(3,634)	11,568	–	40,362
Credit loss expense	2,026	(1,917)	(10,610)	1,836	(1,218)	–	(9,883)
General and administrative expenses	(2,897)	(12,260)	(28,047)	(1,344)	(6,734)	–	(51,282)
Other expenses	(221)	(272)	(3,544)	(56)	(3,936)	–	(8,029)
Non-interest expense	(1,092)	(14,449)	(42,201)	436	(11,888)	–	(69,194)
Other transfer income and expenditures	(2,783)	521	(2,476)	36,361	(13,983)	(17,640)	–
Profit /(loss) before corporate income tax expense	13,784	28,075	9,209	29,884	(13,849)	–	67,103
Corporate income tax expenses	(231)	(470)	(154)	(501)	(1,687)	–	(3,043)
Profit/(loss) for the year	13,553	27,605	9,055	29,383	(15,536)	–	64,060

(millions of tenge)

33. Fair value of financial instruments

Accounting classification and fair values

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

	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	1,157,280	(16,262)
Investment securities measured at FVOCI	692,722	–	692,722	692,722	–
Investment securities measured at amortized cost	–	297,852	297,852	280,156	(17,696)
Other financial assets	–	17,229	17,229	17,229	–
	695,485	1,977,631	2,673,116	2,639,158	(33,958)
Current accounts and deposits of customers	–	2,011,734	2,011,734	2,011,175	559
Amounts due to banks and other credit institutions	–	66,751	66,751	62,862	3,889
Amounts payable under repurchase agreements	–	67,980	67,980	68,128	(148)
Debt securities issued	–	249,473	249,473	225,002	24,471
Subordinated debt	–	16,795	16,795	12,941	3,854
Other financial liabilities	–	15,774	15,774	15,774	–
	–	2,428,507	2,428,507	2,395,882	32,625
					(1,333)

(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 2021:

	31 December 2021				
	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	–	432,948	432,948	432,948	–
Amounts due from credit institutions	–	46,990	46,990	46,990	–
Securities at fair value through profit or loss	2,970	–	2,970	2,970	–
Loans to customers	–	808,948	808,948	798,266	(10,682)
Investment securities measured at FVOCI	694,828	–	694,828	694,828	–
Investment securities measured at amortized cost	–	290,281	290,281	282,825	(7,456)
Other financial assets	–	22,926	22,926	22,926	–
	697,798	1,602,093	2,299,891	2,281,753	(18,138)
Current accounts and deposits of customers	–	1,733,759	1,733,759	1,737,214	(3,455)
Amounts due to banks and other credit institutions	–	85,189	85,189	81,131	4,058
Amounts payable under repurchase agreements	–	25,064	25,064	25,062	2
Debt securities issued	–	253,120	253,120	245,296	7,824
Subordinated debt	–	20,503	20,503	16,852	3,651
Other financial liabilities	–	13,597	13,597	13,597	–
	–	2,131,232	2,131,232	2,119,152	12,080
					(6,058)

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 organized market for the sale of an asset or transfer a liability between market participants at the measurement date.

(millions of tenge)

33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

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.

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 4.97% to 19.54% per annum was used to discount the future cash flows from loans to corporate customers (31 December 2021: 4.84% to 14.51% per annum);
- The discount rate of 32.86% per annum was used to calculate the future cash flows from loans to individuals (31 December 2021: 28.73% per annum).

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.

(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.

	Note	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Securities at fair value through profit or loss	14	**235**	**256**	**2,272**	**2,763**
Investment securities measured at FVOCI	16	**554,864**	**137,858**	**–**	**692,722**
		555,099	**138,114**	**2,272**	**695,485**

The following table analyses financial instruments carried at fair value as at 31 December 2021, 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	14	1,518	–	1,452	2,970
Investment securities measured at FVOCI	16	579,407	115,421	–	694,828
		580,925	115,421	1,452	697,798

As at 31 December 2022, KSF debt securities measured FVOCI in the amount of 109,985 million tenge are classified in Level 2 of the fair value hierarchy (as at 31 December 2021: 95,705 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.

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
As at 1 January 2022	**1,452**
Net gain on transactions with financial instruments at fair value through profit or loss	**820**
As at 31 December 2022	**2,272**

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

	Securities at fair value through profit or loss
At 1 January 2021	1,440
Net gain on transactions with financial instruments at fair value through profit or loss	12
As at 31 December 2021	1,452

(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 value*
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	**–**	**–**	**1,157,280**	**1,157,280**	**1,173,542**
Investment securities measured at amortized cost	**34,028**	**18,934**	**227,194**	**280,156**	**297,852**
Other financial assets	**–**	**–**	**17,229**	**17,229**	**17,229**
Liabilities					
Current accounts and deposits of customers	**–**	**2,011,175**	**–**	**2,011,175**	**2,011,734**
Amounts due to banks and other credit institutions	**–**	**62,862**	**–**	**62,862**	**66,751**
Amounts payable under repurchase agreements	**–**	**68,128**	**–**	**68,128**	**67,980**
Debt securities issued	**–**	**225,002**	**–**	**225,002**	**249,473**
Subordinated debt	**–**	**12,941**	**–**	**12,941**	**16,795**
Other financial liabilities	**–**	**15,774**	**–**	**15,774**	**15,774**

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

	Level 1	*Level 2*	*Level 3*	*Total fair value*	*Total carrying value*
Assets					
Cash and cash equivalents	–	432,948	–	432,948	432,948
Amounts due from credit institutions	–	46,990	–	46,990	46,990
Loans to customers	–	–	798,266	798,266	808,948
Investment securities measured at amortized cost	30,720	26,514	225,591	282,825	290,281
Other financial assets	–	–	22,926	22,926	22,926
Liabilities					
Current accounts and deposits of customers	–	1,737,214	–	1,737,214	1,733,759
Amounts due to banks and other credit institutions	–	81,131	–	81,131	85,189
Amounts payable under repurchase agreements	–	25,062	–	25,062	25,064
Debt securities issued	–	245,296	–	245,296	253,120
Subordinated debt	–	16,852	–	16,852	20,503
Other financial liabilities	–	13,597	–	13,597	13,597

As at 31 December 2021, KSF debt securities measured at amortized cost in the amount of 4,528 million tenge are classified in Level 2 of the fair value hierarchy. 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.