

ForteBank Joint Stock Company

Interim condensed consolidated financial statements

31 March 2023

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2023

(millions of tenge)

	<i>Note</i>	<i>For the three months ended 31 March</i>	
		<i>2023</i>	<i>2022</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Interest revenue calculated using effective interest rate	4	81,955	53,593
Other interest revenue	4	652	351
Interest expense	4	(40,825)	(26,105)
Net interest income		41,782	27,839
Fee and commission income	5	8,381	7,350
Fee and commission expense	5	(3,456)	(2,677)
Net (loss)/income on transactions with financial instruments at fair value through profit or loss		(71)	2,910
Net gain from derecognition of investment securities at fair value through other comprehensive income		677	26
Net gain from foreign currencies	6	9,262	6,214
Other income	9	1,289	620
Non-interest income		16,082	14,443
Credit loss expenses	7	(11,731)	(8,801)
Net loss upon derecognition of financial assets measured at amortized cost	18	(890)	(388)
General and administrative expenses	8	(16,349)	(14,259)
Other expenses	9	(1,726)	(927)
Non-interest expense		(30,696)	(24,375)
Profit before corporate income tax expenses		27,168	17,907
Corporate income tax benefit/ (expenses)	10	807	(1,695)
Profit for the period		27,975	16,212
Attributable to:			
- Shareholders of the Bank		27,975	16,212
- Non-controlling interests		—	—
		27,975	16,212

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2023

(millions of tenge)

	For the three months ended 31 March	
	2023	2023
Note	(unaudited)	(unaudited)
Other comprehensive income		
<i>Other comprehensive income/ (loss) to be reclassified to profit or loss in the subsequent periods</i>		
Net change in fair value of debt instruments at fair value through other comprehensive income	9,131	(26,489)
Income tax relating to components of other comprehensive income	(81)	617
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	288	6
Reclassification of cumulative (loss)/gain on disposal of debt instruments at fair value through other comprehensive income to the income statement	(677)	(26)
Other comprehensive income/(loss) for the period, net of tax	8,661	(25,892)
Total comprehensive income/(loss) for the period	36,636	(9,680)
Attributable to:		
- Shareholders of the Bank	36,636	(9,680)
- Non-controlling interests	—	—
	36,636	(9,680)
Basic and diluted earnings per common share (in tenge)	0.31	0.18

Aliya Dykanbayeva
First Deputy Chairman of the Management Board (CFO)

12 May 2023



Zaure Albosinova
Chief Accountant – Managing Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 31 March 2023***(millions of tenge)*

	<i>Note</i>	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Assets			
Cash and cash equivalents	11	443,993	457,962
Amounts due from financial institutions	12	33,398	31,046
Securities at fair value through profit or loss	13	2,696	2,763
Loans to customers	14	1,178,839	1,173,542
Investment securities	15	995,900	990,574
Property and equipment		58,482	59,020
Intangible assets		14,415	14,550
Other assets	16	58,030	59,929
Total assets		2,785,753	2,789,386
Liabilities			
Current accounts and deposits of customers	17	2,000,518	2,011,734
Amounts due to banks and other financial organizations	18	64,971	66,751
Amounts payable under repurchase agreements		33,349	67,980
Debt securities issued	19	254,139	249,473
Subordinated debt	20	14,647	16,795
Deferred tax liabilities	10	13,165	13,904
Other liabilities	16	24,568	18,989
Total liabilities		2,405,357	2,445,626
Equity			
Share capital	21	332,815	332,815
Additional paid-in capital		23,651	23,651
Treasury shares	21	(3,465)	(3,465)
Fair value reserve		(15,225)	(23,886)
Retained earnings		42,620	14,645
Total equity		380,396	343,760
Total equity and liabilities		2,785,753	2,789,386

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the three-month period ended 31 March 2023***(millions of tenge)*

	<i>Note</i>	<i>For the three months ended 31 March</i>	
		<i>2023</i>	<i>2022</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities			
Interest income received	4	77,341	54,471
Interest expenses paid	4	(37,326)	(22,686)
Fee and commission income received		8,063	7,291
Fee and commission expenses paid		(3,464)	(2,677)
Net realized (loss)/ income from financial instruments at fair value through profit or loss		(131)	2,916
Net realised gains from foreign currencies		9,087	6,900
Other operating expenses less income received/ (paid)		56	(156)
General and administrative expenses paid		(9,175)	(12,129)
Decrease/(increase) in operating assets			
Amounts due from financial institutions		(2,827)	1,858
Securities at fair value through profit or loss		72	280
Loans to customers		(20,391)	(85,355)
Other assets		(883)	742
Increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		9,349	121,928
Amounts due to banks and other financial institutions		(758)	718
Amounts payable under repurchase agreements		(34,642)	5,074
Other liabilities		1,634	156
Net cash (used in)/ from operating activities before corporate income tax		(3,995)	79,331
Corporate income tax paid		(24)	(6)
Net cash (used in)/ from operating activities		(4,019)	79,325
Cash flows from investing activities			
Acquisition of investment securities at amortized cost		—	(6,810)
Proceeds from redemption of investment securities measured at amortized cost		4,834	888
Purchase of investment securities at fair value through other comprehensive income		(65,623)	(30,897)
Proceeds from sale of investment securities at fair value through other comprehensive income		10,207	—
Proceeds from redemption of investment securities at fair value through other comprehensive income		51,502	70,026
Purchase of property and equipment and intangible assets		(805)	(755)
Proceeds from sale of property and equipment and intangible assets		—	2
Net cash flow from investing activities		115	32,454
Cash flows from financing activities			
Repayment of subordinated debt	20	(2,313)	—
Repayment of lease liabilities		(164)	(522)
Net cash used in financing activities		(2,477)	(522)
Net change in cash and cash equivalents		(6,381)	111,257
Effect of exchange rates changes on cash and cash equivalents		(7,591)	17,669
Effect of ECL on cash and cash equivalents		3	(25)
Cash and cash equivalents, beginning		457,962	432,948
Cash and cash equivalents, ending		443,993	561,849
Non-cash transactions			
Repossession of collateral on loans to customers	14	216	229

The accompanying selected notes on pages 7 to 44 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the three-month period ended 31 March 2023***(millions of tenge)*

	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Treasury shares</i>	<i>Fair value reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
As at 1 January 2023	332,815	23,651	(3,465)	(23,886)	14,645	343,760
Profit for the period (unaudited)					27,975	27,975
Other comprehensive income for the period (unaudited)				8,661		8,661
Total comprehensive income for the period (unaudited)				8,661	27,975	36,636
At 31 March 2023 (unaudited)	332,815	23,651	(3,465)	(15,225)	42,620	380,396

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Treasury shares</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>	<i>Total equity</i>
As at 1 January 2022	332,815	23,651	(3,465)	8,137	(83,441)	277,697
Profit for the period (unaudited)	—	—	—	—	16,212	16,212
Other comprehensive loss for the period (unaudited)	—	—	—	(25,892)	—	(25,892)
Total comprehensive loss for the period (unaudited)	—	—	—	(25,892)	16,212	(9,680)
At 31 March 2022 (unaudited)	332,815	23,651	(3,465)	(17,755)	(67,229)	268,017

The accompanying selected notes on pages 7 to 44 are an integral part of these interim condensed consolidated financial statements.

(millions of tenge)

1 General

Principal activities

These interim condensed 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, Nur-Sultan, 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. Some debt securities issued by the Bank are listed on the Luxembourg Stock Exchange, the Kazakhstan Stock Exchange (hereinafter – the “KASE”) and Astana International Exchange (hereinafter – the “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 March 2023 and 31 December 2022, depositors can receive limited insurance coverage for deposits, depending on the currency and type of the deposit: in tenge – up to 10 million tenge, in foreign currencies – up to 5 million tenge, savings deposits in tenge – up to 20 million tenge.

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

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Ownership, %</i>	
			<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
ForteLeasing JSC	Republic of Kazakhstan	Leasing operations	100.0	100.0
OUSA Alliance LLP	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
OUSA-F LLP	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
ONE Technologies LLP	Republic of Kazakhstan	Software development	100.0	100.0
ForteFinance JSC	Republic of Kazakhstan	Brokerage and dealer activities, investment portfolio management activities	100.0	100.0

Shareholders

As at 31 March 2023, Mr. B. Zh. Utemuratov is beneficial owner of 81.82% of the outstanding common shares of the Bank and is an ultimate controlling shareholder of the Group (31 December 2022: 84.32%).

2 Basis of preparation

General

The interim condensed consolidated financial statements for the three-month period ended 31 March 2023 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022.

The interim condensed consolidated financial statements are presented in millions of Kazakh tenge (“tenge” or “KZT”), unless otherwise is stated.

(millions of tenge)

2 Basis of preparation (continued)

Functional and presentation currency of consolidated financial statements

The functional currency of the 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 interim condensed consolidated financial statements.

Financial information of the interim condensed consolidated financial statements is rounded to the nearest million.

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%. During the three months ended 31 March 2023, NBRK made a decision to keep 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.

Changes in accounting policy

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

Other amendments and interpretations are first applied in 2023 but do not have any impact on the Group's financial statements.

New standards, interpretations and amendments to existing standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise specified). The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(millions of tenge)

2 Basis of preparation (continued)

New standards, interpretations and amendments to existing standards and interpretations (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.

These amendments did not have any impact on the Group's consolidated financial statements as the Group did not have any products with insurance features as at the reporting date.

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 did not have an impact on the Group's consolidated financial statements.

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

(millions of tenge)

2 Basis of preparation (continued)

Standards issued but not yet effective

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;

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.

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.

3 Significant accounting judgments and estimates

Estimation uncertainty

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

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

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 interim condensed 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 interim condensed consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

(millions of tenge)

3 Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Collateral assessment

The Group management performs monitoring of collateral on a regular basis. The management of the Group uses experienced judgements or an independent assessment in order to adjust the cost of collateral considering the current market situation.

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 ECL allowances for financial assets should be measured on a 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 formulas 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 model.

Forward-looking information and multiple economic scenarios

For the purpose of ECL allowance calculation as at 31 March 2023, the Group took into account the following:

- Price per a barrel of oil;
- Rate of inflation;
- GDP growth;
- TONIA rate (Tenge OverNight Index Average);
- USD/KZT rate;
- Real salary index;
- Number of new COVID-19 infections per a month

(millions of tenge)

3 Significant accounting judgments and estimates (continued)

Estimation uncertainty (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 financial institutions). Experts of the Group'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 March 2023 are presented below:

<i>Key drivers</i>	<i>ECL scenario</i>	<i>Assigned probabilities, %</i>	<i>Forecast</i>
Price per a barrel of oil	Positive	16%	105,50
	Base-case	68%	87,18
	Negative	16%	70,25
Rate of inflation, %	Positive	16%	5,95%
	Base-case	68%	7,66%
	Negative	16%	9,32%
GDP growth, %	Positive	16%	1,05%
	Base-case	68%	1,04%
	Negative	16%	1,03%
TONIA rate (Tenge OverNight Index Average)	Positive	16%	13,58%
	Base-case	68%	15,13%
	Negative	16%	16,78%
USD/KZT rate	Positive	16%	473,42
	Base-case	68%	511,21
	Negative	16%	551,73
Real salary index, %	Positive	16%	102,18
	Base-case	68%	99,96
	Negative	16%	97,79
Number of new COVID-19 infections per a month	Positive	16%	10
	Base-case	68%	17
	Negative	16%	28

As at 31 March 2023, the Group has updated key macroeconomic factors used in ECL calculations. As a result of the amendments, the allowance for ECL was decreased by 1.155 million tenge.

The amount of allowance for ECL on loans to customers recognized in the interim condensed consolidated statement of financial position as at 31 March 2023 was 76,395 million tenge (31 December 2022: 65,066 million tenge). More details are provided in *Note 14*.

(millions of tenge)

3 Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

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

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

(millions of tenge)

4 Net interest income

Net interest income comprises:

	<i>For the three months ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income calculated using effective interest rate		
Loans to customers	52,783	31,756
Debt investment securities at FVOCI	17,448	14,465
Amounts due from financial institutions and cash equivalents	6,197	321
Investment securities measured at amortized cost	4,337	4,475
Receivables under reverse repurchase agreements	889	2,576
Other financial assets	301	-
	81,955	53,593
Other interest revenue		
Finance lease receivables	652	351
	82,607	53,944
Interest expense		
Current accounts and deposits of customers	(28,004)	(15,904)
Debt securities issued	(7,505)	(7,644)
Amounts due to banks and other financial institutions	(864)	(1,274)
Subordinated debt	(284)	(404)
Amounts payable under repurchase agreements	(4,168)	(879)
	(40,825)	(26,105)
Net interest income	41,782	27,839

Interest income calculated using the effective interest rate for the three months ended 31 March 2023 includes income of 2,243 million tenge representing the unwinding of discount on loans to customers (for the three months ended 31 March 2022: 1,506 million tenge).

Interest income received is as follows:

	<i>For the three months ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income received		
Loans to customers	50,480	29,800
Debt investment securities at FVOCI	18,766	21,220
Amounts due from financial institutions	6,197	321
Receivables under reverse repurchase agreements	889	2,576
Finance lease receivables	652	337
Investment securities measured at amortized cost	357	217
	77,341	54,471

Interest expense paid comprise:

	<i>For the three months ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest expenses paid		
Current accounts and deposits of customers	(29,636)	(18,221)
Amounts payable under repurchase agreements	(4,157)	(830)
Debt securities issued	(2,534)	(2,501)
Amounts due to banks and other financial institutions	(881)	(1,016)
Subordinated debt	(118)	(118)
	(37,326)	(22,686)

(millions of tenge)

5 Fee and commission income and expenses

Fee and commission income is as follows:

	<i>For the three months ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Card operations	3,799	3,806
Settlement transactions	2,130	1,686
Cash transactions	1,238	1,026
Commissions on guarantees and letters of credits	727	509
Foreign currency transactions and transactions with securities	133	67
Other	354	256
	8,381	7,350

Fee and commission expense is as follows:

	<i>For the three months ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Maintenance of card accounts	(2,534)	(2,172)
Maintenance of nostro accounts	(226)	(114)
Settlement transactions	(164)	(109)
Foreign currency transactions and transactions with securities	(27)	(34)
Customer accounts services by financial agents	(28)	(28)
Other	(477)	(220)
	(3,456)	(2,677)

Revenue from contracts with customers recognized in the interim condensed consolidated statement of comprehensive income for the three months ended 31 March 2023 and 2022 primarily represents fee and commission income of 8,381 million tenge and 7,350 million tenge, respectively.

At 31 March 2023 and 31 December 2022, the Bank recognized contract assets related to contracts with customers in the amount of 2,026 million tenge and 1,708 million tenge in the interim condensed 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.

6 Net gain from foreign currencies

Net gains from foreign currencies comprise:

	<i>For the three months ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Foreign exchange revaluation, net	175	(686)
Dealing transactions, net	9,087	6,900
	9,262	6,214

(millions of tenge)

7 Credit loss expenses

Credit loss expenses comprised the following:

	<i>For the three months ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash and cash equivalents	3	–
Amounts due from financial institutions	(119)	(497)
Loans to customers <i>(Note 14)</i>	(11,231)	(7,647)
Investment securities measured at amortized cost	(20)	10
Investment securities measured at FVOCI	(288)	(6)
Other financial assets	(76)	499
Financial guarantees, letters of credit and undrawn loan commitments	–	(1,160)
	(11,731)	(8,801)

8 General and administrative expenses

General and administrative expenses comprise:

	<i>For the three months ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Salary and related taxes	(9,787)	(9,069)
Depreciation and amortization	(2,134)	(2,032)
Repair and maintenance	(781)	(790)
Charity and sponsorship	(746)	(36)
Taxes other than corporate income tax	(677)	(588)
Maintenance of buildings	(530)	(443)
Advertising and marketing	(461)	(356)
Security	(262)	(221)
Telecommunication and information services	(167)	(172)
Transportation	(138)	(122)
Encashment	(138)	(94)
Insurance	(94)	(84)
Other professional services	(85)	(71)
Lease	(78)	(89)
Business trips	(40)	(14)
Other	(231)	(78)
	(16,349)	(14,259)

General and administrative expenses comprise the following:

	<i>For the three months ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales and marketing	(6,397)	(7,884)
Development of technologies and new products	(2,781)	(2,685)
Other	(7,171)	(3,690)
	(16,349)	(14,259)

*(millions of tenge)***9 Other income and expenses**

Other income and expense comprise:

	<i>For the three months ended 31 March</i>	
	<i>2023</i> <i>(unaudited)</i>	<i>2022</i> <i>(unaudited)</i>
Other income		
Income from operating lease	341	308
Net income from sale of repossessed collateral	271	103
Other	677	209
	1,289	620
Other expenses		
Other expenses from non-banking activities	(144)	(224)
Expenses for SMS notification	(232)	(195)
Other	(1,350)	(508)
	(1,726)	(927)

10 Corporate income tax expenses (benefit)

Corporate income tax expenses comprise the following:

	<i>For the three months ended 31 March</i>	
	<i>2023</i> <i>(unaudited)</i>	<i>2022</i> <i>(unaudited)</i>
Current corporate income tax expenses	(13)	(6)
Deferred corporate income tax benefit/ (charge) – origination and reversal of temporary differences	820	(1,689)
	807	(1,695)

As at 31 March 2023, deferred corporate income tax liabilities comprised 13,165 million tenge (as at 31 December 2022: 13,904 million tenge).

11 Cash and cash equivalents

Cash comprises:

	<i>31 March</i> <i>2023</i> <i>(unaudited)</i>	<i>31 December</i> <i>2022</i>
Cash on hand	57,636	45,793
Cash on current accounts with the NBRK rated at BBB-	105,753	95,199
Cash on current accounts with other banks:		
- rated from A- to A+	62,145	69,860
- rated from BBB- to BBB+	1,738	27,026
- rated from BB- to BB+	606	–
- rated below B+	–	175
- not rated	3,679	10,257
Time deposits with the NBRK rated at BBB- with contractual maturity of 90 days or less	205,898	161,600
Accounts receivable under reverse repurchase agreements with contractual maturity of 90 days and less	6,545	48,062
Cash and cash equivalents before allowance for ECL	444,000	457,972
Allowance for ECL	(7)	(10)
Cash and cash equivalents	443,993	457,962

(millions of tenge)

11 Cash and cash equivalents (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 March 2023, cash and cash equivalents amount to 3,538 million tenge are allocated to Stage 2. As at 31 December 2022, cash and cash equivalents amount to 9,844 million tenge are allocated to Stage 2. Other cash and cash equivalents are allocated to Stage 1.

As at 31 March 2023, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are bonds of the Ministry of Finance of the Republic of Kazakhstan and notes of the NBRK, the total fair value of which as at 31 March 2023 is 6,501 million tenge (31 December 2022: 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).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified second-tier banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and on accounts with the NBRK) equal or in excess of the average minimum requirements. As at 31 March 2023, minimum reserve requirements of the Group amount to 45,071 million tenge (31 December 2022: 41,731 million tenge).

Concentration of cash and cash equivalents

As at 31 March 2023, the Group has accounts with one bank whose balances exceed 10% of total cash and cash equivalents (31 December 2022: one bank). The total balance on the accounts with the above counterparty as at 31 March 2023 amounts to 311,651 million tenge (31 December 2022: 256,799 million tenge).

12 Amounts due from financial institutions

Amounts due from financial organizations comprise:

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Current accounts with the NBRK rated at BBB- restricted in use	8,065	7,292
Deposits with other banks:		
- not rated	635	647
Contingent deposits and deposits pledged as a collateral:		
- rated from AA- to AA+	10,766	11,027
- rated from A- to A+	113	–
- rated from BBB- to BBB+	–	116
- not rated	14,775	12,816
Amounts due from financial organizations before allowance for ECL	34,354	31,898
Allowance for ECL	(956)	(852)
Amounts due from financial institutions	33,398	31,046

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

As at 31 March 2023 contingent deposits and deposits pledged as collateral include contingent deposits restricted for use on transactions with providers of payment system services in the amount of 14,170 million tenge (as at 31 December 2022: 14,513 million tenge).

As at 31 March 2023, the Group has amounts due from four financial organizations (31 December 2022: four) whose balances exceed 10% of total due from financial organizations. As at 31 March 2023, the total amount of funds due from these financial organizations is 33,530 million tenge (31 December 2022: 31,059 million tenge).

*(millions of tenge)***13 Securities at fair value through profit or loss**

Securities at fair value through profit or loss comprise:

	<i>31 March 2022 (unaudited)</i>	<i>31 December 2022</i>
Government bonds		
Bonds of foreign countries rated at AA+	–	235
Total government bonds	–	235
Equity instruments	2,696	2,528
Securities at fair value through profit or loss	2,696	2,763

14 Loans to customers

Loans to customers comprise:

	<i>31 March 2023 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans	479,827	2,521	16,779	322	499,449
Total individually significant loans	479,827	2,521	16,779	322	499,449
Individually insignificant loans					
Corporate loans	218,237	3,605	15,856	1,042	238,740
Mortgage loans	14,893	176	3,127	7,311	25,507
Consumer loans	363,026	9,999	36,032	13	409,070
Car loans	12,969	13	411	–	13,393
Credit cards	3,452	100	950	–	4,502
Other loans secured by collateral	32,904	953	16,742	13,974	64,573
Total individually insignificant loans	645,481	14,846	73,118	22,340	755,785
Loans to customers before allowance for ECL	1,125,308	17,367	89,897	22,662	1,255,234
Allowance for ECL	(25,136)	(5,563)	(44,475)	(1,221)	(76,395)
Loans to customers	1,100,172	11,804	45,422	21,441	1,178,839

*(millions of tenge)***14 Loans to customers (continued)**

	<i>31 December 2022</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
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

Quality of individually significant loans

Information on the quality of individually significant loans at 31 March 2023 is presented in the table below:

<i>Individually significant loans</i>	<i>Loans before allowance for ECL</i>	<i>Allowance for ECL</i>	<i>Loans less allowance for ECL</i>	<i>Allowance for ECL to gross loans before allowance for ECL, (%)</i>
Stage 1 loans				
- not overdue	479,827	(2,364)	477,463	0.49
	479,827	(2,364)	477,463	0.49
Stage 2 and Stage 3 loans				
- not overdue	15,250	(92)	15,158	0.60
- overdue less than 90 days	3,175	(89)	3,086	2.80
- overdue for more than 360 days	875	(425)	450	48.57
Total Stage 2 and Stage 3 loans	19,300	(606)	18,694	3.14
POCI	322	(48)	274	14.95
Total individually significant loans	499,449	(3,018)	496,431	0.60

*(millions of tenge)***14 Loans to customers (continued)****Quality of individually significant loans (continued)**

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

<i>Individually significant loans</i>	<i>Loans before allowance for ECL</i>	<i>Allowance for ECL</i>	<i>Loans less allowance for ECL</i>	<i>Allowance for ECL to gross loans before allowance for ECL, (%)</i>
Stage 1 loans				
- not overdue	489,947	(4,125)	485,822	0.84
	489,947	(4,125)	485,822	0.84
Stage 2 and Stage 3 loans				
- not overdue	21,951	(465)	21,486	2.12
- overdue for more than 360 days	941	(568)	373	60.36
Stage 2 and Stage 3 loans	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

Quality of individually insignificant loans

Information on the quality of individually insignificant loans at 31 March 2023 is presented in the table below:

<i>31 March 2023 (unaudited)</i>				
<i>Individually insignificant corporate loans</i>	<i>Loans before allowance for ECL</i>	<i>Allowance for ECL</i>	<i>Loans less allowance for ECL</i>	<i>Allowance for ECL to gross loans before allowance for ECL, (%)</i>
Not overdue	219,862	(6,652)	213,210	3.03
Overdue for less than 30 days	3,214	(255)	2,959	7.93
Overdue for 30 to 89 days	2,192	(689)	1,503	31.43
Overdue for 90 to 179 days	663	(337)	326	50.83
Overdue for 180 to 360 days	2,976	(1,538)	1,438	51.68
Overdue more than 360 days	8,791	(6,078)	2,713	69.14
POCI	1,042	(8)	1,034	0.77
Total individually insignificant corporate loans	238,740	(15,557)	223,183	6.52
Mortgage loans				
Not overdue	14,766	(32)	14,734	0.22
Overdue for less than 30 days	450	(2)	448	0.44
Overdue for 30 to 89 days	187	(2)	185	1.07
Overdue for 90 to 179 days	93	(1)	92	1.08
Overdue for 180 to 360 days	92	(2)	90	2.17
Overdue more than 360 days	2,608	(396)	2,212	15.18
POCI	7,311	(439)	6,872	6.00
Total mortgage loans	25,507	(874)	24,633	3.43
Consumer loans				
Not overdue	354,980	(10,393)	344,587	2.93
Overdue for less than 30 days	11,378	(2,138)	9,240	18.79
Overdue for 30 to 89 days	8,450	(4,478)	3,972	52.99
Overdue for 90 to 179 days	8,027	(6,258)	1,769	77.96
Overdue for 180 to 360 days	10,081	(8,088)	1,993	80.23
Overdue more than 360 days	16,141	(13,814)	2,327	85.58
POCI	13	—	13	0.00
Total consumer loans	409,070	(45,169)	363,901	11.04

*(millions of tenge)***14 Loans to customers (continued)****Quality of individually insignificant loans (continued)**

<i>31 March 2023 (unaudited)</i>				
	<i>Loans before allowance for ECL</i>	<i>Allowance for ECL</i>	<i>Loans less allowance for ECL</i>	<i>Allowance for ECL to gross loans before allowance for ECL, (%)</i>
Car loans				
Not overdue	12,948	(2)	12,946	0.02
Overdue for less than 30 days	45	–	45	0.00
Overdue for 30 to 89 days	9	–	9	0.00
Overdue for 90 to 179 days	3	–	3	0.00
Overdue for 180 to 360 days	1	–	1	0.00
Overdue more than 360 days	387	(91)	296	23.51
Total car loans	13,393	(93)	13,300	0.69
Credit cards				
Not overdue	3,262	(296)	2,966	9.07
Overdue for less than 30 days	218	(20)	198	9.17
Overdue for 30 to 89 days	99	(56)	43	56.57
Overdue for 90 to 179 days	132	(108)	24	81.82
Overdue for 180 to 360 days	207	(171)	36	82.61
Overdue more than 360 days	584	(496)	88	84.93
Total credit cards	4,502	(1,147)	3,355	25.48
Other loans secured by collateral				
Not overdue	31,933	(238)	31,695	0.75
Overdue for less than 30 days	1,744	(36)	1,708	2.06
Overdue for 30 to 89 days	821	(92)	729	11.21
Overdue for 90 to 179 days	701	(40)	661	5.71
Overdue for 180 to 360 days	893	(221)	672	24.75
Overdue more than 360 days	14,507	(9,184)	5,323	63.31
POCI	13,974	(726)	13,248	5.20
Total other loans secured by collateral	64,573	(10,537)	54,036	16.32
Total individually insignificant loans	755,785	(73,377)	682,408	9.71

*(millions of tenge)***14 Loans to customers (continued)****Quality of individually insignificant loans (continued)**

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

	<i>31 December 2022</i>			
	<i>Loans before allowance for ECL</i>	<i>Allowance for ECL</i>	<i>Loans less allowance for ECL</i>	<i>Allowance for ECL to gross loans before allowance for ECL, (%)</i>
Individually insignificant corporate loans				
Not overdue	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				
Not overdue	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				
Not overdue	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
Car loans				
Not overdue	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

*(millions of tenge)***14 Loans to customers (continued)****Quality of individually insignificant loans (continued)***Analysis of movements in allowance for ECL (continued)*

	31 December 2022			
	<i>Loans before allowance for ECL</i>	<i>Allowance for ECL</i>	<i>Loans less allowance for ECL</i>	<i>Allowance for ECL to gross loans before allowance for ECL, (%)</i>
Credit cards				
Not overdue	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				
Not overdue	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

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.

(millions of tenge)

14 Loans to customers (continued)

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 including 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 Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

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

Reposessed collateral

For the three months ended 31 March 2023, the Group received a property with the carrying amount of 216 million tenge (three months ended 31 March 2022: 229 million tenge) by obtaining control over collateral for loans issued to customers (*Note 16*). The Group's policy assumes sale of these assets as soon as it is practicable.

Concentration of loans to customers

As at 31 March 2023, the Group had a concentration of loans represented by 293,721 million tenge due from the ten largest independent borrowers or 23.40% of gross loan portfolio (31 December 2022: 315,382 million tenge or 25.45% of gross loan portfolio). Allowance for ECL on these loans is 868 million tenge (31 December 2022: 2,690 million tenge).

*(millions of tenge)***14 Loans to customers (continued)****Industry and geographical analysis of loans**

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

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Loans to retail customers	517,046	490,266
Metallurgy	158,792	191,137
Wholesale trading	119,558	94,764
Services provided by small and medium businesses	70,693	67,489
Transportation services	70,414	78,601
Financial services	68,503	67,794
Retail services	56,593	56,416
Real estate activities	49,174	48,528
Food industry	34,760	35,681
Construction	30,636	27,319
Agriculture	9,691	9,587
Textile production	8,238	7,609
Post and communication services	6,929	8,254
Industrial manufacturing	6,268	6,593
Metal products manufacturing	4,217	3,801
Chemical industry	498	678
Machine-building	142	155
Other	43,082	43,936
	1,255,234	1,238,608
Allowance for ECL	(76,395)	(65,066)
	1,178,839	1,173,542

Finance lease receivables

As at 31 March 2023 and 31 December 2022 loans to customers include finance lease receivables of 13,215 million tenge and 12,240 million tenge, respectively.

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Minimum lease payments receivable	17,089	15,425
Unearned finance income	(3,520)	(2,833)
Net minimum lease payments receivable	13,569	12,592
Less: ECL allowance	(354)	(352)
Net investment in finance leases	13,215	12,240
Current portion of minimum lease payments	8,730	8,769
Current portion of unearned finance income	(1,168)	(1,100)
Current portion of net minimum lease payments receivable	7,562	7,669
Non-current portion of minimum lease payments	8,359	6,656
Non-current portion of unearned finance income	(2,352)	(1,733)
Non-current portion of net minimum lease payments receivable	6,007	4,923
Net minimum lease payments receivable	13,569	12,592

*(millions of tenge)***14 Loans to customers (continued)****Finance lease receivables (continued)**

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

<i>At 31 March 2023</i>	<i>Up to 1 year</i>	<i>From 1 to 2 years</i>	<i>From 2 to 3 years</i>	<i>From 3 to 4 years</i>	<i>From 4 to 5 years</i>	<i>Total</i>
Minimum lease payments receivable	8,730	6,253	1,580	499	27	17,089
Unearned finance income	(1,168)	(1,567)	(553)	(218)	(14)	(3,520)
Net minimum lease payments receivable	7,562	4,686	1,027	281	13	13,569
<i>As at 31 December 2022</i>	<i>Up to 1 year</i>	<i>From 1 to 2 years</i>	<i>From 2 to 3 years</i>	<i>From 3 to 4 years</i>	<i>From 4 to 5 years</i>	<i>Total</i>
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

15 Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Debt investment securities at amortized cost		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	29,235	30,044
Bonds of foreign countries rated at BB- to BB+	919	932
Total government bonds	30,154	30,976
Corporate bonds		
Rated from BBB- to BBB+	178,348	177,938
Rated from BB- to BB+	86,044	84,414
Total corporate bonds	264,392	262,352
Bonds of banks		
Rated from B- to B+	—	4,711
Total bonds of banks	—	4,711
Investment securities measured at amortised cost before ECL allowance	294,546	298,039
Allowance for ECL	(204)	(187)
Investment securities measured at amortized cost	294,342	297,852

*(millions of tenge)***15 Investment securities (continued)**

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Debt securities at FVOCI		
Government bonds		
Treasury bills of the United States of America rated AAA	–	293
Bonds of the NBRK rated BBB-	–	497
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	556,260	532,466
Total government bonds	556,260	533,256
Corporate bonds		
Rated from BBB- to BBB+	105,877	125,596
Rated from BB- to BB+	21,699	11,985
Rated from B- to B+	1,974	1,963
Total corporate bonds	129,550	139,544
Bonds of banks		
Rated from A- to A+	1,566	–
Rated from BBB- to BBB+	12,294	12,081
Rated below B+	–	2,363
Not rated	240	186
Total bonds of banks	14,100	14,630
Investments in equity instruments		
Corporate shares	1,648	5,292
Total investments in equity instruments	1,648	5,292
Investment securities measured at FVOCI	701,558	692,722

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 March 2023, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of 33,354 million tenge, were pledged as collateral under the repurchase agreements entered into at the KASE.

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.

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 March 2023, the total carrying amount of these bonds was 243,455 million tenge (31 December 2022: 241,073 million tenge).

The Group's debt securities issued held by SWF Samruk-Kazyna JSC (*Note 19*), with a total nominal value of 220,000 million tenge, serve as collateral for liabilities to the Group on the above mentioned bonds.

*(millions of tenge)***16 Other assets and other liabilities**

Other assets comprise:

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Accounts receivable from sale of collateral	10,568	12,653
Receivables under government programs for support of specific population segments	1,914	2,875
Accounts receivable on fee and commission income	2,026	1,708
Other accounts receivable from bank activities	3,024	2,862
	17,532	20,098
Allowance for ECL	(2,905)	(2,869)
Other financial assets	14,627	17,229
Reposessed collateral	29,877	30,593
Prepayments and deferred expenses	7,103	5,659
Taxes prepaid other than corporate income tax	1,942	2,078
Investment property	1,651	1,609
Inventories held for sale	1,217	1,236
Other inventories	771	776
Other	907	827
	43,468	42,778
Impairment allowance	(65)	(78)
Other non-financial assets	43,403	42,700
Total other assets	58,030	59,929

During the three months ended 31 March 2023, the Group took possession of collaterals with a total value of 216 million tenge (three months ended 31 March 2022: 229 million tenge). Even though the Group is currently working actively to dispose reposessed collateral held for sale, most of them have not been sold within short period of time. Management still intends to sell the reposessed collateral.

Other liabilities comprise:

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Accrued expenses for employee benefits	7,728	5,457
Deferred income from government economic support programs	3,418	3,811
Payables on non-banking activities	2,045	2,065
Lease liabilities	1,719	1,770
Obligations to pay mandatory contributions to the KDIF	457	866
Allowance for ECL for credit related commitments (<i>Note 24</i>)	1,162	546
Other	3,706	1,259
Other financial liabilities	20,235	15,774
Taxes payable other than corporate income tax	2,767	2,628
Other	1,566	587
Other non-financial liabilities	4,333	3,215
Total other liabilities	24,568	18,989

*(millions of tenge)***17 Current accounts and deposits of customers**

Current accounts and deposits of customers comprise:

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Current accounts and demand deposits		
- Retail customers	125,536	138,821
- Corporate customers	603,825	555,155
Time deposits		
- Retail customers	583,062	570,528
- Corporate customers	609,499	663,616
Guarantee deposits		
- Retail customers	31,223	34,441
- Corporate customers	47,373	49,173
	2,000,518	2,011,734
Held as security against letters of credit and guarantees (Note 24)	(237)	(521)

Concentration of current accounts and deposits of customers

As at 31 March 2023, total amount of account balances of top 10 customers amounted to 318,984 million tenge or 15.95% of total current accounts and deposits of customers (31 December 2022: 356,755 million tenge or 17.73%).

As at 31 March 2023, the Group's outstanding balance of accounts and deposits of individuals and individual entrepreneurs amounted to 291,361 million tenge (31 December 2022: 287,838 million tenge) with limited KDIF insurance coverage on behalf of the Government of the Republic of Kazakhstan.

In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is 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.

18 Amounts due to banks and other financial organizations

Amounts due to banks and other financial organizations comprise:

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Loans from governmental organizations	52,561	53,035
Liabilities due to Kazakhstan Sustainability Fund JSC	12,410	13,716
	64,971	66,751

As at 31 March 2023, loans from government entities included loans received from Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC and Industrial Development Fund JSC in the amount of 33,783 million tenge, 13,384 million tenge and 5,350 million tenge, respectively (31 December 2022: Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC and Industrial Development Fund JSC in the amount of 34,485 million tenge, 13,321 million tenge and 5,179 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 2024-2052. 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 the three months ended 31 March 2023, 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 24.00%-25.00% per annum. During the three months ended 31 March 2023, the Group recognized net income from the car lending program in the amount of 45 million tenge in the consolidated statement of comprehensive income.

*(millions of tenge)***18 Amounts due to banks and other financial institutions (continued)**

As at 31 March 2023, liabilities to Kazakhstan Sustainability Fund JSC include deposits in the amount of 9,927 million tenge (31 December 2022: 11,225 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 during the three months ended 31 March 2023 at initial recognition was determined by the Group using a market rate of 13.53% 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 20.59% to 24.00% per annum (during the three months ended 31 March 2022: from 19.77% per annum). During the three months ended 31 March 2023, 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 890 million tenge (during the three months ended 31 March 2022: income from initial recognition of KSF deposit net of loss on derecognition of loans to customers in the amount of 388 million tenge) in the consolidated statement of comprehensive income.

19 Debt securities issued

Debt securities issued comprise:

	<i>Maturity</i>	<i>Coupon rate</i>	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Bonds in US dollars				
Bonds issued in 2022	2025	2.60%	12,814	13,040
			12,814	13,040
Bonds in tenge				
Bonds issued in 2018	2024	4.00%	192,620	186,659
Bonds issued in 2015	2025	10.13%	48,705	49,774
			241,325	236,433
			254,139	249,473

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 March 2023, the total nominal value of outstanding bonds issued under this bond program amounted to 27,900 thousand US dollars (equivalent in tenge - 12,603 million tenge). 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 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.

20 Subordinated debt

As at 31 March 2023 and 31 December 2022, 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 the three months ended 31 March 2023, the Bank redeemed subordinated debt securities issued in the amount of 2,313 million tenge in accordance with the contractual terms.

(millions of tenge)

21 Share capital

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

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
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)	(1,934,434,197)
Number of outstanding shares	90,452,669,892	90,452,669,892
Total share capital, millions of tenge	329,350	329,350

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

	<i>Quantity of common shares</i>	<i>Placement value of common shares</i>
As at 1 January 2023	90,452,669,892	329,350
Repurchase of own shares (unaudited)	—	—
At 31 March 2023 (unaudited)	90,452,669,892	329,350
At 1 January 2022	90,452,727,392	329,350
Repurchase of own shares (unaudited)	—	—
At 31 March 2022 (unaudited)	90,452,727,392	329,350

During the three months ended 31 March 2023, the Bank did not declare and pay dividends. 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.

22 Earnings per share

The following reflects the net profit and share information used in the basic and diluted earnings per share computations:

	<i>For the three months ended 31 March 2023 (unaudited)</i>	<i>2022 (unaudited)</i>
Net profit attributable to shareholders of the Bank	27,975	16,212
Weighted average number of common shares	90,452,669,892	90,452,727,392
Basic and diluted earnings per common share in tenge	0.31	0.18

As at 31 March 2023 and 31 March 2022, the Bank did not have any financial instruments diluting earnings per share.

23 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 norms established by the NBRK in supervising the Bank.

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

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.

(millions of tenge)

23 Capital management (continued)

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) in the value 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) in the value not less than 10%.

Investments for the purposes of calculation of the above ratios represent investments into share capital (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 March 2023 and 31 December 2022:

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Tier 1 capital	340,233	315,091
Tier 2 capital	10,353	10,354
Total capital	350,586	325,445
Total risk-weighted statutory assets, contingent liabilities, operational and market risk	1,629,022	1,609,161
Ratio k1	20.9%	19.6%
Ratio k1-2	20.9%	19.6%
Ratio k2	21.5%	20.2%

24 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.

Management of the Bank believes that it is taking appropriate measures to maintain the economic sustainability of the Bank in the current environment.

Credit related commitments

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

The Group provides bank guarantees and issues letters of credit to ensure that their customers' obligations to third parties are met. These agreements have fixed limits and generally extend for a period of up to five years. In providing financial guarantees, credit related contingencies and letters of credit, the Group applies the same risk management policies and procedures used when issuing loans to customers.

(millions of tenge)

24 Commitments and contingencies (continued)

Credit related commitments (continued)

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

	<i>31 March 2023 (unaudited)</i>	<i>31 December 2022</i>
Undrawn loan commitments	287,927	217,758
Guarantees issued	78,875	69,375
Letters of credit	2,460	1,365
	369,262	288,498
Less: current accounts and deposits of customers, held as collateral under letters of credit and guarantees (<i>Note 17</i>)	(237)	(521)
Less allowance for ECL (<i>Note 16</i>)	(1,162)	(546)
	367,863	287,431

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 refinancing 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 in these interim condensed consolidated financial statements 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 interim condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

25 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 included in general and administrative expenses for the three months ended 31 March 2023 and 2022 is as follows:

	<i>For the three months ended 31 March 2023 (unaudited)</i>	<i>2022 (unaudited)</i>
Members of the Board of Directors and the Management Board of the Group	311	967
	311	967

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

(millions of tenge)

25 Related party transactions (continued)**Transactions with other related parties**

Other related parties in the table below include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the average effective interest rates as at 31 March 2023 and related profit or loss for the three months ended 31 March 2023 from transactions with related parties are as follows:

31 March 2023 (unaudited)							
Shareholders			Entities under common control		Other related parties		Total
Average annual effective			Average annual effective		Average annual effective		
In millions of tenge	interest rate (%)		In millions of tenge	interest rate (%)	In millions of tenge	interest rate (%)	In millions of tenge
Assets							
Loans to customers	–	–	–	–	4,741	5.58	4,741
Other assets	–	–	114	–	2	–	116
Liabilities							
Current accounts and deposits of customers	14,685	1.00	35,869	3.31	8,478	4.31	59,032
Other liabilities	–	–	87	–	–	–	87
Contingent liabilities	–	–	–	–	34	–	34
Guarantees issued	–	–	–	–	77	–	77

For the three months ended 31 March 2023 (unaudited)				
	Entities under common control		Other related parties	Total
Income/(expenses)	Shareholders			
Interest revenue	—	—	62	62
Interest expenses	(28)	(404)	(72)	(504)
General and administrative expenses	—	(743)	(11)	(754)
Fee and commission income	—	3	1	4
Fee and commission expenses	—	(121)	—	(121)
Other expenses	—	(26)	—	(26)

The outstanding balances and the related average effective rates as at 31 December 2022, and related income or loss from transactions with related parties for three months ended 31 March 2022, are as follows:

31 December 2022							
Shareholders			Entities under common control		Other related parties		Total
Average effective interest rate			Average effective interest rate		Average effective interest rate		
In millions of tenge	interest rate (%)	In millions of tenge	interest rate (%)	In millions of tenge	interest rate (%)	In millions of 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	3.9	9,483	3.29	68,382
Other liabilities	—	—	75	—	—	—	75
Contingent liabilities	—	—	—	—	111	—	111
Guarantees issued	—	—	—	—	79	—	79

*(millions of tenge)***25 Related party transactions (continued)****Transactions with other related parties (continued)**

<i>For the three months ended 31 March 2022</i>				
<i>(unaudited)</i>				
	<i>Entities under</i>		<i>Other related</i>	
	<i>Shareholders</i>	<i>common control</i>	<i>parties</i>	<i>Total</i>
Income/(expenses)				
Interest revenue	–	–	64	64
Interest expenses	(24)	(238)	(28)	(290)
General and administrative expenses	–	(19)	(4)	(23)
Fee and commission income	–	12	4	16
Other expenses	–	(42)	–	(42)

26 Segment information

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) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities and individual entrepreneurs);
- Retail banking (RB) – includes issuance of loans, attracting deposits, 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 financial organizations, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and related foreign currency transactions;
- Other – other transactions with debtors/creditors, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Investment Activities).

*(millions of tenge)***26 Segment information (continued)**

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

31 March 2023						
(unaudited)						
	CB	SMB	RB	Investing activities	Other	Total
Assets						
Cash and cash equivalents	327	17,271	37,390	212,443	176,562	443,993
Amounts due from financial institutions	—	—	—	25,333	8,065	33,398
Securities at fair value through profit or loss	—	—	—	2,696	—	2,696
Loans to customers	367,174	338,895	455,646	—	17,124	1,178,839
Investment securities	—	—	—	995,900	—	995,900
Property and equipment	—	—	—	—	58,482	58,482
Intangible assets	—	—	—	—	14,415	14,415
Other assets	86	178	438	76	57,252	58,030
Total assets	367,587	356,344	493,474	1,236,448	331,900	2,785,753
Liabilities						
Current accounts and deposits of customers	689,177	567,240	744,039	—	62	2,000,518
Amounts due to banks and other financial organizations	10,510	33,608	10,919	124	9,810	64,971
Amounts payable under repurchase agreements	—	—	—	33,349	—	33,349
Debt securities issued	—	—	12,814	192,620	48,705	254,139
Deferred tax liabilities	—	—	—	—	13,165	13,165
Subordinated debt	—	—	—	—	14,647	14,647
Other liabilities	24	266	1,382	6	22,890	24,568
Total liabilities	699,711	601,114	769,154	226,099	109,279	2,405,357
Equity						
Share capital	—	—	—	—	332,815	332,815
Treasury shares	—	—	—	—	(3,465)	(3,465)
Additional paid-in capital	—	—	—	—	23,651	23,651
Fair value reserve	—	—	—	—	(15,225)	(15,225)
Accumulated losses	—	—	—	—	42,620	42,620
Total equity attributable to shareholders of the Bank	—	—	—	—	380,396	380,396

*(millions of tenge)***26 Segment information (continued)**

	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 financial 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 financial organizations	10,518	34,310	10,692	37	11,194	66,751
Amounts payable under repurchase agreements	—	—	—	67,980	—	67,980
Debt securities issued	—	—	13,040	186,660	49,773	249,473
Deferred tax liabilities	—	—	—	—	13,904	13,904
Subordinated debt	—	—	—	—	16,795	16,795
Other liabilities	24	90	1,531	8	17,336	18,989
Total liabilities	691,221	616,887	773,735	254,685	109,098	2,445,626
Equity						
Share capital	—	—	—	—	332,815	332,815
Additional paid-in capital	—	—	—	—	23,651	23,651
Treasury shares	—	—	—	—	(3,465)	(3,465)
Fair value reserve	—	—	—	—	(23,886)	(23,886)
Accumulated losses	—	—	—	—	14,645	14,645
Total equity attributable to shareholders of the Bank	—	—	—	—	343,760	343,760

*(millions of tenge)***26 Segment information (continued)**

Information on the main reporting segments for the three months ended 31 March 2023 and 2022 may be presented as follows:

<i>For the three months ended 31 March 2023</i>							
<i>(unaudited)</i>							
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Elimination</i>	<i>Total</i>
Interest income	9,958	13,878	28,469	28,638	1,664	–	82,607
Transfer income	15,500	15,465	15,333	12,645	4,317	(63,260)	–
Interest expenses	(11,373)	(6,250)	(10,985)	(10,128)	(2,089)	–	(40,825)
Transfer expenditures	(7,190)	(8,726)	(11,279)	(27,736)	(421)	55,352	–
Net interest income	6,895	14,367	21,538	3,419	3,471	(7,908)	41,782
Fee and commission income	704	4,676	2,963	9	29	–	8,381
Fee and commission expense	(355)	(1,389)	(1,665)	(39)	(8)	–	(3,456)
Net loss on transactions with financial instruments at fair value through profit or loss	–	–	–	(71)	–	–	(71)
Net gains from derecognition of investment securities at fair value through other comprehensive income	–	–	–	677	–	–	677
Net gain from foreign currencies	2,017	4,591	1,212	1,233	209	–	9,262
Other income	97	42	(23)	–	1,173	–	1,289
Non-interest income	2,463	7,920	2,487	1,809	1,403	–	16,082
Credit loss expenses	(214)	(225)	(11,026)	(433)	167	–	(11,731)
Net losses on derecognition of financial assets measured at amortized cost	–	–	(647)	–	(243)	–	(890)
General and administrative expenses	(1,097)	(4,630)	(7,224)	(1,164)	(2,234)	–	(16,349)
Other expenses	6	(155)	(1,191)	(25)	(361)	–	(1,726)
Non-interest expense	(1,305)	(5,010)	(20,088)	(1,622)	(2,671)	–	(30,696)
Other transfer income and expenditures	104	(397)	(230)	(2,165)	(5,220)	7,908	–
Profit/(loss) before corporate income tax expense	8,157	16,880	3,707	1,441	(3,017)	–	27,168
Corporate income tax benefit	257	451	99	–	–	–	807
Profit/(loss) for the period	8,414	17,331	3,806	1,441	(3,017)	–	27,975

*(millions of tenge)***26 Segment information (continued)***For the three months ended 31 March 2022**(unaudited)*

	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Elimi- nation</i>	<i>Total</i>
Interest income	4,668	9,079	17,312	21,710	1,175	—	53,944
Transfer income	11,933	9,197	7,989	6,955	4,365	(40,439)	—
Interest expenses	(7,411)	(4,111)	(5,458)	(6,384)	(2,741)	—	(26,105)
Transfer expenditures	(3,224)	(6,060)	(7,897)	(22,086)	(611)	39,878	—
Net interest income	5,966	8,105	11,946	195	2,188	(561)	27,839
Fee and commission income	608	3,644	3,089	6	3	—	7,350
Fee and commission expense	(327)	(1,240)	(1,009)	(47)	(54)	—	(2,677)
Net income on transactions with financial instruments at fair value through profit or loss	—	—	—	2,910	—	—	2,910
Net gains from derecognition of investment securities at fair value through other comprehensive income	—	—	—	26	—	—	26
Net gain/(loss) from foreign currencies	1,135	4,783	2,529	(2,338)	105	—	6,214
Net loss upon derecognition of financial assets measured at amortized cost	—	—	(90)	—	(298)	—	(388)
Other income	36	8	(24)	1	599	—	620
Non-interest income	1,452	7,195	4,495	558	355	—	14,055
Credit loss expenses	(4,296)	(1,023)	(4,875)	(493)	1,886	—	(8,801)
General and administrative expenses	(734)	(3,884)	(7,294)	(357)	(1,990)	—	(14,259)
Other expenses	(6)	(21)	(668)	(16)	(216)	—	(927)
Non-interest expense	(5,036)	(4,928)	(12,837)	(866)	(320)	—	(23,987)
Other transfer income and expenditures	(559)	(456)	(535)	4,313	(3,324)	561	—
Profit/(loss) before corporate income tax expense	1,823	9,916	3,069	4,200	(1,101)	—	17,907
Corporate income tax expenses	(163)	(884)	(274)	(374)	—	—	(1,695)
Profit/(loss) for the period	1,660	9,032	2,795	3,826	(1,101)	—	16,212

*(millions of tenge)***27 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 March 2023:

	<i>31 March 2023 (unaudited)</i>				
	<i>Assets and liabilities measured at fair value</i>	<i>Assets and liabilities whose fair value is disclosed</i>	<i>Total carrying amount</i>	<i>Fair values</i>	<i>Unrecognised gain/(loss)</i>
Cash and cash equivalents	—	443,993	443,993	443,993	—
Amounts due from financial organizations	—	33,398	33,398	33,398	—
Securities at fair value through profit or loss	2,696	—	2,696	2,696	—
Loans to customers	—	1,178,839	1,178,839	1,164,269	(14,570)
Investment securities measured at FVOCI	701,558	—	701,558	701,558	—
Investment securities measured at amortized cost	—	294,342	294,342	274,812	(19,530)
Other financial assets	—	14,627	14,627	14,627	—
	704,254	1,965,199	2,669,453	2,635,353	(34,100)
Current accounts and deposits of customers	—	2,000,518	2,000,518	2,000,701	(183)
Amounts due to banks and other financial institutions	—	64,971	64,971	61,005	3,966
Amounts payable under repurchase agreements	—	33,349	33,349	33,354	(5)
Debt securities issued	—	254,139	254,139	233,266	20,873
Subordinated debt	—	14,647	14,647	10,889	3,758
Other financial liabilities	—	20,235	20,235	20,235	—
	—	2,387,859	2,387,859	2,359,450	28,409
					(5,691)

*(millions of tenge)***27 Fair value of financial instruments (continued)****Accounting classification and fair value (continued)**

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

<i>31 December 2022</i>					
	<i>Assets and liabilities measured at fair value</i>	<i>Assets and liabilities whose fair value is disclosed</i>	<i>Total carrying amount</i>	<i>Fair values</i>	<i>Unrecognised gain/(loss)</i>
Cash and cash equivalents	–	457,962	457,962	457,962	–
Amounts due from financial organizations	–	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 financial 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)

The estimate of fair value is intended to approximate the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, 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.

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.

*(millions of tenge)***27 Fair value of financial instruments (continued)****Accounting classification and fair value (continued)***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 carried 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 financial organizations, deposits of banks and other financial organizations, 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:

- To discount the future cash flows from loans to corporate customers a discount rate in the range from 5.50% p.a. to 21.25% p.a. (31 December 2022: 4.97% p.a. to 19.54% p.a.) was used;
- The discount rate of 3.69% p.a. to 33.65% p.a. was used to calculate the future cash flows from loans to individuals (31 December 2022: 32.86% p.a.).

Fair value hierarchy

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

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

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

		31 March 2023			
		(unaudited)			
	Note	Level 1	Level 2	Level 3	Total
Assets					
Securities at fair value through profit or loss	13	298	126	2,272	2,696
Investment securities measured at FVOCI	15	575,427	126,131	–	701,558
		575,725	126,257	2,272	704,254

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.

		31 December 2022			
		Level 1	Level 2	Level 3	Total
	Note				
Assets					
Securities at fair value through profit or loss	13	235	256	2,272	2,763
Investment securities measured at FVOCI	15	554,864	137,858	–	692,722
		555,099	138,114	2,272	695,485

*(millions of tenge)***27 Fair value of financial instruments (continued)****Fair value hierarchy (continued)**

As at 31 March 2023, KSF debt securities measured FVOCI in the amount of 98,526 million tenge are classified in Level 2 of the fair value hierarchy (as at 31 December 2022: 109,985 million tenge). These investment securities are considered for regulatory purposes as high-quality liquid assets, but are classified in Level 2 due to insufficient amount of transactions with these securities in an active market.

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

<i>31 March 2023</i> <i>(unaudited)</i>					
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>Total carrying value</i>
Assets					
Cash and cash equivalents	—	443,993	—	443,993	443,993
Amounts due from financial institutions	—	33,398	—	33,398	33,398
Loans to customers	—	—	1,164,269	1,164,269	1,178,839
Investment securities measured at amortized cost	27,720	18,797	228,295	274,812	294,342
Other financial assets	—	—	14,627	14,627	14,627
Liabilities					
Current accounts and deposits of customers	—	2,000,701	—	2,000,701	2,000,518
Amounts due to banks and other financial organizations	—	61,005	—	61,005	64,971
Amounts payable under repurchase agreements	—	33,354	—	33,354	33,349
Debt securities issued	—	233,266	—	233,266	254,139
Subordinated debt	—	10,889	—	10,889	14,647
Other financial liabilities	—	20,235	—	20,235	20,235

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:

<i>31 December 2022</i>					
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>Total carrying value</i>
Assets					
Cash and cash equivalents	—	457,962	—	457,962	457,962
Amounts due from financial 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 financial organizations	—	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

28 Subsequent events

Subject to the decision of shareholders dated 2 May 2023, the Bank declared and paid dividends on common shares for the year ended 31 December 2022, in the amount of 49,043 million tenge.